



March 12, 2019

Kristine Tallent
Assistant City Administrator/CFO
City of Franklin
109 Third Avenue South
Franklin, TN 37064

Received
MAR 15 11
Finance

Dear Ms. Tallent,

Enclosed please find Waves' request for funding for FY 19-20 in the amount of \$22,913.

Thank you for the long-standing partnership that we have from the City of Franklin.

Sincerely,

Lance Jordan
Executive Director

List ANY agency (or agencies) in Williamson County which you consider may directly, or indirectly, provide the same or similar services as those provided by your agency. If such an agency exists, please list the similarities (use additional sheet, if needed): Waves serves children from 0-3 years of age who are experiencing delays in development; adults 21 years old and above with intellectual and developmental disabilities. The only other similar service is the Tennessee Vocational Training Center which provides services to individuals with a wide range

of disabilities. A private organization, Brightstone, provides day services to a limited number of adults with intellectual disabilities who are able to pay a monthly tuition.

Unless prohibited by law, please provide documentation that your organization made a good faith effort to collect donations from private resources. Waves has hosted an annual fundraising breakfast as well as a Dueling Pianos fundraiser for several years. Waves also added another fundraising event in the summer of 2017. Through these events, we request sponsorship of local businesses and contributions or ticket sales from the community.

We also participate in Belk Charity Sale events, The Big Payback, and an end of year mailing campaign to solicit donations. Waves has also achieved a 100% giving board of directors for the past five years.

List any equipment owned by this organization funded, in whole or in part, by Williamson County. Please indicate what it is used for, how it is maintained and where it is stored (use a separate sheet if necessary). Waves leases our two day program centers from Williamson County at a discounted rate. One facility is located at 2714 Fairview Blvd. in Fairview and the other is located at 1405B Brookwood Ave. in Franklin. Copies of the two lease agreements are attached. These locations are used for our center-based adult day services where adults with disabilities come to receive support in the acquisition, retention, or improvement in daily living, social, communication, self-help, and other adaptive skills.

**Non-Profit Organizattion Request for
City of Franklin Funds**

Organization: WAVES INC.

Note: If necessary, please use a separate sheet in this format for the inclusion of additional expenditures or revenue line items)

EXPENDITURES	Actual 2017-18	Expended 2018-19	Requested 2019-20
Employee Salaries	\$2,263,766.00	\$1,559,637.00	\$2,446,082.00
Employee Benefits	\$116,800.00	\$88,745.00	\$126,206.67
Payroll Taxes	\$300,945.00	\$168,514.00	\$325,182.08
Service Fees	\$77,105.00	\$39,178.00	\$94,650.36
Office Expenses	\$70,306.00	\$51,425.00	\$92,990.10
Information Technology	\$80,308.00	\$34,841.00	\$77,019.18
Occupancy	\$183,135.00	\$117,447.00	\$200,365.20
Travel & Entertainment	\$149,437.00	\$78,577.00	\$160,180.02
Interest	\$3,672.00	\$1,346.00	\$2,276.00
Depreciation & Amortization	\$57,897.00	\$22,353.00	\$50,292.38
Insurance			
All other expenses	\$1,439.00		
TOTAL BUDGET	\$3,304,810	\$2,162,063	\$3,575,244
Revenues: (include any Fund Raising events)	2017-18	Recived in 2018-19	2019-20
City of Franklin	\$22,913	\$5,000	\$22,913
United Way	\$86,000.00	\$46,666.67	\$88,000.00
Other Government Grants	\$45,464	\$28,551	\$45,464
All Other Contributions	\$216,519.00	\$34,876.00	\$164,992.00
2. Program Services	\$2,705,584.00	\$1,887,644.00	\$3,112,101.00
Investment Income (Dividends & Interest)	\$159.00		
Special Events	\$61,658.00	\$60,430.00	\$115,990.60
All other revenue	\$19,177.00	\$14,385.00	\$24,660.00
Total Revenues:	\$3,157,474	\$2,077,553	\$3,574,121

Agency Salary Data

(MUST include Agency Director/President, CEO, COO, CFO [all executives and upper management]
plus Williamson County-specific staff only)

NOTE: All salary information will remain confidential

Agency Name: **Waves, Inc.**

Program:

(Salaries only - do not include benefits)

