

**HOPE FOR THE WARRIORS®**

**DECEMBER 31, 2017 AND 2016**

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may be reproduced only  
in their entirety.**

HOPE FOR THE WARRIORS®

DECEMBER 31, 2017 AND 2016

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Hope For The Warriors®  
Springfield, Virginia

### **Scope**

We have audited the accompanying financial statements of Hope For The Warriors®, which comprise the statements of financial position as of December 31, 2017, and 2016, and the related statements of activities 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.

### **Auditor's 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 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.

Board of Directors  
Hope For The Warriors®  
Springfield, 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, 2017 and 2016, 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.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are 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 audits 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, Lengen & McKeedee*  
L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

March 15, 2018

HOPE FOR THE WARRIORS®  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,013,328	\$ 4,492,829
Contributions receivable	1,447,924	514,485
Deposits and prepaid expenses	76,313	161,722
Other assets	12,299	9,825
Investments	1,609,398	13,798
Furniture and equipment, net	143,470	108,754
<b>TOTAL ASSETS</b>	<b>\$ 6,302,732</b>	<b>\$ 5,301,413</b>

LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
Accounts payable	\$ 188,126	\$ 99,821
Accrued salaries and benefits	200,481	159,236
Grants payable	150,000	13,648
Other liabilities	65,529	63,362
<b>TOTAL LIABILITIES</b>	604,136	336,067
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	1,253,740	3,344,659
Board-designated	2,749,515	829,083
Total unrestricted net assets	4,003,255	4,173,742
Temporarily restricted	1,695,341	791,604
<b>TOTAL NET ASSETS</b>	5,698,596	4,965,346
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,302,732</b>	<b>\$ 5,301,413</b>

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

HOPE FOR THE WARRIORS®

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>						
Contributions and grants	\$ 5,968,672	\$ 1,272,900	\$ 7,241,572	\$ 7,482,882	\$ 809,919	\$ 8,292,801
Donated services, facilities, and materials	697,628	-	697,628	695,050	-	695,050
Revenue from special events, net	455,921	5,500	461,421	516,695	-	516,695
Investment income, net	115,059	-	115,059	19,596	-	19,596
Other income (loss)	1,206	-	1,206	( 6,590)	-	( 6,590)
Net assets released from restrictions	<u>374,663</u>	<u>( 374,663)</u>	<u>-</u>	<u>301,518</u>	<u>( 301,518)</u>	<u>-</u>
Total revenue and support	<u>7,613,149</u>	<u>903,737</u>	<u>8,516,886</u>	<u>9,009,151</u>	<u>508,401</u>	<u>9,517,552</u>
<b>EXPENSES</b>						
Program services:						
Transition services	2,023,754	-	2,023,754	1,185,213	-	1,185,213
Clinical health and wellness	1,651,480	-	1,651,480	1,409,255	-	1,409,255
Cultural awareness	410,710	-	410,710	721,707	-	721,707
Community development	1,131,121	-	1,131,121	925,328	-	925,328
Community engagement	746,745	-	746,745	591,047	-	591,047
Sports and recreation	951,713	-	951,713	971,390	-	971,390
Other programs	<u>164,154</u>	<u>-</u>	<u>164,154</u>	<u>102,730</u>	<u>-</u>	<u>102,730</u>
Total program services	<u>7,079,677</u>	<u>-</u>	<u>7,079,677</u>	<u>5,906,670</u>	<u>-</u>	<u>5,906,670</u>
Supporting services:						
Management and general	380,345	-	380,345	396,236	-	396,236
Fundraising	<u>323,614</u>	<u>-</u>	<u>323,614</u>	<u>551,909</u>	<u>-</u>	<u>551,909</u>
Total support services	<u>703,959</u>	<u>-</u>	<u>703,959</u>	<u>948,145</u>	<u>-</u>	<u>948,145</u>
Total expenses	<u>7,783,636</u>	<u>-</u>	<u>7,783,636</u>	<u>6,854,815</u>	<u>-</u>	<u>6,854,815</u>
CHANGE IN NET ASSETS	( 170,487)	903,737	733,250	2,154,336	508,401	2,662,737
NET ASSETS - BEGINNING OF YEAR	<u>4,173,742</u>	<u>791,604</u>	<u>4,965,346</u>	<u>2,019,406</u>	<u>283,203</u>	<u>2,302,609</u>
NET ASSETS - END OF YEAR	<u>\$ 4,003,255</u>	<u>\$ 1,695,341</u>	<u>\$ 5,698,596</u>	<u>\$ 4,173,742</u>	<u>\$ 791,604</u>	<u>\$ 4,965,346</u>

