
SURF AID INTERNATIONAL, USA

FINANCIAL STATEMENTS

March 31, 2017 and 2016



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SURF AID INTERNATIONAL, USA
FINANCIAL STATEMENTS
March 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of Surf Aid International, USA

We have audited the accompanying financial statements of Surf Aid International, USA (a nonprofit organization), which are comprised of the statements of financial position as of March 31, 2017 and 2016, and the related statements of activities, statements of functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Surf Aid International, USA as of March 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Encinitas, California
October 23, 2017

SURF AID INTERNATIONAL, USA
STATEMENTS OF FINANCIAL POSITION

March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 53,420	\$ 34,788
Due from affiliates	7,252	16,034
Pledges receivable	11,000	5,000
Grants receivable	125,000	115,087
Other receivables	-	4,248
Prepaid expenses	<u>2,576</u>	<u>10,260</u>
TOTAL CURRENT ASSETS	199,248	185,417
NON CURRENT ASSETS		
Deposits	840	840
Property and equipment, net	<u>1,162</u>	<u>2,173</u>
	<u>2,002</u>	<u>3,013</u>
TOTAL ASSETS	<u>\$ 201,250</u>	<u>\$ 188,430</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 8,036	\$ 9,659
Due to affiliates	30,000	4,250
Accrued expenses	7,735	14,106
Deferred revenue	<u>15,000</u>	<u>22,870</u>
TOTAL CURRENT LIABILITIES	60,771	50,885
NET ASSETS		
Unrestricted	(4,484)	4,461
Temporarily restricted	<u>144,963</u>	<u>133,084</u>
TOTAL NET ASSETS	<u>140,479</u>	<u>137,545</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 201,250</u>	<u>\$ 188,430</u>

SURF AID INTERNATIONAL, USA
STATEMENT OF ACTIVITIES
For the year ended March 31, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 123,276	\$ 320	\$ 123,596
Grants	20,000	180,071	200,071
Special events revenue	201,971	-	201,971
less special event expenses	(45,909)	-	(45,909)
In kind contributions	1,610	-	1,610
Loss on disposal of assets	(1,442)	-	(1,442)
Net assets released from restrictions, satisfaction of program restrictions	<u>168,512</u>	<u>(168,512)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	468,018	11,879	479,897
EXPENSES			
Program services	294,177	-	294,177
Supporting services			
Management and general	33,785	-	33,785
Fundraising	<u>149,001</u>	<u>-</u>	<u>149,001</u>
TOTAL EXPENSES	<u>476,963</u>	<u>-</u>	<u>476,963</u>
INCREASE (DECREASE) IN NET ASSETS	(8,945)	11,879	2,934
NET ASSETS AT BEGINNING OF YEAR	<u>4,461</u>	<u>133,084</u>	<u>137,545</u>
NET ASSETS AT END OF YEAR	<u><u>\$ (4,484)</u></u>	<u><u>\$ 144,963</u></u>	<u><u>\$ 140,479</u></u>

SURF AID INTERNATIONAL, USA
STATEMENT OF ACTIVITIES
For the year ended March 31, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 200,596	\$ -	\$ 200,596
Grants	3,614	50,930	54,544
Special events revenue	221,268	-	221,268
less special event expenses	(27,087)	-	(27,087)
Net assets released from restrictions, satisfaction of program restrictions	<u>114,449</u>	<u>(114,449)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	512,840	(63,519)	449,321
EXPENSES			
Program services	220,295	-	220,295
Supporting services			
Management and general	101,121	-	101,121
Fundraising	<u>216,486</u>	<u>-</u>	<u>216,486</u>
TOTAL EXPENSES	<u>537,902</u>	<u>-</u>	<u>537,902</u>
DECREASE IN NET ASSETS	(25,062)	(63,519)	(88,581)
NET ASSETS AT BEGINNING OF YEAR	<u>29,523</u>	<u>196,603</u>	<u>226,126</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 4,461</u></u>	<u><u>\$ 133,084</u></u>	<u><u>\$ 137,545</u></u>

SURF AID INTERNATIONAL, USA
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2017