Title or Position	PT or FT	(Current) TOTAL Salary 2018 or '18/'19	(Projected) TOTAL Salary 2019 or '19/'20
Executive Director	FT	\$76,442.43	\$75,000.12
Adult Services Director	FT	\$56,983.42	\$54,000.18
Business Manager	FT	\$52,000.00	\$52,000.00
Early Learning Program Manager	FT	\$48,860.00	\$47,840.00
Human Resources Manager	FT	\$49,172.87	\$50,000.08
Development & Community Relations Manager	FT	\$41,999.95	\$42,000.14
Program Managers + QA (5 positions)	FT	\$174,000.00	\$180,000.60
Accountant	FT	\$35,750.10	\$36,500.10
Consultant	PT	\$4,399.00	\$4,399.00
Human Resources Assistant	FT	\$31,200.00	\$31,200.00
Early Interventionists (5 positions)	FT	\$160,624.75	\$178,880.00
Early Interventionists (2 positions)	PT	\$31,894.67	\$51,272.00
Support Coordinators (3 positions)	FT	\$66,959.01	\$87,360.00

Recycling Drivers (2 positions)	FT	\$60,892.02	\$56,160.00
Material Handlers (2 positions, adding 1 position in January)	PT	\$26,082.35	\$33,402.00
House Managers and Day Supervisors (9 positions)	FT	\$249,500.51	\$239,440.24
Direct Support Professionals and Coaches (41 positions)	FT	\$811,651.38	\$852,800.00
Route Drivers (3 positions)	PT	\$15,860.00	\$15,860.00
Case Managers ECF and Franklin Day and Semi-Independent (6 positions)	FT	\$92,560.00	\$92,560.00
DSPs PT and PT subs (16 positions)	PT	\$241,913.32	\$265,408.00
		\$2,328,745.78	\$2,446,082.46

ADDENDUM D
EXTENSION TO THE LEASE AGREEMENT BETWEEN WILLIAMSON
COUNTY, TENNESSEE AND WAVES INCORPORATED

THIS ADDENDUM is made by and between WILLIAMSON COUNTY, TENNESSEE ("Owner"), a county governmental entity of the State of Tennessee, and WAVES INCORPORATED, a nonprofit entity ("Tenant"), and is executed as evidenced by the undersigned and made a part of the original Lease Agreement, executed. In the event of any conflict between this Addendum and the original Lease Agreement, exhibits, or any other previously executed addenda, this Addendum shall control.

WHEREAS, Tenant is currently leasing Office B ("Leased Premises") in a Williamson County owned building located at 1405 Brackwood Avenue, Franklin, Tennessee ("Facility"); and

WHEREAS, the original Lease Agreement provides that the original Lease Agreement may be extended for one (1) year terms upon written agreement; and

WHEREAS, the parties have agreed to extend the original Lease Agreement for the same rental rate as defined in the original Lease Agreement; and

WHEREAS, the parties agree to continue to be bound by all the remaining provisions of the original Lease Agreement that do not conflict with this Addendum.

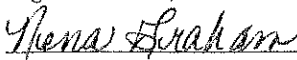
NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

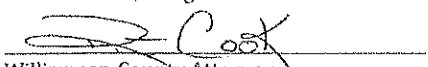
1. By execution of this Addendum the parties agree to extend the original Lease Agreement for an additional one (1) year term to continue in time without a break in the term. The term of the original Lease Agreement shall continue without a break on and through the 1st day of July, 2018, and end on 11:59 pm on 30th day of June, 2019 unless otherwise terminated as provided in the original Lease Agreement. The original Lease Agreement may not be extended for any additional terms. The original Lease Agreement including all extensions shall not extend beyond June 30, 2019.
2. No animals are permitted in the Facility except for service animals that are specifically trained to perform tasks for the benefit of an individual with a disability, including a physical, sensory, psychiatric, intellectual, or other mental disability.
3. Tenant shall maintain the Leased Premises in full compliance with all applicable federal, state or municipal laws, ordinances, rules, and regulations currently in existence or hereafter enacted or rendered governing accessibility for the disabled or handicapped, including, but not limited to, any applicable provisions of The Americans With Disabilities Act, and all regulations and guidelines promulgated under any all of the foregoing, as the same may be amended from time to time.
4. This Addendum shall not affect the remaining provisions of the original Lease Agreement and all provisions which do not conflict with this Addendum shall remain in effect.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed by their duly authorized representatives on this the 12 day of June, 2018.

OWNER:

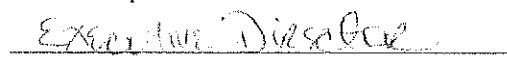

Rogers Anderson, Williamson County Mayor


Nena Graham, Budget Director


Williamson County Attorney

TENANT:


Waves Incorporated


Title

ADDENDUM D
EXTENSION TO THE LEASE AGREEMENT BETWEEN WILLIAMSON
COUNTY AND WAVES INCORPORATED

THIS ADDENDUM is made by and between WILLIAMSON COUNTY, TENNESSEE ("Owner"), a county governmental entity of the State of Tennessee, and WAVES INCORPORATED, a nonprofit organization ("Tenant"), and is executed as evidenced by the undersigned and made a part of the original Lease Agreement, executed. In the event of any conflict between this Addendum and the original Lease Agreement, exhibits, or any other previously executed addenda, this Addendum shall control.