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

## HOPE FOR THE WARRIORS®

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 733,250	\$ 2,662,737
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	40,704	37,345
Liquidation of donated securities used for operations	13,798	-
Realized and unrealized (gains)/ losses in investments	( 90,865)	-
Changes in assets and liabilities:		
Contributions receivable	( 933,439)	( 245,223)
Deposits and prepaid expenses	85,409	( 50,001)
Other assets	( 2,474)	( 15,438)
Accounts payable	88,305	( 77,242)
Accrued salaries and benefits	41,245	16,725
Grants payable	136,352	13,648
Other liabilities	<u>2,167</u>	<u>63,362</u>
Net change in cash from operating activities	..... <u>114,452</u>	..... <u>2,405,913</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	( 75,420)	( 43,196)
Purchase of investments	( 3,225,628)	-
Sales/redemptions of investments	<u>1,707,095</u>	<u>-</u>
Net change in cash from investing activities	<u>( 1,593,953)</u>	<u>( 43,196)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	( 1,479,501)	2,362,717
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,492,829</u>	<u>2,130,112</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,013,328</u>	<u>\$ 4,492,829</u>

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

## HOPE FOR THE WARRIORS®

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### NOTE 1 - THE ORGANIZATION

Hope For The Warriors® is a not-for-profit organization incorporated in North Carolina in 2006. Hope For The Warriors® 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. Hope For The Warriors® 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 Hope For The Warriors® focused specialties include meeting the career and educational goals of the service member, veteran, and family members. Hope For The Warriors® 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. Hope For The Warriors® 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. Hope For The Warriors® 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

Hope For The Warriors® communications team drives the initiative to bridge 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 the DOD, Department of Veteran's Affairs, and socially responsible corporate entities. This team is continuously informing Hope For The Warriors® and the partners programming as they track innovative advances made in the physical and behavioral health industries.



## HOPE FOR THE WARRIORS®

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 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. Hope For The Warriors® corporate partners enjoy a rich relationship that is beneficial to their culture and feeds their military employee programs while Hope For The Warriors® individual supporters derive a personal touch to their giving.

##### 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 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, military families, and 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 Hope For The Warriors® military families, while maintaining a personal touch with those Hope For The Warriors® serves is critical in developing and maintaining relevant programming. The excellence of the Hope For The Warriors® team stems from the daily focus on team development. Specifically addressing the nature of Hope For The Warriors® 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 Hope For The Warriors® service members and their families.

## HOPE FOR THE WARRIORS®

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 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 the 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 statements 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, 2017, are all due within one year. As of December 31, 2017 and 2016, 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, 2017 and 2016.

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 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  
 DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation.

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. Cash and money fund balances held by investment managers are considered investments.

Investments

Investments are carried at fair value, which represents publicly quoted market prices as of the last business day of the fiscal year. Donated investments are initially valued at the market value on the date received from the donor. Hope For The Warriors® policy is to liquidate donated securities as soon as administratively feasible and therefore they are treated as operating activities in the accompanying statements of cash flows.

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. The cost of maintenance and repairs is recorded as expenses are incurred.

Grants Payable

Hope For The Warriors® recognizes grants and contributions made when the pledge is communicated to the recipient.

Revenue From Special Events

Special events revenue is presented net of the direct benefit provided to donors. The following table summarizes revenue from special events for the years ended December 31:

	2017	2016	
Gross revenue	\$ 629,477	\$ 670,677	
Direct benefit to donors	( 168,056)	( 153,982)	
Total	\$ 461,421	\$ 516,695	

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 accompanying statements 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 friendraising 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.

HOPE FOR THE WARRIORS®

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses and Joint Costs (continued)

In the years ended December 31, 2017 and 2016, Hope For The Warriors® conducted sponsored run and friendraising 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 years ended December 31:

	<u>2017</u>	<u>2016</u>
Program services	\$ 475,420	\$ 324,400
Fundraising	<u>118,855</u>	<u>81,100</u>
Total joint costs	<u>\$ 594,275</u>	<u>\$ 405,500</u>

Advertising and Promotion

Advertising costs are expensed when incurred. Total advertising and promotion costs (including donated advertising) were \$942,140 and \$1,059,406 in the years ended December 31, 2017 and 2016, respectively.

Subsequent Events

Hope For The Warriors® has evaluated subsequent events through March 15, 2018, which is the date the financial statements were available to be issued.

NOTE 3 - 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, 2017, Hope For The Warriors® had \$2,448,794 in cash deposits in excess of the FDIC insurance limit. Management believes this risk to be minimal.

For the year ended December 31, 2017, approximately 35 percent of total revenue and support came from six donors and campaigns.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

Hope For The Warriors® has a \$50,000 unsecured line of credit that expires March 2018 and includes a 7.25 percent interest rate as of December 31, 2017 and 2016. There was no balance outstanding on the line of credit as of December 31, 2017 and 2016.

