

HOPE FOR THE WARRIORS®

DECEMBER 31, 2015

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in their entirety.**

HOPE FOR THE WARRIORS®

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hope For The Warriors®
Annandale, Virginia

Scope

We have audited the accompanying financial statements of Hope For The Warriors®, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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. 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 qualified audit opinion.

Board of Directors
Hope For The Warriors®
Annandale, Virginia

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope For The Warriors® as of December 31, 2015, 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 4 to the financial statements, Hope For The Warriors® restated opening net assets by \$150,000 to recognize a pledge made during 2014 that was fully collected in the year ended December 31, 2015.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended December 31, 2015, is presented for purposes of additional analysis 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.

Ross, Lenzan & McKeen
C.P.A.s

CERTIFIED PUBLIC ACCOUNTANTS

March 24, 2016

HOPE FOR THE WARRIORS®
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

ASSETS

Cash and cash equivalents	\$ 2,130,112
Contributions receivable	269,262
Deposits and prepaid expenses	111,721
Other assets	8,185
Furniture and equipment, net	<u>102,903</u>

TOTAL ASSETS

\$ 2,622,183

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 177,063
Accrued salaries and benefits	<u>142,511</u>

TOTAL LIABILITIES

\$ 319,574

NET ASSETS

Unrestricted:

Undesignated	1,014,064
Board-designated	<u>1,005,342</u>

Total unrestricted net assets

2,019,406

Temporarily restricted

283,203

TOTAL NET ASSETS

2,302,609

TOTAL LIABILITIES AND NET ASSETS

\$ 2,622,183

The accompanying notes are an integral part of these financial statements.

HOPE FOR THE WARRIORS®

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and grants	\$ 4,094,938	\$ 330,095	\$ 4,425,033
Donated services, facilities, and materials	281,347	-	281,347
Revenue from special events, net	623,793	-	623,793
Other income	7,372	-	7,372
Net assets released from restrictions	<u>237,262</u>	<u>(237,262)</u>	<u>-</u>
 Total revenue and support	 <u>5,244,712</u>	 <u>92,833</u>	 <u>5,337,545</u>
EXPENSES			
Program services:			
Transition services	307,940	-	307,940
Clinical health and wellness	1,206,217	-	1,206,217
Cultural awareness	299,312	-	299,312
Community development	806,045	-	806,045
Community engagement	880,883	-	880,883
Sports and recreation	1,048,723	-	1,048,723
Other programs	<u>119,418</u>	<u>-</u>	<u>119,418</u>
 Total program services	 <u>4,668,538</u>	 <u>-</u>	 <u>4,668,538</u>
Supporting services:			
Management and general	333,459	-	333,459
Fundraising	<u>478,106</u>	<u>-</u>	<u>478,106</u>
 Total support services	 <u>811,565</u>	 <u>-</u>	 <u>811,565</u>
 Total expenses	 <u>5,480,103</u>	 <u>-</u>	 <u>5,480,103</u>
CHANGE IN NET ASSETS	<u>(235,391)</u>	<u>92,833</u>	<u>(142,558)</u>
 NET ASSETS - BEGINNING OF YEAR	 2,254,797	 40,370	 2,295,167
Restatement of net assets	<u>-</u>	<u>150,000</u>	<u>150,000</u>
NET ASSETS - BEGINNING OF YEAR, as restated	<u>2,254,797</u>	<u>190,370</u>	<u>2,445,167</u>
 NET ASSETS - END OF YEAR	 <u>\$ 2,019,406</u>	 <u>\$ 283,203</u>	 <u>\$ 2,302,609</u>

The accompanying notes are an integral part of these financial statements.

HOPE FOR THE WARRIORS®

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets		\$(142,558)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	\$ 27,379	
(Gain)/loss on disposal of assets	(500)	
Changes in assets and liabilities:		
Contributions receivable	(98,677)	
Deposits and prepaid expenses	(39,966)	
Other assets	3,170	
Accounts payable	79,579	
Accrued salaries and benefits	16,511	
Other liabilities	<u>(1,925)</u>	
Net change in cash from operating activities		(156,987)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of furniture and equipment	(46,279)	
Sale of furniture and equipment	<u>500</u>	
Net change in cash from investing activities		<u>(45,779)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (202,766)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 2,332,878

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 2,130,112

The accompanying notes are an integral part of these financial statements.