- WHEREAS,** Tenant is currently leasing Suite 213 ("Leased Premises") in a Williamson County owned building located at 2714 Fairview Boulevard, Fairview, Tennessee ("Facility"); and
- WHEREAS,** the original Lease Agreement provides that the original Lease Agreement may be extended for one (1) year term upon written agreement; and
- WHEREAS,** the parties have agreed to extend the original Lease Agreement for the same rental rate as defined in the original Lease Agreement; and
- WHEREAS,** the parties agree to continue to be bound by all the remaining provisions of the original Lease Agreement that do not conflict with this Addendum.

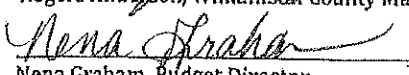
NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

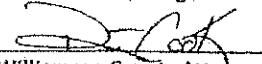
1. By execution of this Addendum the parties agree to extend the original Lease Agreement for an additional one (1) year term to continue in time without a break in the term. The term of the original Lease Agreement shall continue without a break on and through the 1st day of July, 2018, and end at 11:59 pm on the 30th day of June, 2019 unless otherwise terminated as provided in the original Lease Agreement. The parties have exhausted the ability to extend the original Lease Agreement. In no event shall the original Lease Agreement exceed five (5) years. The original Lease Agreement including all extensions shall not extend beyond June 30, 2019.
2. No animals are permitted in the Facility except for service animals that are specifically trained to perform tasks for the benefit of an individual with a disability, including a physical, sensory, psychiatric, intellectual, or other mental disability.
3. Tenant shall maintain the Leased Premises in full compliance with all applicable federal, state or municipal laws, ordinances, rules, and regulations currently in existence or hereafter enacted or rendered governing accessibility for the disabled or handicapped, including, but not limited to, any applicable provisions of The Americans With Disabilities Act, and all regulations and guidelines promulgated under any all of the foregoing, as the same may be amended from time to time.
4. This Addendum shall not affect the remaining provisions of the original Lease Agreement and all provisions which do not conflict with this Addendum shall remain in effect.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed by their duly authorized representatives on this the ____ day of _____, 2018.

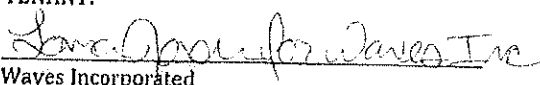
OWNER:



 Rogers Anderson, Williamson County Mayor *if*


 Nena Graham, Budget Director


 Williamson County Attorney

TENANT:


 Waves Incorporated


 Executive Director
 Title

City of Franklin
APPLICATION ADDENDUM

For the funding year July 1, 2019 through June 30, 2020

Name of Agency: **Waves, Inc.**

Date: March 12, 2019

Please provide a detailed description of the proposed use of funds that the City of Franklin might provide for Fiscal Year 2019-2020.

The funds will be used to support the operation of one component of Waves, the Franklin Adult Day Program. This program for adults with intellectual and developmental disabilities has been operating in Williamson County for 46 years. The program is housed in space located at 1405B Brookwood Avenue and is leased from Williamson County government.

The cost for operating this program unit is \$465,867. The requested funding from the City of Franklin is 4.9% of the direct cost. The City's investment is met with funding from the state Department of Intellectual and Developmental Disabilities; United Way of Williamson County; Williamson County Government; private pay fees; and contributions.

Funding is also received from the TennCare Choices Waiver which is managed through MCO's, Amerigroup, United Health Care and Blue Care Network.

Funding received from the City of Franklin will continue Waves efforts to provide meaningful daily activities for 30 adults that will empower them to progress toward their potential. Such support allows them to participate in, and contribute to, family and community life. Having a safe place for their family member to receive care, training, and socialization allows their family members to work.

Please provide information on any interaction that your agency has with the operations of City of Franklin departments (e.g., response to calls from Police after domestic incidents, provision of meals or lodging to displaced persons, etc.)

Waves has interaction with the following City of Franklin departments:

- Fire Marshal's office for annual building inspections
- Codes Administration for any changes in facilities
- City Parks for recreation activities as well as volunteer work
- Member- Live Green Business Partnership
- Solid Waste Department for collection of trash in four residences managed by Waves
- Use of the Community Room at the Police Department

Please answer completely the following questions using additional pages if necessary:

1. Specifically what services did your agency provide last year for which you are requesting funding this year? What were the objectives and results? (Include description, capacity, intensity and duration of services.)