Hope For The Warriors® operations include the delivery of services to the public. Hope For The Warriors® is insured for the risk of loss associated with serving the public. While Hope For The Warriors® has been named in legal proceedings, management has employed measures to mitigate any potential material loss. Management believes the risk of material loss is remote.

HOPE FOR THE WARRIORS®

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 5 - LEASES

In April 2016, Hope For The Warriors® entered into a lease agreement for new office space located in Springfield, Virginia. The lease contains provisions for reduced rent for the first ten months, rent escalations, and expires in 2022. During the years ended December 31, 2017 and 2016, Hope For The Warriors® was under other leases for office space it occupies which expired as of December 31, 2017. The following is a schedule of future minimum office lease payments for the years ending December 31:

2018	\$ 150,797
2019	155,321
2020	159,980
2021	164,780
2022	<u>41,497</u>
Total	<u>\$ 672,375</u>

Occupancy expense consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Minimum rent	\$ 175,906	\$ 126,865
Change in deferred rent	2,682	62,847
Storage, utilities, and other occupancy costs	<u>8,211</u>	<u>5,215</u>
Total occupancy expense	<u>\$ 186,799</u>	<u>\$ 194,927</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Purpose restricted -		
Family resiliency services	\$ -	\$ 136,669
Clinical support services	262,159	187,404
Other	<u>1,584</u>	<u>10,212</u>
Total purpose restricted	263,743	334,285
Time and purpose restricted -		
Clinical support services	158,698	318,699
Time restricted	<u>1,272,900</u>	<u>138,620</u>
Total temporarily restricted net assets	<u>\$ 1,695,341</u>	<u>\$ 791,604</u>

HOPE FOR THE WARRIORS®

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 7 - BOARD-DESIGNATED NET ASSETS

As of December 31, 2017 and 2016, net assets of \$2,749,515 and \$829,083, respectively, have been designated by the Board of Directors for operating reserves.

NOTE 8 - DONATED SERVICES, FACILITIES, AND MATERIALS

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

	<u>2017</u>	<u>2016</u>
Donated facilities	\$ 17,883	\$ 21,245
Professional fees	59,420	39,222
Other in-kind contributions	96,298	93,694
Advertising	<u>524,027</u>	<u>540,889</u>
Total donated services, facilities, and materials	<u>\$ 697,628</u>	<u>\$ 695,050</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 statements of activities.

NOTE 9 - CONTRIBUTIONS RECEIVABLE

Included in contributions receivable as of December 31, 2017 and 2016, is a pledge due to be received in gross installments of \$160,000 in 2017 and 2018. Payments have been discounted at .8 percent to their present value of \$158,699 and \$318,699. This pledge and three other pledges make up 76 percent of total contributions receivable as of December 31, 2017.

NOTE 10 - FURNITURE AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Furniture	\$ 1,625	\$ 38,324
Computer equipment and software	255,737	203,909
Vehicles	64,390	101,440
Less: accumulated depreciation and amortization	<u>( 178,282)</u>	<u>( 234,919)</u>
Furniture and equipment, net	<u>\$ 143,470</u>	<u>\$ 108,754</u>

Total depreciation and amortization expense for the years ended December 31, 2017 and 2016, was \$40,704 and \$37,345, respectively.

HOPE FOR THE WARRIORS®

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

NOTE 11- INVESTMENTS

Hope For The Warriors® measures and reports financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair market value can fluctuate in times of market turmoil. GAAP establishes a three-level disclosure hierarchy to indicate the level of judgment used to estimate fair value measurements:

- Level 1 - quoted prices in an active market for identical assets or liabilities as of the reporting date;
- Level 1 - quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted market prices (such as interest rate and yield curves); and
- Level 3 - uses inputs that are unobservable, supported by little or no market activity, and reflect significant management judgment.

All Hope For The Warriors® investments are considered Level 1 assets. The table below summarizes investments for items measured at fair value on a recurring basis as of December 31:

	<u>2017</u>	<u>2016</u>
Cash and money market funds	\$ 72,179	\$ 13,798
Equity mutual funds	422,459	-
Equity ETFs	515,457	-
Fixed income mutual funds	198,262	-
Fixed income ETFs	<u>401,041</u>	<u>-</u>
Total investments	<u>\$ 1,609,398</u>	<u>\$ 13,798</u>

Net investment income consists of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 33,333	\$ 4,104
Realized and unrealized gains/(losses) on investments	90,865	-
Investment income on donated securities liquidated as soon as administratively feasible	-	15,492
Less: investment management fees	<u>( 9,139)</u>	<u>-</u>
Total investment income, net	<u>\$ 115,059</u>	<u>\$ 19,596</u>

The primary investment objective of Hope For The Warriors® is to produce a rate of total return, which will permit maximum support for the general operating fund, capital budget, and programs of Hope For The Warriors® to the extent that is consistent with the following: prudent management of investments, preservation of principal, and potential for long-term asset growth.