HOPE FOR THE WARRIORS®

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE ORGANIZATION

Hope For The Warriors® is a not-for-profit organization incorporated in North Carolina in 2006. Our mission is to help those touched by military service to succeed at home by restoring their sense of self, family, and hope. Nationally, Hope For The Warriors® provides comprehensive support programs for service members, veterans, and military families that are focused on transition, health and wellness, peer engagement, and connectedness to community. Funding is provided primarily by individual, corporate, and foundation contributions. Our program areas are:

Transition Services

Military families are in a constant state of transition. While that transition is part of the life cycle of a military career, multiple combat deployments add an unprecedented level of stress. Hope For The Warriors® addresses transition from all angles and inserts support mechanisms to ensure every transition, whether from combat to home, duty station to duty station, military to civilian life, Department of Defense (DOD) school to civilian school, military career to academic endeavors, is successful.

Some of our focused specialties include career and educational goals of the service member, veteran, and family members. Our team works closely with employers to create program opportunities for service members and spouses as they prepare for their transition out of the military. Partnerships with universities are built to meet the needs of today's veteran college student. Biannual scholarships are awarded to both spouses and caregivers recognizing and supporting the new role shouldered within their families. Program work is completed through intensive multi-day programs, one-day seminars, virtual educational webinars, and one-on-one mentoring. Our clinical and wellness programs address individualized/family transition effects.

Clinical Health and Wellness

Hope For The Warriors® provides a holistic, person-centered approach in addressing the physical, psychological, social, moral, and environmental needs of the post 9/11 warrior, their family, and families of the fallen. Whether experiencing physical, moral, and/or psychological wounds, warriors and their families ultimately seek to find a quality of life that embraces wellness – an empowering choice toward a healthy and fulfilling life. The many programs, facilitated by licensed and industry professionals, offer a comprehensive spectrum of services to meet the needs of post 9/11 warriors and their families, at various points, seeking health and wellness and result in restoring a sense of self, family, and hope. Our unique approach of comprehensive case management ensures our warriors and their families experience a solution-based approach to restoring self, family, and hope.

Cultural Awareness

Driven by our communications team, Hope For The Warriors® bridges the military civilian divide. By facilitating dialogue that brings awareness of and respect for the existing cultural differences, our team precipitates relational success and therefore seamless transition. Additionally, sustained awareness of the needs of the military community produces effective programming for DOD, Department of Veteran's Affairs, and socially responsible corporate entities. This team is continuously informing ours and our partners programming as they track innovative advances made in the physical and behavioral health industries.

HOPE FOR THE WARRIORS®

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE ORGANIZATION (continued)

Community Development

Hope For The Warriors® strives to build educated communities that understand the unique needs and challenges of today's military family. Hope For The Warriors® collaborates with military organizations, corporations, civic groups, foundations, and individuals to improve military and veteran education and engagement. Our corporate partners enjoy a rich relationship that is beneficial to their culture and feeds their military employee programs while our individual supporters derive a personal touch to their giving.

Included in community development is A Warrior's Wish®, a program that honors the goals and desires of severely wounded service members, veterans, and their families. Wishes fulfill a desire for a better quality of life or support a quest for life-gratifying endeavors for post 9/11 service members, their families, and families of the fallen who have sustained physical and psychological wounds in the line of duty. The enrichment process continues long after the wish is granted through community development to promote stability within the lives of these heroes and their families.

Community Engagement

Hope For The Warriors® works directly at the community level to engage both military and civilian communities, uniting corporate and civil leaders, school districts, military agencies, and more to work together with a shared goal of embracing the military families within their community. Hope For The Warriors® provides education and resources to service members and their families as they transition out of the military. By developing relationships within the community – through both events and program work – Hope For The Warriors® establishes connectedness to the community that is also a key component of the warrior culture.

Sports and Recreation

Hope For The Warriors® recognizes pursuing athletic goals is a key component of the physical and psychological recovery for service members and military families and of the warrior culture. Program work includes the reintroduction of a loved sport or hobby or the opportunity to gain new skills with the use of adaptive equipment. Through sports and recreation, Hope For The Warriors® builds a community that embraces the warrior athlete, supporting their rehabilitation and mental health. Camaraderie and peer engagement/mentorship are key components in executing recreational experiences.

