

Hope For The Warriors®

Financial Statements and
Independent Auditors' Report

December 31, 2018 and 2017

Hope For The Warriors®

Financial Statements
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hope For The Warriors®

We have audited the accompanying financial statements of Hope For The Warriors® (HFW), which comprise the statement of financial position as of December 31, 2018; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HFW as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of HFW as of December 31, 2017, were audited by other auditors whose report, dated March 15, 2018, expressed an unmodified opinion on those statements.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
April 12, 2019

Hope For The Warriors®

Statements of Financial Position December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 709,024	\$ 3,013,328
Investments	1,558,832	1,609,398
Contributions receivable	1,409,628	1,447,924
Deposits and prepaid expenses	88,823	76,313
Inventory	12,299	12,299
Property and equipment, net	127,236	143,470
Total assets	<u>\$ 3,905,842</u>	<u>\$ 6,302,732</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 167,023	\$ 188,126
Accrued salaries and benefits	248,055	200,481
Grants payable	-	150,000
Other liabilities	110	-
Deferred rent	57,520	65,529
Total liabilities	<u>472,708</u>	<u>604,136</u>
Net Assets (Deficit)		
Without donor restrictions:		
Undesignated	(1,658,863)	1,253,740
Designated by the Board for operating reserve	3,328,669	2,749,515
Total without donor restrictions	1,669,806	4,003,255
With donor restrictions	1,763,328	1,695,341
Total net assets	<u>3,433,134</u>	<u>5,698,596</u>
Total liabilities and net assets	<u>\$ 3,905,842</u>	<u>\$ 6,302,732</u>

See accompanying notes.

Hope For The Warriors®

Statement of Activities For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 3,759,881	\$ 1,409,610	\$ 5,169,491
In-kind contributions	596,716	-	596,716
Special events, net	650,930	-	650,930
Interest and investment loss, net	(101,119)	-	(101,119)
Released from restrictions	1,341,623	(1,341,623)	-
Total revenue and support	6,248,031	67,987	6,316,018
Expenses			
Program services:			
Transition services	2,426,934	-	2,426,934
Clinical health and wellness	1,963,776	-	1,963,776
Cultural awareness	430,893	-	430,893
Community development	739,670	-	739,670
Community engagement	1,048,138	-	1,048,138
Sports and recreation	1,076,755	-	1,076,755
Other programs	188,077	-	188,077
Total program services	7,874,243	-	7,874,243
Supporting services:			
Management and general	457,872	-	457,872
Fundraising	249,365	-	249,365
Total supporting services	707,237	-	707,237
Total expenses	8,581,480	-	8,581,480
Change in Net Assets	(2,333,449)	67,987	(2,265,462)
Net Assets, beginning of year	4,003,255	1,695,341	5,698,596
Net Assets, end of year	\$ 1,669,806	\$ 1,763,328	\$ 3,433,134

See accompanying notes.

Hope For The Warriors®

Statement of Activities For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 5,968,672	\$ 1,272,900	\$ 7,241,572
In-kind contributions	697,628	-	697,628
Special events, net	455,921	5,500	461,421
Interest and investment income, net	115,059	-	115,059
Other income	1,206	-	1,206
Released from restrictions	374,663	(374,663)	-
Total revenue and support	7,613,149	903,737	8,516,886
Expenses			
Program services:			
Transition services	2,023,754	-	2,023,754
Clinical health and wellness	1,651,480	-	1,651,480
Cultural awareness	410,710	-	410,710
Community development	1,131,121	-	1,131,121
Community engagement	746,745	-	746,745
Sports and recreation	951,713	-	951,713
Other programs	164,154	-	164,154
Total program services	7,079,677	-	7,079,677
Supporting services:			
Management and general	380,345	-	380,345
Fundraising	323,614	-	323,614
Total supporting services	703,959	-	703,959
Total expenses	7,783,636	-	7,783,636
Change in Net Assets	(170,487)	903,737	733,250
Net Assets, beginning of year	4,173,742	791,604	4,965,346
Net Assets, end of year	\$ 4,003,255	\$ 1,695,341	\$ 5,698,596

See accompanying notes.