	Program services	Supporting services		Total
		Management and general	Fundraising	
Payments to affiliates	\$ 236,746	\$ -	\$ -	\$ 236,746
Salaries and related expenses	30,636	16,513	114,082	161,231
Development	15,207	-	11,032	26,239
Professional services	6,281	10,618	4,433	21,332
Rent	3,613	3,960	3,915	11,488
Bank and credit card fees	171	712	5,330	6,213
Insurance	1,503	1,126	1,126	3,755
Travel, conferences and meetings	-	-	2,812	2,812
Printing and production	-	-	2,342	2,342
Telephones and internet	-	-	1,643	1,643
In kind contributions	-	-	1,610	1,610
Postage, shipping and delivery	-	35	536	571
Depreciation	-	484	-	484
Utilities	20	143	20	183
Filing fees and taxes	-	144	-	144
Subscriptions	-	-	120	120
Supplies	-	50	-	50
	<u>\$ 294,177</u>	<u>\$ 33,785</u>	<u>\$ 149,001</u>	<u>\$ 476,963</u>

SURF AID INTERNATIONAL, USA
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended March 31, 2016

	Program services	Supporting services		Total
		Management and general	Fundraising	
Payments to affiliates	\$ 210,842	\$ 25,000	\$ -	\$ 235,842
Salaries and related expenses	7,340	42,525	152,618	202,483
Development	-	-	51,097	51,097
Professional services	-	19,634	360	19,994
Rent	1,515	4,518	4,751	10,784
Bank and credit card fees	405	54	4,719	5,178
Insurance	-	4,233	-	4,233
Telephones and internet	158	365	2,225	2,748
Printing and production	-	1,434	-	1,434
Supplies	-	1,272	28	1,300
Depreciation	-	1,028	-	1,028
Travel, conferences and meetings	-	424	-	424
Subscriptions	-	26	358	384
Filing fees and taxes	-	294	-	294
Utilities	35	105	111	251
Staff development	-	-	219	219
Repairs and maintenance	-	137	-	137
Postage, shipping and delivery	-	72	-	72
	<u>\$ 220,295</u>	<u>\$ 101,121</u>	<u>\$ 216,486</u>	<u>\$ 537,902</u>

SURF AID INTERNATIONAL, USA**STATEMENTS OF CASH FLOWS**

For the years ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 2,934	\$ (88,581)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	484	1,028
Loss on disposal of assets	1,442	-
Changes in operating assets and liabilities		
Due from affiliates	8,782	(16,034)
Pledges receivable	(6,000)	13,590
Grants receivable	(9,913)	57,628
Other receivables and prepaid expenses	11,932	(8,682)
Deposits	-	1,194
Accounts payable	(1,623)	(4,726)
Due to affiliates	25,750	4,284
Accrued expenses	(6,371)	8,399
Deferred revenue	(7,870)	22,870
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	19,547	(9,030)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(915)	(1,623)
NET INCREASE (DECREASE) IN CASH	18,632	(10,653)
CASH AT BEGINNING OF YEAR	34,788	45,441
CASH AT END OF YEAR	\$ <u>53,420</u>	\$ <u>34,788</u>

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2017 and 2016

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Surf Aid International, USA (Surf Aid) is a California nonprofit public benefit corporation. Its mission is to improve health, wellbeing and self-reliance of people living in isolated regions connected to us through surfing. The Organization raises funds to support education and health related building, provided free of charge with concomitant contributions by communities, in very remote areas where maternal and child health statistics are poor.

Surf Aid supports, with money and materials, the efforts of a Country Director and local staff who live and work in the field.

Method of Accounting

The financial statements of Surf Aid International, USA have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The accompanying financial statements are prepared on the accrual basis of accounting. Surf Aid's net assets and its revenues, expenses, gains and losses are reported based on the existence or absence of donor-imposed restrictions. Surf Aid reports information regarding its financial position and operations according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted net assets* represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- *Temporarily restricted net assets* consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- *Permanently restricted net assets* are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Surf Aid did not have any permanently restricted net assets during the years ended March 31, 2017 and 2016.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Measurements

In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2017 and 2016

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The standard describes three-tier hierarchy of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Due to the short-term nature of cash, receivables, other assets, accounts payable and accrued expenses, fair value approximates carrying value.

Contributions and Grants

Contributions and grants are recognized when unconditionally promised to or received by Surf Aid and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restricted is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are reported at fair value by discounting the expected future pledge payments at the balance sheet date. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any. In addition, pledges are recorded net of an allowance. The allowance for uncollectible pledges is determined by management. Changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue except for changes in the allowance which are reported as program expenses at each subsequent reporting date.