Other Programs

The Executive team plays an integral role in the near fight and far fight of Hope For The Warriors®. Participating in conversations that drive change to protect the future of our military families while maintaining a personal touch with those we serve is critical in developing and maintaining relevant programming. The excellence of the Hope For The Warriors® team stems from our daily focus on team development. Specifically addressing the nature of our work, advances in support, and the vision of the organization, every staff member is immersed in opportunities to enhance their skill sets and work laterally across the spectrum providing a cohesive and consistent experience for our service members and their families.

HOPE FOR THE WARRIORS®

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which is the sole source of authoritative accounting principles generally accepted in the United States of America (GAAP). The financial statements of Hope For The Warriors® have been prepared on the accrual basis of accounting. Hope For The Warriors® reports information regarding its activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

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

Contributions and Contributions Receivable

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. All contributions, including unconditional promises to give, are recorded when received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. Unconditional promises to give are reported at their net present realizable value. Contributions receivable as of December 31, 2015, are due in the year ended December 31, 2016. As of December 31, 2015, no allowance for uncollectible accounts was considered necessary by management.

Income Taxes

Hope For The Warriors® received a determination letter from the Internal Revenue Service (IRS) that it has been granted an exemption from federal income taxes and it qualifies as a publicly supported organization under Section 501(c)(3) and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC). Hope For The Warriors® has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(2) of the IRC. Hope For The Warriors® believes its operations are consistent with the nature of their exemption granted by the IRS. There is no current liability for income taxes and no temporary differences resulting in deferred taxes as of December 31, 2015.

Hope For The Warriors® is required to measure, recognize, present, and disclose in its financial statements uncertain income tax positions Hope For The Warriors® has taken in the tax years that remain subject to examination or expects to take on an income tax return. Hope For The Warriors® recognizes the tax benefits from uncertain income tax positions only if it is more likely than not that the tax position will be sustained on examination by tax authorities. Hope For The Warriors® recorded no liability for uncertain income tax positions for any open tax years.

HOPE FOR THE WARRIORS®

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Hope For The Warriors® considers cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Furniture and Equipment

Furniture and equipment in excess of \$1,000 are capitalized and stated at cost on the acquisition date or fair market value at the date of donation, if donated. Furniture and equipment are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally five to ten years. Leasehold improvements are amortized over the remaining life of the lease agreement. The cost of maintenance and repairs is recorded as expenses are incurred.

Revenue From Special Events

Special events revenue is presented net of the direct benefit provided to donors of \$230,866 for the year ended December 31, 2015.

Functional Allocation of Expenses and Joint Costs

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs associated with Hope For The Warriors® sponsored run and fundraising events that meet the requirements for treatment as joint costs in GAAP are allocated between program services and fundraising. The costs are allocated based on management's analysis of the nature of the events.

In the years ended December 31, 2015, Hope For The Warriors® conducted sponsored run and fundraising events that included requests for contributions as well as a program component. The cost of conducting this activity included joint costs, which are not specifically attributable to particular components of the events. These joint costs were allocated as follows for the year ended December 31, 2015:

Program services	\$ 355,000
Fundraising	<u>90,350</u>
Total joint costs	<u>\$ 445,350</u>

Advertising

Advertising costs are expensed when incurred.

Subsequent Events

Hope For The Warriors® has evaluated subsequent events through March 24, 2016, which is the date the financial statements were available to be issued.

HOPE FOR THE WARRIORS®
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - COMMITMENTS

Hope For The Warriors® has an unsecured line of credit that carried a 7.25 percent interest rate as of December 31, 2015. There was no balance outstanding on the line of credit as of December 31, 2015.

Hope For The Warriors® leases office space in several locations under agreements, which expire in the year ended December 31, 2016. Rent expense under these leases for the year ended December 31, 2015, was \$70,588. Future minimum payments under these leases is \$89,003 due in the year ending December 31, 2016. Hope For The Warriors® also maintains space in other locations where the rent is donated.

Subsequent to December 31, 2015, Hope For The Warriors® entered into a lease agreement for new office space to replace its Virginia leases. The lease contains provisions for reduced rent for the first ten months and rent escalations and expires in 2022. The following is a schedule of the future minimum lease payments under this new lease:

Years ending December 31

2016	\$ 44,244
2017	140,105
2018	150,797
2019	155,321
2020	159,980
Thereafter	<u>206,276</u>
Total	<u>\$ 856,723</u>

NOTE 4 - BEGINNING NET ASSETS RESTATEMENT

Hope For The Warriors® received a pledge of \$150,000 during 2014 that was fully collected in the year ended December 31, 2015. This was initially recorded in 2015 when it was collected instead of 2014 when it was pledged. Hope For The Warriors® has restated its December 31, 2014, opening temporarily restricted net assets by \$150,000 to recognize the pledge in 2014 as required by GAAP.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2015, temporarily restricted net assets were available for the following purposes:

Purpose restricted:	
A Warrior's Wish®	\$ 14,000
Time restricted	<u>269,203</u>
Total temporarily restricted net assets	<u>\$ 283,203</u>

HOPE FOR THE WARRIORS®
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - BOARD-DESIGNATED NET ASSETS

As of December 31, 2015, net assets of \$1,005,342 have been designated by the Board of Directors for operating reserves.