The primary services provided by the Franklin Adult Day Services Program are meaningful daily activities and participation in community life; vocational training; recreation therapy; advocacy; social services; transportation; monitoring of health conditions such as diabetes, high blood pressure and seizures; public education about intellectual and developmental disabilities; and referral and information services.

Waves Franklin Adult Day Program provided training and therapeutic recreation activities to 29 adults with intellectual disabilities ranging from 22 to 76 years in age. 10 of the 29 participants also have physical disabilities which require use of wheelchairs and/or assistive devices.

The objective of the Adult Day Program is to support the acquisition, retention, or improvement in daily living, social, communication, self-help, and other adaptive skills. Most services are provided by a Direct Support Professional to a small group of three to six people and are individualized to the greatest extent possible. Some individuals who have significant physical disabilities require one on one staff support. In addition to the training provided in Waves sites, learning activities take place in community settings, such as a local church or community center. "Life Skills" classes structured on themes related to safety and health, basic academic skills, and life activities such as money handling and using the trolley. Waves' staff coordinate opportunities for physical activities such as walking club and swimming class at the Williamson County Recreation Center and attendance at special events such as Belcourt Theater events and the Williamson County Fair.

Individuals are encouraged to consider community-based employment or are linked to volunteer opportunities. Examples of volunteer opportunities that occur on a regular basis are: packaging lunches for Meals on Wheels; assisting with delivery of meals; cleaning trails at Edwin Warner Park. Other volunteer sites are Bowie Nature Park. Volunteer activities that occur on a periodic basis are assisting with mailings for nonprofit organizations and churches and collecting donations of food or other supplies for other local organizations such as GraceWorks.

One example of employment services is Waves office recycling pick up service. Three men are employed as Materials Processors. They, along with the Driver/Coordinator, picked up recyclable office materials from over 100 business locations in Franklin and Brentwood.

The Adult Day Program is open Monday - Friday from 8:00 AM to 4:00 PM on a year-round basis. Round trip transportation is provided to most participants.

2. Are there procedures in place for measuring the results achieved by your agency? If so, provide detailed data.

Monthly progress reports on annual Individual Support Plans are the central measure of results. Other measures include a quarterly analysis of trends regarding falls, medication variances, and incidents, such as hospitalizations.

We send out satisfaction surveys to our service recipients and their families annually. In our 2018 survey, 91% of the service recipients who returned the surveys felt that their daily life had improved through Waves' services.

3. Does your agency receive any external quality review or accreditation? If so, provide a copy of certificate or license and please explain.

The agency receives an annual program evaluation by representatives from the Tennessee Division of Intellectual and Developmental Disabilities. The most recent survey score was 44 out of 54. The 2018 Amerigroup Community Care Audit, which included 20 standards, reflected a score of 100% compliance. The United Health and Blue Care also passed at 100%.

Program facilities are licensed by a separate division of the same state department. A copy of the current licenses for the Franklin Adult Service Program is attached.

4. What percent of your local agency budget is your allocation request from the City of Franklin?

The allocation request of \$22,913 for our Franklin Adult Day Services program is 4.9% of Waves local operating budget.

5. What other fund raising activities does your agency engage in during the year?

Waves' annual fundraising breakfast was held on March, 5, 2019. Our newest fundraiser, Lip Sync Battle, will be held in the fall. Waves participates in the Big Payback event every year. Waves sends an end-of-year appeal letter in November. Waves also submitted and received grants from the First Tennessee Foundation and the Community Foundation. We also receive grants for vehicles from the Tennessee Department of Transportation.

Waves consistently seeks funding for individuals through the Tennessee Department of Intellectual and Developmental Disabilities and the Department of Education. Funding is also achieved through the TennCare Choices Program and the TennCare Employment and Community First Program.

Funding request are also submitted from Williamson County Government and United Way of Williamson County.

Application for additional funding is made as additional information is received about state, local, or foundation grants that are appropriate for Waves' mission.

6. Do you charge any fees for your services?

Historically, fees were not charged for participation in the Adult Services Program as most individuals desiring services were eligible for sponsorship through the state Medicaid Waiver program, but for the last several years there has been an extremely long state waiting list of individuals needing services through the Medicaid Waiver program. TennCare has expanded the Choices program to provide funding for individuals with intellectual disabilities who need day employment or community services. Services are available for people who can pay privately. Fees for services are \$12 to \$20 per hour based on the amount of support needed.