HOPE FOR THE WARRIORS®

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	PROGRAM SERVICES							SUPPORT SERVICES					
	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	Direct Benefit Costs and Other	Total Supporting Services	Total Expenses
Personnel cost	\$ 1,025,350	\$ 987,502	\$ 37,551	\$ 668,824	\$ 267,306	\$ 599,660	\$ -	\$ 3,586,193	\$ 231,480	\$ 155,496	\$ -	\$ 386,976	\$ 3,973,169
Grants and contributions	185,305	448,230	-	277,694	121,394	88,988	13,720	1,135,331	-	-	-	-	1,135,331
Professional fees	72,998	18,153	93,981	3,192	8,259	579	20,734	217,896	77,839	204	11,100	89,143	307,039
Advertising and promotion	12,336	7,947	221,158	11,199	111,884	29,063	10,425	404,012	646	13,455	-	14,101	418,113
Technology	21,975	29,077	3,000	14,334	5,749	25,546	903	100,584	4,961	80,751	-	85,712	186,296
Travel and meals	65,267	32,229	28,985	42,442	72,142	53,001	76,106	370,172	3,435	13,001	-	16,436	386,608
Donated services, facilities, and materials	539,023	11,532	12,249	21,182	76,171	8,047	-	668,204	25,402	1,276	2,746	29,424	697,628
Meetings and events	6,903	13,929	2,011	3,434	54,124	85,917	13,945	180,263	812	-	154,210	155,022	335,285
Occupancy	47,468	45,716	1,738	30,963	12,375	30,051	-	168,311	10,717	7,771	-	18,488	186,799
Other expenses	47,129	57,165	10,037	57,857	17,341	30,861	28,321	248,711	25,053	51,660	-	76,713	325,424
Subtotal	2,023,754	1,651,480	410,710	1,131,121	746,745	951,713	164,154	7,079,677	380,345	323,614	168,056	872,015	7,951,692
Less: Direct benefit costs and other	-	-	-	-	-	-	-	-	-	-	( 168,056)	( 168,056)	( 168,056)
TOTAL	\$ 2,023,754	\$ 1,651,480	\$ 410,710	\$ 1,131,121	\$ 746,745	\$ 951,713	\$ 164,154	\$ 7,079,677	\$ 380,345	\$ 323,614	\$ -	\$ 703,959	\$ 7,783,636

See independent auditor's report.



HOPE FOR THE WARRIORS®

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES							SUPPORT SERVICES					
	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	Direct Benefit Costs and Other	Total Supporting Services	Total Expenses
Personnel cost	\$ 689,774	\$ 881,359	\$ 87,895	\$ 559,853	\$ 220,566	\$ 517,651	\$ -	\$ 2,957,098	\$ 242,192	\$ 276,863	\$ -	\$ 519,055	\$ 3,476,153
Grants and contributions	63,916	325,335	-	187,450	33,670	44,199	18,678	673,248	-	-	-	-	673,248
Professional fees	29,102	24,147	75,445	9,503	13,826	65,557	1,040	218,620	61,049	32,290	11,400	104,739	323,359
Advertising and promotion	13,900	639	238,664	16,261	91,616	106,908	4,426	472,414	203	45,900	-	46,103	518,517
Technology	15,372	20,135	8,389	12,600	4,913	21,818	40	83,267	5,384	64,952	-	70,336	153,603
Travel and meals	59,057	33,032	12,390	30,626	57,967	49,030	38,375	280,477	3,368	11,733	-	15,101	295,578
Donated services, facilities, and materials	234,932	25,757	282,619	31,426	4,906	13,709	-	593,349	47,063	42,524	12,114	101,701	695,050
Meetings and events	4,329	5,578	1,500	1,240	122,048	87,419	25,814	247,928	142	192	130,143	130,477	378,405
Occupancy	38,482	49,170	4,904	31,368	12,305	29,568	-	165,797	13,512	15,618	-	29,130	194,927
Other expenses	36,349	44,103	9,901	45,001	29,230	35,531	14,357	214,472	23,323	61,837	325	85,485	299,957
Subtotal	1,185,213	1,409,255	721,707	925,328	591,047	971,390	102,730	5,906,670	396,236	551,909	153,982	1,102,127	7,008,797
Less: Direct benefit costs and other	-	-	-	-	-	-	-	-	-	-	(153,982)	(153,982)	(153,982)
TOTAL	\$ 1,185,213	\$ 1,409,255	\$ 721,707	\$ 925,328	\$ 591,047	\$ 971,390	\$ 102,730	\$ 5,906,670	\$ 396,236	\$ 551,909	\$ -	\$ 948,145	\$ 6,854,815