Property and Equipment

Surf Aid capitalizes all expenditures in excess of \$500 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2017 and 2016

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

Absent donor stipulations regarding how long those donated assets must be maintained, Surf Aid reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Surf Aid reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Computers and equipment	5 years
Office furniture	7 years

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of property, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale of any resultant gain or loss is credited or charged to earnings. Amortization of leasehold improvements is included in depreciation expense.

Depreciation totaled \$484 and \$1,028 for the years ended March 31, 2017 and 2016, respectively.

Compensated Absences

Vested and accumulated personal time off (PTO) is recorded as an expense and liability as benefits accrue to employees. The accrued PTO liability totaled \$2,146 and \$7,972 at March 31, 2017 and 2016, respectively, and is included in accrued expenses in the statement of financial position.

Donated Services

Surf Aid utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services for the years ended March 31, 2017 and 2016, did not meet the requirements above; therefore no amounts were recognized in the financial statements.

Allocation of Expenses

Surf Aid allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by Surf Aid's management.

Income Taxes

Surf Aid is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization, however, may be subject to tax on income which is not related to its exempt purpose. For the years ended March 31, 2017 and 2016, the Organization is reporting no such unrelated business taxable income and, therefore, no provision for income taxes has been made. The Organization is not a private Foundation.

Advertising

The Organization expenses the cost of advertising as incurred.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
 Years ended March 31, 2017 and 2016

ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Financial Statement Presentation*, which eliminates the requirement for non-for-profits (NFPs) to classify net assets as unrestricted, temporarily restricted and permanently restricted. Instead, NFPs will be required to classify net assets as net assets with donor restrictions or without donor restrictions. Among other things, the guidance also modifies required disclosures and reporting related to net assets, investment expenses and qualitative information regarding liquidity. NFPs will also be required to report all expenses by both functional and natural classification in one location. The provisions of ASU 2016-14 are effective for annual periods beginning after December 31, 2017 and interim periods thereafter. Early adoption is permitted. Management has not completed the process of evaluating the impact of ASU 2016-14 on its financial statements.

Subsequent Events

Surf Aid has evaluated subsequent events through October 23, 2017 which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended March 31, 2017.

NOTE 2. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at financial institutions that may, at times, exceed the federally insured limits. The Organization manages the risk by using institutions management believes to be high quality.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 3,754	\$ 4,460
Less accumulated depreciation	<u>(2,592)</u>	<u>(2,287)</u>
	<u>\$ 1,162</u>	<u>\$ 2,173</u>

NOTE 4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following at March 31:

	<u>2017</u>	<u>2016</u>
Katuerkat Program	\$ 105,000	\$ -
Mother & Child Health project	23,571	125,359
Orange County	12,392	-
Solar Panel project	4,000	4,000
Sumba project	-	3,725
	<u>\$ 144,963</u>	<u>\$ 133,084</u>

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2017 and 2016

NOTE 5. PAYMENTS TO AND FROM AFFILIATE

The Organization made payments in the amount of \$76,891 to Surf Aid Australia for use in their programs for the year ended March 31, 2016.

The Organization made payments in the amount of \$236,746 and \$158,951 to Surf Aid Indonesia for use in their programs for the years ended March 31, 2017 and 2016, respectively.

The Organization recorded receivables of \$3,311 and \$3,665 from Surf Aid Australia, for the years ended March 31, 2017 and 2016, respectively.

The Organization recorded receivables of \$3,941 and \$12,369 from Surf Aid Indonesia, for the years ended March 31, 2017 and 2016.

The Organization recorded payables of \$4,250 to Surf Aid Australia, for the year ended March 31, 2016.

The Organization recorded payables of \$30,000 to Surf Aid Indonesia, for the year ended March 31, 2017.

NOTE 6. RELATED PARTY TRANSACTIONS

Pledges receivable consisted of pledges from board members in the amount of \$11,000 and \$5,000 for the year ended March 31, 2017 and 2016, respectively.

NOTE 7. OPERATING LEASE COMMITMENTS

The Organization leases administrative office facilities under an operating lease agreement that expires February 2018. Total rent expense for the years ended March 31, 2017 and 2016 was \$10,080 and \$9,464, respectively.

Future minimum lease payments under this lease at March 31, 2017 are due as follows:

<u>Year Ending March 31,</u>	
2018	\$ 9,240

NOTE 8. RECLASSIFICATIONS

Certain items in the 2016 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.