2018

Financial Statements

WAVES, INC.

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2018

(With Independent Auditor's Report Thereon)

WAVES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018

Contents

	<u>PAGE</u>
Roster of Board of Directors	i
Independent Auditor's Report	1 – 2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 11
Supplementary Information:	
Schedule of Expenditures of Federal Awards	12
Internal Control and Compliance Section:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13 – 14
Schedule of Findings	15
Management's Corrective Action Plan	16-17
Schedule of Prior Year Findings	18

WAVES, INC.
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2018

Dan Horecka, President

Mike Terrell, Vice President

George Zubulake, Secretary

Tom Stearns, Honorary Board Chair

Ashley Perkins, Immediate Past
President

Robert Blair - Member

Brad Smith, Treasurer

Shauna Billingsley - Member

Frank Duvall - Member

Meagan Pratt - Member

Jared King - Member

M.T. "Tom" Taylor - Member

Jim Gilchrist - Member

Christy Webb - Member

Don Merlo - Member



PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Waves, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Waves, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 Waves, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, certain accounts were adjusted to properly reflect beginning balances. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Tennessee Comptroller of the Treasury, as per the Auditing and Accounting for Local Governmental Units and Other Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2018, on our consideration of Waves, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waves, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Waves, Inc.'s internal control over financial reporting and compliance.

Patterson Handley & Ballentine

December 19, 2018

WAVES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	316,563	
Cash held on behalf of others		20,439	
Accounts receivable - state agencies		296,870	
Accounts receivable - other		101,494	
Prepaid expenses		32,269	
Total current assets			\$ 767,635

Property and equipment:

Land and Building		412,778	
Vehicles		474,398	
Furniture and equipment		54,834	
Less: accumulated depreciation		(659,450)	
Net property and equipment			282,560

Total Assets \$ 1,050,195

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	4,437	
Cash held on behalf of others		20,439	
Unearned revenue		10,000	
Other payables		152,685	
Current portion of long-term debt		24,191	
Total current liabilities			\$ 211,752

Long-term debt 58,713

Total Liabilities 270,465

Net Assets:

Temporarily restricted		86,968	
Unrestricted		692,762	
Total net assets			779,730

Total Liabilities and Net Assets \$ 1,050,195

WAVES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Revenue:				
Gross special event revenue	\$ 77,918	\$ -	\$ -	\$ 77,918
Less direct costs of special events	(16,261)	-	-	(16,261)
Net special events revenue	61,657	-	-	61,657
Revenues:				
State of Tennessee funding	2,503,758	-	-	2,503,758
Grants	314,282	-	-	314,282
Private pay	25,793	-	-	25,793
TEIS	61,586	-	-	61,586
Room and board	27,119	-	-	27,119
Recycle fees	69,628	-	-	69,628
Contributions	134,551	81,968	-	216,519
In-Kind	26,715	-	-	26,715
Rental income	17,700	-	-	17,700
Interest income	159	-	-	159
Miscellaneous income	19,177	-	-	19,177
Net assets released from restriction	85,000	(85,000)	-	-
Total revenues	3,285,468	(3,032)	-	3,282,436
Total public support and revenue	3,347,125	(3,032)	-	3,344,093
Expenses:				
Program services	2,685,744	-	-	2,685,744
Management and general	555,611	-	-	555,611
Fundraising	63,455	-	-	63,455
Total functional expenses	3,304,810	-	-	3,304,810
Increase in net assets	42,315	(3,032)	-	39,283
Net assets - beginning of year as previously stated	490,958	85,000	-	575,958
Prior Period Adjustment	159,489	5,000	-	164,489
Net Assets - beginning of year as restated	650,447	90,000	-	740,447
Net assets - end of year	\$ 692,762	\$ 86,968	\$ -	\$ 779,730

See accompanying notes to financial statements.

WAVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

		Supporting Services		
	Program services	Management and general	Fundraising	Total
Salaries	1,869,877	\$ 347,985	\$ 42,234	\$ 2,260,096
Employee benefits	111,572	8,481	419	120,472
Payroll taxes	261,474	35,361	4,110	300,945
Travel and vehicle expense	142,730	6,653	54	149,437
Supplies	46,196	17,472	6,354	70,022
Professional services	3,665	73,051	389	77,105
Occupancy	144,073	32,040	7,022	183,135
Training	796	643	-	1,439
Informational technology	45,829	31,890	2,589	80,308
Special event	-	-	16,261	16,261
Miscellaneous	-	-	284	284
Interest	2,701	969	-	3,670
Depreciation	56,831	1,066	-	57,897
Total expenses by function	2,685,744	555,611	79,716	3,321,071
Less expenses included with revenues on the statement of activities:				
Direct cost of special events	-	-	(16,261)	(16,261)
Total expenses included in the expense section on the statement of activities	<u>\$ 2,685,744</u>	<u>\$ 555,611</u>	<u>\$ 63,455</u>	<u>\$ 3,304,810</u>

See accompanying notes to financial statements.

