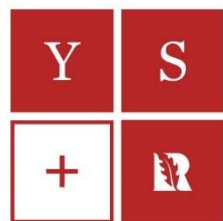

SURF AID INTERNATIONAL, USA

FINANCIAL STATEMENTS

March 31, 2018 and 2017



YSR CPA GROUP, P.C.

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SURF AID INTERNATIONAL, USA
FINANCIAL STATEMENTS
March 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of SurfAid International, USA

We have audited the accompanying financial statements of SurfAid International, USA (a California nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities, 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 audit 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 SurfAid International, USA as of March 31, 2018 and 2017, 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.

YSR CPA Group, P.C.

Encinitas, California
September 23, 2018

SURF AID INTERNATIONAL, USA
STATEMENTS OF FINANCIAL POSITION
 March 31, 2018 and 2017

	<u>3/31/18</u>	<u>3/31/17</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 55,762	\$ 53,420
Due from affiliates	11,817	7,252
Pledges receivable	6,000	11,000
Grants receivable	50,000	125,000
Other receivables	100	-
Prepaid expenses	<u>6,294</u>	<u>2,576</u>
TOTAL CURRENT ASSETS	129,973	199,248
NON CURRENT ASSETS		
Deposits	840	840
Equipment, net	<u>1,700</u>	<u>1,162</u>
	<u>2,540</u>	<u>2,002</u>
TOTAL ASSETS	<u>\$ 132,513</u>	<u>\$ 201,250</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,184	\$ 8,036
Due to affiliates	-	30,000
Accrued expenses	5,325	7,735
Deferred revenue	<u>11,500</u>	<u>15,000</u>
TOTAL CURRENT LIABILITIES	20,009	60,771
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	22,504	(4,484)
Temporarily restricted	<u>90,000</u>	<u>144,963</u>
TOTAL NET ASSETS	<u>112,504</u>	<u>140,479</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 132,513</u>	<u>\$ 201,250</u>

See accompanying independent auditors' report and notes to financial statements.

SURF AID INTERNATIONAL, USA
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 152,682	\$ -	\$ 152,682
Grants	-	20,000	20,000
Special events, net of expenses of \$52,169	158,337	-	158,337
In kind contributions	12,491	-	12,491
Loss on disposal of assets	(239)	-	(239)
Net assets released from restrictions, satisfaction of program restrictions	<u>74,963</u>	<u>(74,963)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	398,234	(54,963)	343,271
EXPENSES			
Program services	211,658	-	211,658
Supporting services			
Management and general	22,744	-	22,744
Fundraising	<u>139,550</u>	<u>-</u>	<u>139,550</u>
TOTAL EXPENSES	<u>373,952</u>	<u>-</u>	<u>373,952</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	24,282	(54,963)	(30,681)
Gain on foreign currency transaction	2,706	-	2,706
NET ASSETS AT BEGINNING OF YEAR	<u>(4,484)</u>	<u>144,963</u>	<u>140,479</u>
NET ASSETS AT END OF YEAR	\$ <u><u>22,504</u></u>	\$ <u><u>90,000</u></u>	\$ <u><u>112,504</u></u>

See accompanying independent auditors' report and notes to financial statements.

SURF AID INTERNATIONAL, USA
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 123,276	\$ 320	\$ 123,596
Grants	20,000	180,071	200,071
Special events, net of expenses of \$47,519	154,452	-	154,452
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	466,408	11,879	478,287
EXPENSES			
Program services	294,177	-	294,177
Supporting services			
Management and general	33,785	-	33,785
Fundraising	<u>147,391</u>	<u>-</u>	<u>147,391</u>
TOTAL EXPENSES	<u>475,353</u>	<u>-</u>	<u>475,353</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>

See accompanying independent auditors' report and notes to financial statements.

SURF AID INTERNATIONAL, USA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2018

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Payments to affiliates	\$ 127,338	\$ -	\$ -	\$ 127,338
Salaries and related expenses	42,527	11,300	101,872	155,699
Development	26,000	-	5,980	31,980
Professional services	8,561	6,421	6,421	21,403
Travel, conferences and meetings	-	-	16,762	16,762
Rent	4,614	3,461	3,461	11,536
Bank and credit card fees	136	442	2,622	3,200
Insurance	1,695	46	1,271	3,012
Telephones and internet	600	450	450	1,500
Subscriptions	-	-	550	550
Depreciation	-	414	-	414
Office expenses	106	80	80	266
Utilities	81	61	61	203
Filing fees and taxes	-	50	20	70
Supplies	-	19	-	19
	<u>\$ 211,658</u>	<u>\$ 22,744</u>	<u>\$ 139,550</u>	<u>\$ 373,952</u>

See accompanying independent auditors' report and notes to financial statements.

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
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>\$ 147,391</u>	<u>\$ 475,353</u>

See accompanying independent auditors' report and notes to financial statements.