Hope For The Warriors®

Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services								Supporting Services				Total
	Transition Services	Clinical Health and Wellness	Cultural Awareness	Community Development	Community Engagement	Sports and Recreation	Other Programs	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	
Personnel costs	\$ 1,355,557	\$ 1,189,024	\$ 171,073	\$ 587,953	\$ 477,539	\$ 714,375	\$ -	\$ 4,495,521	\$ 269,638	\$ 95,157	\$ -	\$ 364,795	\$ 4,860,316
Grants and contributions	281,516	538,099	-	1,077	91,039	126,326	354	1,038,411	-	-	-	-	1,038,411
Professional fees	84,845	28,884	64,076	42,214	16,120	420	41,289	277,848	93,961	1,699	5,072	100,732	378,580
Advertising	3,880	10,672	159,554	3,389	84,093	3,733	12,086	277,407	2	50,551	-	50,553	327,960
Technology	32,451	23,850	4,224	11,906	13,658	25,922	-	112,011	5,460	65,228	-	70,688	182,699
Travel and meals	79,162	19,974	6,559	18,530	128,535	56,885	94,509	404,154	2,512	9,078	-	11,590	415,744
Donated services, facilities, and materials	462,743	10,762	-	2,250	57,418	10,202	-	543,375	48,243	-	5,098	53,341	596,716
Meetings and events	17,915	3,905	168	1,339	133,314	72,412	28,085	257,138	431	88	103,696	104,215	361,353
Insurance	9,609	8,428	1,213	4,167	3,385	6,820	-	33,622	1,911	674	-	2,585	36,207
Depreciation	15,807	13,866	1,995	6,856	5,569	8,330	-	52,423	3,144	1,110	-	4,254	56,677
Occupancy	51,709	77,599	6,443	22,142	17,984	30,314	-	206,191	10,154	3,584	-	13,738	219,929
Other expenses	31,740	38,713	15,588	37,847	19,484	21,016	11,754	176,142	22,416	22,196	187	44,799	220,941
Subtotal	2,426,934	1,963,776	430,893	739,670	1,048,138	1,076,755	188,077	7,874,243	457,872	249,365	114,053	821,290	8,695,533
Less: direct benefit to donors	-	-	-	-	-	-	-	-	-	-	(114,053)	(114,053)	(114,053)
Total Expenses	\$ 2,426,934	\$ 1,963,776	\$ 430,893	\$ 739,670	\$ 1,048,138	\$ 1,076,755	\$ 188,077	\$ 7,874,243	\$ 457,872	\$ 249,365	\$ -	\$ 707,237	\$ 8,581,480

See accompanying notes.

Hope For The Warriors®

Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services								Supporting Services				Total
	Transition Services	Clinical Health and Wellness	Cultural Awareness	Community Development	Community Engagement	Sports and Recreation	Other Programs	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	
Personnel costs	\$ 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	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
Insurance	5,954	5,308	202	3,154	1,567	6,508	-	22,693	1,144	449	-	1,593	24,286
Depreciation	11,346	10,117	385	6,010	2,990	6,630	-	37,478	2,371	855	-	3,226	40,704
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	29,829	41,740	9,450	48,693	12,784	17,723	28,321	188,540	21,538	50,356	-	71,894	260,434
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 to donors	-	-	-	-	-	-	-	-	-	-	(168,056)	(168,056)	(168,056)
Total Expenses	\$ 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 accompanying notes.

Hope For The Warriors®

Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (2,265,462)	\$ 733,250
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	56,677	40,704
Donated investments	(6,483)	13,780
Net realized and unrealized loss (gain) on investments	131,887	(90,865)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	38,296	(933,439)
Deposits and prepaid expenses	(12,510)	85,409
Inventory	-	(2,474)
Increase (decrease) in:		
Accounts payable	(21,103)	88,305
Accrued salaries and benefits	47,574	41,245
Grants payable	(150,000)	136,352
Other liabilities	110	-
Deferred rent	(8,009)	2,167
	<u>(2,189,023)</u>	<u>114,434</u>
Net cash (used in) provided by operating activities		
Cash Flows from Investing Activities		
Purchases of fixed assets	(40,443)	(75,402)
Purchases of investments	(1,484,520)	(3,225,628)
Proceeds from sale of investments	1,409,682	1,707,095
	<u>(115,281)</u>	<u>(1,593,935)</u>
Net cash used in investing activities		
Net Decrease in Cash and Cash Equivalents	(2,304,304)	(1,479,501)
Cash and Cash Equivalents, beginning of year	<u>3,013,328</u>	<u>4,492,829</u>
Cash and Cash Equivalents, end of year	<u>\$ 709,024</u>	<u>\$ 3,013,328</u>

See accompanying notes.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Operations

Hope For The Warriors® (HFW) is a not-for-profit organization incorporated in North Carolina in 2006. HFW's mission is to help those touched by military service to succeed at home by restoring their sense of self, family, and hope. Nationally, HFW 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. HFW 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. HFW 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 HFW's focused specialties include meeting the career and educational goals of the service member, veteran, and family members. HFW's 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 done-on-one mentoring. HFW's clinical and wellness programs address individualized/family transition effects.

Clinical Health and Wellness

HFW 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. HFW's unique approach of comprehensive case management ensures our warriors and their families experience a solution-based approach to restoring self, family, hope.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Operations (continued)

Cultural Awareness

HFW's 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 HFW and the partners programming as they track innovative advances made in the physical and behavioral health industries.