WAVES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows From Operating Activities:		
Increase in net assets	\$	39,283
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$	57,897
Changes in:		
Accounts receivable		88,666
Prepaid expenses		1,997
Accounts payable		(36,234)
Unearned revenue		(1,000)
Other payables		33,158
		<u>144,484</u>
Net cash provided by operating activities		183,767
Cash Flows from Investing Activities:		
Purchases of property and equipment		<u>(23,175)</u>
Net cash used in investing activities		(23,175)
Cash Flows from Financing Activities:		
Payments on installment notes payable		<u>(22,512)</u>
Net cash used in financing activities		(22,512)
Net increase in cash and cash equivalents		138,080
Cash and cash equivalents - beginning of year		<u>178,483</u>
Cash and cash equivalents - end of year	\$	<u><u>316,563</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2018, was \$3,670.

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies

Description of Business and Program Services

In these notes, the terms "Organization", "we", "us" or "our" mean Waves, Inc. We are a community organization committed to empowering individuals with intellectual and developmental disabilities to progress toward their full potential. We accomplish this through securing all indicated resources and ensuring their effective use for the individuals we serve. We are further committed to serving as a vehicle for communicating the desires and needs of the persons we serve and to enhance the image of those persons in the community.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of June 30, 2018.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations.

Revenue Concentration

We receive approximately 75% of our total support and revenue from the Tennessee Department of Finance and Administration - Division of Intellectual Disabilities Services and Bureau of TennCare. In the event of a significant reduction in the level of this support, our programs and activities could be affected.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2018, we had no cash equivalents.

Property and Equipment

Property and equipment are stated at cost, or if contributed, at fair market value at the date of the gift. Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to thirty years. Maintenance and repairs are charged to expense as incurred.

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At June 30, 2018, no assets were considered to be impaired.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The fair values of assets and liabilities approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

The fair values of long-term debt approximate the carrying values, they are estimated based on current rates offered to us, and they are all Level 1 in the fair value hierarchy.

NOTE 2 - Accounts Receivable

We classify accounts receivable into the following categories:

Accounts receivable - state agencies - Amounts represent a request for payment for services rendered under state contracts.

Accounts receivable - other - Amounts represent contracted receivables from various agencies.

Bad debts are recognized using the allowance method based on our evaluation of outstanding accounts. At June 30, 2018, no allowance was considered necessary.

At June 30, 2018, 70% of our accounts receivable were due from state agencies, and 20% was due from the United Way.

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – Other Payables

The following is a summary of other payables at June 30, 2018:

Salaries payable	\$ 70,541
Accrued vacation payable	82,144
	<u>\$ 152,685</u>

NOTE 4 – Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets at June 30, 2018:

United Way	\$ 80,000
Hester Scholarship Fund	5,000
Art Supplies	1,968
	<u>\$ 86,968</u>

NOTE 5 – Long-term debt

As of June 30, 2018, installment note payable is as follows:

Note payable to First Tennessee with a maturity of September 21, 2021.	\$ 82,904
Monthly payments of \$2,271 are required based on 60 months amortization with interest at 4.35%.	
Less: current maturities	<u>(24,191)</u>
	<u>\$ 58,713</u>

The following is a list of future maturities:

<u>Year Ending June 30,</u>	
2019	\$ 24,191
2020	25,265
2021	26,386
2022	7,062
	<u>\$ 82,904</u>

NOTE 6 – Leases

We lease various office equipment and real property under lease arrangements classified as operating leases. We have one operating lease for a copier with monthly payments of \$1,050 that expires on November 7, 2019. One lease agreement is for our location in Franklin, Tennessee. We also have a lease agreement for our location in Fairview, Tennessee. The lease agreement for that location is for one dollar a month. We have not recorded any in-kind revenue or expense for the fair market value of this lease due to the amount being undeterminable.

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – Leases (continued)

The following is a schedule of future minimum lease payments under the non-cancellable operating lease (copier) and the lease for our Franklin location as of June 30, 2018:

Year Ending June 30
2019

\$ 51,956

NOTE 7 - Employee Benefit Plan

We have a 401(k) retirement plan through Mutual of America that covers all employees who are regularly scheduled to work 1,000 hours or more per year and have worked for one year. We contribute an amount equal to each participating employee's contribution up to 2% of the employee's compensation for the year. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The amount contributed by us for the year ended June 30, 2018, was \$3,273.