NOTE 7 - DONATED SERVICES, FACILITIES, AND MATERIALS

Hope For The Warriors® recognizes contribution revenue for certain services, facilities, and materials received, at their fair value. For the year ended December 31, 2015, the following amounts were recorded:

Donated rent	\$ 37,145
Professional fees	43,845
Adaptive equipment	1,560
Other in-kind contributions	<u>198,797</u>
Total donated services, facilities, and materials	<u>\$ 281,347</u>

Hope For The Warriors® receives a significant amount of donated services from unpaid volunteers that do not meet the criteria for recognition in accordance with GAAP and are therefore not recorded in the accompanying statement of activities.

NOTE 8 - FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following as of December 31, 2015:

Furniture	\$ 36,699
Computer equipment and software	162,339
Vehicles	101,440
Leasehold improvements	2,056
Less: accumulated depreciation and amortization	<u>(199,631)</u>
Furniture and equipment - net	<u>\$ 102,903</u>

Total depreciation and amortization expense for the year ended December 31, 2015 was \$27,379.

NOTE 9 - CONCENTRATION RISK

The statutory Federal Deposit Insurance Corporation (FDIC) insurance limit at participating financial institutions is \$250,000 per depositor and unlimited deposit insurance on non-interest bearing accounts at participating banks. As of December 31, 2015, Hope For The Warriors® had \$1,714,966 in cash deposits in excess of the FDIC insurance limit. Management believes this risk to be minimal.

HOPE FOR THE WARRIORS®
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES										SUPPORT SERVICES			Total Expenses
	Transition Services	Clinical Health and Wellness	Cultural Awareness	Community Development	Community Engagement	Sports and Recreation	Other Program Services	Total Program Services	Management and General	Fundraising	Benefit Costs and Other	Direct Supporting Services	Total	
Personnel cost	\$ 194,307	\$ 656,980	\$ 97,660	\$ 405,197	\$ 554,538	\$ 461,561	\$ -	\$ 2,370,243	\$ 185,730	\$ 192,221	\$ -	\$ 377,951	\$ 2,748,194	
Grants and contributions	53,414	358,605	168	217,372	29,995	69,575	96	729,225	-	-	-	-	729,225	
Professional fees	16,188	33,422	69,607	33,489	30,851	109,785	31,135	324,477	81,358	48,269	9,000	138,627	463,104	
Advertising and promotion	25	2,101	61,622	3,523	47,823	78,277	3,886	197,257	289	87,139	-	87,428	284,685	
Technology	6,533	22,375	11,458	13,608	18,649	34,136	-	106,759	8,699	72,547	-	81,246	188,005	
Travel and meals	10,849	15,632	12,485	28,610	56,618	122,098	58,895	305,187	8,787	10,884	-	19,671	324,858	
Donated services, facilities, and materials	6,161	56,991	11,194	53,233	61,601	28,321	7,679	225,180	13,297	17,864	25,006	56,167	281,347	
Meetings and events	3,378	2,299	17,453	1,786	26,574	93,213	8,404	153,107	677	16	197,150	197,843	350,950	
Other expenses	17,085	57,812	17,665	49,227	54,234	51,757	9,323	257,103	34,622	49,166	5,138	88,926	346,029	
Subtotal	307,940	1,206,217	299,312	806,045	880,883	1,048,723	119,418	4,668,538	333,459	478,106	236,294	1,047,859	5,716,397	
Less: Direct benefit costs and other	-	-	-	-	-	-	-	-	-	-	(236,294)	(236,294)	(236,294)	
TOTAL	\$ 307,940	\$ 1,206,217	\$ 299,312	\$ 806,045	\$ 880,883	\$ 1,048,723	\$ 119,418	\$ 4,668,538	\$ 333,459	\$ 478,106	\$ -	\$ 811,565	\$ 5,480,103	