SURF AID INTERNATIONAL, USA
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2018 and 2017

	<u>3/31/18</u>	<u>3/31/17</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (27,975)	\$ 2,934
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	414	484
Loss on disposal of assets	239	1,442
Gain on foreign currency transaction	(2,706)	-
Changes in operating assets and liabilities:		
Due from affiliates	(4,565)	8,782
Pledges receivable	5,000	(6,000)
Grants receivable	75,000	(9,913)
Other receivables and prepaid expenses	(3,818)	11,932
Accounts payable	(2,146)	(1,623)
Due to affiliates	(30,000)	25,750
Accrued expenses	(2,410)	(6,371)
Deferred revenue	(3,500)	(7,870)
	<u>3,533</u>	<u>19,547</u>
CASH PROVIDED BY OPERATING ACTIVITIES	3,533	19,547
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of property and equipment	(1,191)	(915)
	<u>(1,191)</u>	<u>(915)</u>
NET INCREASE IN CASH	2,342	18,632
CASH AT BEGINNING OF YEAR	53,420	34,788
	<u>53,420</u>	<u>34,788</u>
CASH AT END OF YEAR \$	\$ <u>55,762</u>	\$ <u>53,420</u>

See accompanying independent auditors' report and notes to financial statements.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2018 and 2017

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Surf Aid International, USA (the "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 health related building, provided free of charge with concomitant contributions by communities, in very remote areas where maternal and child health statistics are poor.

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

Financial Statement Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization's net assets and its revenues, expenses, gains and losses are reported based on the existence or absence of donor-imposed restrictions. The Organization 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.

The Organization did not have any permanently restricted net assets during the years ended March 31, 2018 and 2017.

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.

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. There were no allowances for uncollectible pledges for the years ended March 31, 2018 and 2017, respectively. 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.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2018 and 2017

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

Property and Equipment

The Organization 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.

Absent donor stipulations regarding how long those donated assets must be maintained, The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization 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
-------------------------	---------

Maintenance, repairs and minor renewals are charged to operations as incurred.

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 \$4,400 and \$2,146 at March 31, 2018 and 2017, respectively, and is included in accrued expenses in the statement of financial position.

Deferred Revenues

The Organization collects cash for events that do not occur until the following year. The Organization's policy is to record these deposits as deferred revenue until the event takes place and the revenues are earned.

Contributions and Grants

Contributions and grants are recognized when unconditionally promised to or received by the Organization 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.

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, 2018 and 2017, did not meet the requirements above; therefore no amounts were recognized in the financial statements.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2018 and 2017

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

In-kind contributions

Revenues from in-kind contributions are recognized in accordance with generally accepted accounting principles and are recorded at the fair value of the products or services surrendered. Fair value is determined by using comparable market rates at the time of the transaction. The fair value of in-kind contributions is reported as support and expense in the statement of activities in the period in which the transaction is received.

In-kind contributions in connection with Surf Cup events was \$12,491 and \$1,610 for the years ended March 31, 2018 and 2017, respectively. In-kind contributions have been included with special event expenses on the statements of activities.

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 has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Income generated from activities unrelated to the Organization's exempt purpose is subject to tax under IRC Section 511. The Organization did not have any unrelated business income for the years ended March 31, 2018 and 2017, respectively, and, therefore, no provision for income taxes has been made.

The Organization follows the provision of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. The Organization believes that it has taken no significant uncertain tax positions for the years ended March 31, 2018 and 2017. Management believes the Organization is no longer subject to income tax examinations by applicable taxing jurisdictions for the years prior to March 31, 2014.

Advertising

The Organization expenses the cost of advertising as incurred. There was no advertising expense for the years ended March 31, 2018 and 2017, respectively.

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 15, 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.

NOTE 2. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash. The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. At March 31, 2018 and 2017, no balance exceeded FDIC limit of \$250,000.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2018 and 2017

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>3/31/18</u>	<u>3/31/17</u>
Equipment	\$ 3,641	\$ 3,754
Less accumulated depreciation	(1,941)	(2,592)
	<u>\$ 1,700</u>	<u>\$ 1,162</u>

Depreciation expense for the years ended March 31, 2018 and 2017 was \$414 and \$484, respectively.

NOTE 4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at March 31:

	<u>3/31/18</u>	<u>3/31/17</u>
Katuerkat Program	\$ 90,000	\$ 105,000
Mother & Child Health project	-	23,571
Orange County	-	12,392
Solar Panel project	-	4,000
	<u>\$ 90,000</u>	<u>\$ 144,963</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors in the amount of \$74,963 and \$168,512 during the years ended March 31, 2018 and 2017, respectively.

NOTE 5. PAYMENTS TO AND FROM AFFILIATE

The Organization made payments in the amount of \$127,338 and \$236,746 to SurfAid Indonesia for use in their programs for the years ended March 31, 2018 and 2017, respectively.

The Organization recorded receivables of \$350 and \$3,311 from SurfAid Australia for the years ended March 31, 2018 and 2017, respectively.

The Organization recorded receivables of \$11,467 and \$3,941 from SurfAid Indonesia for the years ended March 31, 2018 and 2017.

The Organization recorded payables of \$30,000 to SurfAid 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 \$6,000 and 5,000 for the years ended March 31, 2018 and 2017, respectively.

SURF AID INTERNATIONAL, USA
NOTES TO FINANCIAL STATEMENTS
Years ended March 31, 2018 and 2017

NOTE 7. LEASE COMMITMENTS

The Organization leases administrative office facilities under an operating lease agreement that expired February 2018. Payments were \$840 per month. Rent and storage expense was \$11,535 and \$11,488 for the years ended March 31, 2018 and 2017, respectively. In March 2018, the Organization renewed the lease on a month to month basis with payments of \$896 per month.

NOTE 8. FUNCTIONAL ALLOCATION OF EXPENSES

The Organization 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 the Organization's management.

NOTE 9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 23, 2018, the date which the financial statements were available to be issued.