NOTE 8 - Concentration of Credit Risk

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts and do not believe that we are exposed to any significant credit risk on our cash.

NOTE 9 – Donated Services

The following donated services have been included in revenues and expenses in the financial statements for the year ended June 30, 2018:

Facility rent

\$ 26,715

NOTE 10 - New Pronouncements

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash

WAVES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – New Pronouncements (continued)

Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 11 - Prior Period Adjustment

A prior period adjustment at the beginning of the fiscal year was made to correct errors in previously reported balances as follows:

Accounts receivable	\$ 190,765
Prepaid expenses	6,266
Fixed assets	(9,014)
Security deposit	(6,265)
Accounts payable	<u>(17,263)</u>
	<u>\$ 164,489</u>

NOTE 12 - Subsequent Events

We have evaluated events subsequent to June 30, 2018. As of December 19, 2018, the date that the financial statements were available to be issued, no other events subsequent to the statement of financial position date are considered necessary to be included in the financial statements for the year ended June 30, 2018.

WAVES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Thorough to Subrecipients	Expenditures
Federal Awards Pass-through Funding: U.S. Department of Education through the TN Department of Education U.S. Department of Education through the TN Department of Education	Special Education - Grants for Infants and Families	84.181A	UNKNOWN	\$ -	\$ 167,136
	Special Education - Grants for Infants and Families	84.181A	UNKNOWN	-	31,200
Total Program 84.181A				-	\$ 198,336
TOTAL FEDERAL AWARDS				\$ -	\$ 198,336
State Financial Assistance TN Department of Education TN Department of Education	Special Education - Grants for Infants and Families	N/A	UNKNOWN	\$ -	\$ 147,146
	Special Education - Grants for Infants and Families	N/A	UNKNOWN	-	30,386
TOTAL STATE AWARDS				\$ -	\$ 177,532
TOTAL FEDERAL AND STATE AWARDS				\$ -	\$ 375,868

Note 1 - Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards summarized the expenditures of Waves, Inc. under programs of the federal and state government for the year ended June 30, 2018. This schedule is presented using the accrual basis of accounting.

Note 2 - Indirect Cost Rate: Waves, Inc. allocates indirect costs using a method other than the de minimus indirect 10% cost method.

Note 3 - Amounts are reported on the statement of activities as follows:

Grants 314,282
TEIS 61,586
Total 375,868



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Waves, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waves, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, statement of functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waves, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waves, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Waves, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. (2018-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waves, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item (2018-001).

Waves, Inc.'s Response to Findings

Waves, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Waves, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Patterson Handley & Bellentine
December 19, 2018

WAVES, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Waves, Inc.
2. One material weakness during the audit of the financial statements was reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. See 2018-001.
3. One instance of material noncompliance was disclosed during the audit.

FINDINGS—FINANCIAL STATEMENT AUDIT

2018-001

Criteria:	As a part of financial reporting and controls over financial reporting the Organization should reconcile supporting documentation for DIDD billings to the general ledger on a monthly basis, investigate differences and make adjustments as necessary before sending billings to the State Department.
Condition:	Supporting documentation of daily notes did not agree to the billings sent to the State.
Perspective Information:	The Organization was aware that some supporting documentation was insufficient after review of the FAR audit report.
Cause:	Review of daily notes failed to identify discrepancies between the notes and the billings to the State.
Effect:	We were unable to obtain support for some billings to the State.
Recommendations:	Review and agree daily notes to the billing spreadsheet before sending the billings to the State.
Response:	See Management's Corrective Action Plan



WAVES 2018 MANAGEMENT CORRECTIVE ACTION PLAN

ISSUE	TARGET DATE	PLAN ACTION STEPS	RESPONSIBLE PERSONS	PROGRESS REPORT	DATE
Billing Integrity	11/27/2018	1. Update Billing Policy/Procedure to include required verification of service documentation prior to billing submission.	Sherrie Yokley (Adult Services Director), Krista Martin (Human Resources Director)	Completed (see attached)	
	11/27/2018	2. Provide Service Documentation Check off forms to Program Managers	S. Yokley	Completed 11/27/2018 (see attached)	
	11/27/2018	3. Train Program Managers/ Assistants/Business Department on Updated Billing Procedures	S. Yokley	Completed 11/27/2018	
	11/27/2018	4. Implement new Billing Procedure	Waves Adult Services and Business Department	Completed 11/27/2018	

Respectfully Submitted,

Lance Jordan
Waves Executive Director



Documentation for Billable Services Protocol for Adult Programs

In order to provide the best services for people using our adult CHOICES, Day, Employment, Employment and Community First, Residential, Recycling, and Vocational Rehabilitation programs, Waves bills the corresponding agency for the services delivered to each individual. Each of the services provided must follow the training required through these agencies: Tennessee Department of Intellectual and Developmental Disabilities; TennCare: BlueCare, Amerigroup, United Healthcare; Vocational Rehabilitation; etc.

