
SURF AID INTERNATIONAL, USA

FINANCIAL STATEMENTS

March 31, 2014 and 2013



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
and Senior Management of Surf Aid International, USA

We have audited the accompanying financial statements of Surf Aid International, USA (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities, cash flows, statements of functional expenses 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 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 Surf Aid International, USA as of March 31, 2014 and 2013, 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
June 5, 2014

SURF AID INTERNATIONAL, USA
STATEMENTS OF FINANCIAL POSITION
 March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 107,903	\$ 94,618
Accounts receivable	491	18,787
Inventory	3,704	8,230
Prepaid expenses	<u>4,897</u>	<u>3,654</u>
TOTAL CURRENT ASSETS	116,995	125,289
NON CURRENT ASSETS		
Deposit	1,390	1,390
Equipment, net	<u>1,451</u>	<u>2,042</u>
	<u>2,841</u>	<u>3,432</u>
TOTAL ASSETS \$	<u><u>119,836</u></u>	<u><u>128,721</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 35,175	\$ 9,263
Accrued expenses	<u>9,976</u>	<u>5,845</u>
TOTAL CURRENT LIABILITIES	45,151	15,108
NET ASSETS		
Unrestricted	71,183	103,813
Temporarily restricted	<u>3,502</u>	<u>9,800</u>
TOTAL NET ASSETS	<u>74,685</u>	<u>113,613</u>
TOTAL LIABILITIES AND NET ASSETS \$	<u><u>119,836</u></u>	<u><u>128,721</u></u>

SURF AID INTERNATIONAL, USA
STATEMENT OF ACTIVITIES
Year Ended March 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 186,165	\$ 57,907	\$ 244,072
Grants	4,500	32,060	36,560
Special events, net of expenses of \$30,873	84,827	-	84,827
Merchandise sales, net of costs of good sold of \$1,036 satisfaction of program restrictions	515	-	515
	<u>96,265</u>	<u>(96,265)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	372,272	(6,298)	365,974
EXPENSES			
Program services	193,051	-	193,051
Supporting services			
Management and general	107,541	-	107,541
Fundraising	104,310	-	104,310
TOTAL EXPENSES	<u>404,902</u>	<u>-</u>	<u>404,902</u>
DECREASE IN NET ASSETS	(32,630)	(6,298)	(38,928)
NET ASSETS AT BEGINNING OF YEAR	<u>103,813</u>	<u>9,800</u>	<u>113,613</u>
NET ASSETS AT END OF YEAR \$	<u><u>71,183</u></u>	<u><u>3,502</u></u>	<u><u>74,685</u></u>

SURF AID INTERNATIONAL, USA
STATEMENT OF ACTIVITIES
Year Ended March 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 188,832	\$ 97,028	\$ 285,860
Grants	-	85,190	85,190
Special events, net of expenses of \$62,038	53,709	-	53,709
Merchandise sales, net of costs of good sold of \$4,929	3,230	-	3,230
Net assets released from restrictions, satisfaction of program restrictions	<u>214,975</u>	<u>(214,975)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	460,746	(32,757)	427,989
EXPENSES			
Program services	278,274	-	278,274
Supporting services			
Management and general	103,740	-	103,740
Fundraising	<u>111,540</u>	<u>-</u>	<u>111,540</u>
TOTAL EXPENSES	<u>493,554</u>	<u>-</u>	<u>493,554</u>
DECREASE IN NET ASSETS	(32,808)	(32,757)	(65,565)
NET ASSETS AT BEGINNING OF YEAR	<u>136,621</u>	<u>42,557</u>	<u>179,178</u>
NET ASSETS AT END OF YEAR	<u>\$ 103,813</u>	<u>\$ 9,800</u>	<u>\$ 113,613</u>

SURF AID INTERNATIONAL, USA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2014

	Program services	Supporting services		Total
		Management and general	Fundraising	
Salaries and related expenses	\$ 19,785	\$ 66,641	\$ 67,206	\$ 153,632
Payments to affiliates	127,060	-	-	127,060
Development	7,050	1,252	21,526	29,828
Billabong schools expenses	27,155	-	-	27,155
Professional services	24	17,874	390	18,288
Rent	2,434	7,251	7,629	17,314
Advertising and promotion	8,158	-	-	8,158
Travel, conferences and meetings	-	4,103	960	5,063
Bank and credit card fees	680	291	4,014	4,985
Telephones and internet	530	1,579	1,662	3,771
Insurance	-	3,710	-	3,710
Utilities	175	520	548	1,243
Meals and entertainment	-	1,125	-	1,125
Staff development	-	1,107	-	1,107
Supplies	-	755	45	800
Depreciation	-	591	-	591
Subscriptions	-	100	330	430
Printing and production	-	281	-	281
Postage, shipping and delivery	-	173	-	173
Filing fees and taxes	-	141	-	141
Miscellaneous expenses	-	47	-	47
	<u>\$ 193,051</u>	<u>\$ 107,541</u>	<u>\$ 104,310</u>	<u>\$ 404,902</u>

SURF AID INTERNATIONAL, USA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2013

	Program services	Supporting services		Total
		Management and general	Fundraising	
Payments to affiliates	\$ 171,273	\$ -	\$ -	\$ 171,273
Salaries and related expenses	19,706	61,652	64,399	145,757
Billabong schools expenses	74,835	-	-	74,835
Professional services	4,270	19,405	977	24,652
Development	-	500	30,530	31,030
Rent	2,336	6,956	7,318	16,610
Travel, conferences and meetings	4,712	5,826	-	10,538
Bank and credit card fees	496	294	5,932	6,722
Telephones and internet	476	1,417	1,491	3,384
Insurance	-	2,719	-	2,719
Meals and entertainment	-	1,399	79	1,478
Staff development	-	1,215	-	1,215
Utilities	170	507	533	1,210
Supplies	-	1,057	31	1,088
Depreciation	-	411	-	411
Subscriptions	-	-	250	250
Filing fees and taxes	-	157	-	157
Postage, shipping and delivery	-	155	-	155
Miscellaneous expenses	-	61	-	61
Interest expense	-	9	-	9
	\$ <u>278,274</u>	\$ <u>103,740</u>	\$ <u>111,540</u>	\$ <u>493,554</u>

SURF AID INTERNATIONAL, USA
STATEMENTS OF CASH FLOWS
Years Ending March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (38,928)	\$ (65,565)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents provided (used) by operating activities:		
Depreciation	591	1,210
Changes in operating assets and liabilities:		
Accounts receivable and prepaid expenses	17,053	17,296
Inventory	4,526	(4,929)
Accounts payable	25,912	1,147
Accrued expenses	<u>4,131</u>	<u>(3,036)</u>
NET CASH AND CASH EQUIVALENTS PROVIDED (USED) BY OPERATING ACTIVITIES	13,285	(53,877)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(2,169)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,285	(56,046)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>94,618</u>	<u>150,664</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR \$	<u><u>107,903</u></u>	<u><u>94,618</u></u>

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2014 and 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Surf Aid International, USA (Organization) 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 human health related services provided free of charge to indigenous peoples in developing nations, who live in areas where infectious malaria is prevalent in its proximity to surfing areas.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of short term, highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Support and Revenue

Contributions received 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.

Accounts Receivable

The accounts receivables arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. Management considers accounts receivable to be fully collectible. Accordingly, no allowance is considered necessary at March 31, 2014 and 2013, respectively.

Inventory

Inventories of t-shirts and wristbands are valued at the lower of cost, donated value or market, determined on the last-in, first-out basis.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2014 and 2013

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Property and equipment of \$500 or more are capitalized as assets and are depreciated over their estimated useful lives of five to 40 years using the straight-line method. Items that are useable by others are either donated to individuals, directed to other nonprofit Organizations, or sold for cash, in which case the amount received is reflected as a contribution in the financial statements. Expenditures for maintenance and repairs are charged against operations. Amortization of leasehold improvements is included in depreciation expense.

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 \$6,933 and \$3,309 at March 31, 2014 and 2013, respectively and is included in accrued expenses in the statement of financial position.

Donated Services

The Organization 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, 2014 and 2013, did not meet the requirements above; therefore no amounts were recognized in the financial statements.

Income Taxes

The Organization 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, 2014 and 2013 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. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Advertising

The Organization expenses the cost of advertising as incurred.

Subsequent Events

The Organization has evaluated subsequent events through June 5, 2014, 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, 2014.

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.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2014 and 2013

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>2014</u>	<u>2013</u>
Equipment	\$ 6,685	\$ 6,685
Less accumulated depreciation	<u>(5,234)</u>	<u>(4,643)</u>
	<u>\$ 1,451</u>	<u>\$ 2,042</u>

NOTE 4. RESTRICTIONS ON NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Philippines project	\$ 752	\$ -
Social media campaign	<u>2,750</u>	<u>9,800</u>
	<u>\$ 3,502</u>	<u>\$ 9,800</u>

NOTE 5. PAYMENTS TO AND FROM AFFILIATE

The Organization made payments in the amount of \$127,060 and \$171,273 to Surf Aid Indonesia for use in their programs for the years ended March 31, 2014 and 2013, respectively.

The Organization recorded revenues of \$27,155 and \$74,835 from Surf Aid Australia, for the years ended March 31, 2014 and 2013, respectively.

The Organization recorded receivables of \$0 and \$18,668 from Surf Aid Australia for the years ended March 31, 2014 and 2013, respectively.

The Organization recorded payables of \$29,975 and \$0 to Surf Aid Australia for the years ended March 31, 2014 and 2013, respectively.

NOTE 6. LEASE COMMITMENT

The Organization leases office space. For the year ended March 31, 2014, monthly payments for the office lease was \$1,496.

Future minimum lease payments under this lease at March 31, 2014 are due as follows:

Year Ending March 31,	
<u>2015</u>	\$ 14,963
Thereafter	<u>-</u>
	<u>\$ 14,963</u>

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2014 and 2013

NOTE 7. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and usage.

NOTE 8. RECLASSIFICATIONS

Certain items in the 2013 financial statements have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.