Billing for services provided requires that the appropriate documentation is written electronically or manually on paper. This documentation includes: attendance records, which specific type of services delivered, what took place during services that were provided, specific records for awake-overnight (AON) employees, required reports for employment, any variable in a person's life that is measurable for charting services (fluid intake, bowel movements, seizures, behaviors, etc.).

Every employee providing direct service supporting individuals in any of Waves Adult Programs should maintain a culture of writing and completing necessary electronic and/or manual (on paper) documentation of these services at the time services are delivered, during the shift. The computer or internet being down (inaccessible) is not an acceptable excuse as hand-written notes are acceptable until they can be transcribed into Waves' electronic system: Therap.

The Quality Assurance Manager will conduct random spot checks in each Waves Adult Program for documentation of billable services. Prior to the Business Department using this documentation for the purposes of processing and submitting bi-weekly billing, Program Managers will review notes and documentation. If any billable documentation for services is found missing, incomplete, or fraudulent, the employees responsible will be subject to disciplinary action according to the severity of the violation. House Managers, Day Program Supervisors, and Case Managers are the first line of reviewing documentation for billable services at each location and/or program. Support Service Coordinators and Program Managers are the second line of reviewing documentation for billable services. Program Managers who sign-off on the billable services are acknowledging that all necessary documentation is completed and has been reviewed. After billing, if it is discovered that there is any incomplete documentation for those billed services, then the Program Manager who signed off will be subject to disciplinary review.

*Monthly Review reports, employment reports, and any other report required by authorities outside the Waves' agency significantly affect the billable services that Waves provides. As such, these reports are required in a timely fashion to comply with Waves' contractual obligations. The responsible employee will be subject to disciplinary review for any reports that are not submitted in a timely fashion.

WAVES, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Financial Statement Findings:

Prior Year Finding Number	Finding Title	Status/ Current Year Finding Number
2017-001	Accounts Receivable Account Not Reconciled	Corrected



N0009101

6266866150615

TENNESSEE DEPARTMENT OF REVENUE

SALES AND USE TAX
CERTIFICATE OF EXEMPTION

WAVES, INC.
ATTN: JOHN HAYS
145 SE PARKWAY STE 100
FRANKLIN TN 37064-3998

RECEIVED
JUN 2 2015

Effective Date: July 1, 2015

Exemption Number: 100172001

Expiration Date: June 30, 2019

125 5TH AVE S
FRANKLIN TN 37064-2627

The Tennessee Department of Revenue has issued a tax-exemption number for the educational, religious, historical, or charitable non-profit organization or institution named above. State law (Tenn. Code Ann. § 67-6-322) gives the Department the authority to allow this organization to make tax-exempt purchases of goods and services that it will use, consume or give away. This authorization for exemption does not extend to sales tax that the organization must collect or pay on its regular sales of goods or taxable services.

This authorization for exemption is limited to sales made directly to the above named organization. This certificate may not be used for sales made to individuals paying with personal checks or personal debit or credit cards, even if the individual is a representative or employee of the above named organization, and he or she will be reimbursed for the purchase. Sellers must refuse to accept the certificate when the sale is made to someone other than the above named organization.

The organization must furnish its suppliers of goods and services with a copy of this certificate. The lower portion of the certificate must be properly completed. The organization must retain the original certificate for copy purposes. The supplier will maintain a file copy as evidence of the exempt sale to the organization. Later purchases made before the expiration date do not require the submission of additional copies.

The organization must notify the Department immediately if it ceases to exist or if its location or mailing address changes.

Richard H. Roberts
Commissioner of Revenue

To Be Completed by the Organization

TO: Supplier's Name _____

Address _____

City _____ State _____ Zip _____

I, Shannon Nehus, as an authorized representative of the organization named above, affirm that the purchases made under this authority will be used and consumed by the organization or will be given away.

Under penalty of perjury, I affirm this to be a true and correct statement.

Print Name of Organization WAVES INC

Print Name of Purchaser _____

Signature of Purchaser _____

Date _____