Community Development

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

Community Engagement

HFW 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. HFW 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—HFW establishes connectedness to community that is also a key component of the warrior culture.

Sports and Recreation

HFW 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, HFW 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.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Operations (continued)

Other Programs

The Executive Team plays an integral role in the near fight and far fight of HFW. Participating in conversations that drive change to protect the future of HFW military families, while maintaining a personal touch with those HFW serves, is critical in developing and maintaining relevant programming. The excellence of the HFW team stems from the daily focus on team development. Specifically addressing the nature of HFW work, advances in support, and the vision of HFW, 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 HFW service members and their families.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

HFW's financial statements are prepared on the accrual basis of accounting.

Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Included in net assets without donor restrictions are Board-designated net assets, which are currently available to support HFW's daily operations. As of December 31, 2018 and 2017, there were \$3,328,669 and \$2,749,515, respectively, in Board-designated operating reserves.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Cash Equivalents

HFW considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety (90) days or less at the time of purchase. Excluded from this definition are amounts held for investment.

Investments

Investments are stated at fair value based on quoted market prices. Realized and unrealized gains and losses, less investment fees, are included in interest and investment income in the accompanying statements of activities. Donated investments are initially valued at the market value on the date received from the donor. HFW's 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.

Contributions Receivable

Contributions receivable are due in less than one year. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Management believes that all contributions receivable are collectible at December 31, 2018 and 2017.

Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from five to ten years. Expenditures for maintenance and repairs are expensed when incurred.

Grants Payable

HFW recognizes grants and contributions made when the pledge is communicated to the recipient.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

All contributions to HFW are considered to be available for unrestricted use unless specifically restricted by the donor. HFW reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions are reported as net assets without donor restrictions if the restrictions are met in the same period as received.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

HFW receives donated materials, services, and facilities which are included as in-kind contributions in the accompanying statements of activities and recognized at fair value at the time of receipt. Amounts totaling \$596,716 and \$697,628 are recorded as in-kind contribution revenue for the years ended December 31, 2018 and 2017, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Expenses

HFW expenses advertising costs as incurred. Advertising expenses were \$327,960 and \$418,113 for the years ended December 31, 2018 and 2017, respectively.

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 and disclosures. Accordingly, actual results could differ from those estimates.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. HFW has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation had no impact on previously reported net assets.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

Subsequent Events

In preparing these financial statements, HFW has evaluated events and transactions for potential recognition or disclosure through April 12, 2019, the date the financial statements were available to be issued.

3. Liquidity and Availability

HFW has \$1,914,156 of financial assets available within one year of the statement of financial position date. HFW strives to maintain liquid financial assets on hand to meet ninety (90) days of general expenditures. Management periodically reviews HFW's liquid asset needs and adjusts the cash and cash equivalent balances as necessary. Amounts in excess of operating liquidity needs are invested in various short-term and high liquidity securities.

Hope For The Warriors®

Notes to Financial Statements
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3. Liquidity and Availability (continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 709,024
Contributions receivable	1,409,628
Investment appropriated for current use	1,558,832
Less: restricted by donors	<u>(1,763,328)</u>
Total available for general expenditures	<u>\$ 1,914,156</u>

4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject HFW to significant concentrations of credit risk consist of cash and cash equivalents, and investments. HFW maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). HFW has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Revenue Risk

A substantial portion of HFW's revenue and support is received from a limited number of donors. Fluctuations in the level of support from these sources of revenue could affect HFW's program activities. For the year ended December 31, 2018, approximately 23% of total revenue and support came from two donors. For the year ended December 31, 2017, approximately 35% of the total revenue and support came from six donors.

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Notes to Financial Statements
December 31, 2018 and 2017

5. Investments and Fair Value Measurement

HFW follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

In general, and where applicable, HFW uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents HFW's fair value hierarchy for those investments measured on a recurring basis at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Cash and money				
market funds	\$ 81,541	\$ -	\$ -	\$ 81,541
Equity mutual funds	187,322	-	-	187,322
Equity ETFs	692,554	-	-	692,554
Fixed income mutual				
funds	213,795	-	-	213,795
Fixed income ETFs	383,620	-	-	383,620
Total investments	\$ 1,558,832	\$ -	\$ -	\$ 1,558,832

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Notes to Financial Statements
December 31, 2018 and 2017

5. Investments and Fair Value Measurement (continued)

The following table presents HFW's fair value hierarchy for those investments measured on a recurring basis at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Cash and money				
market funds	\$ 72,179	\$ -	\$ -	\$ 72,179
Equity mutual funds	422,459	-	-	422,459
Equity ETFs	515,457	-	-	515,457
Fixed income mutual funds	198,262	-	-	198,262
Fixed income ETFs	401,041	-	-	401,041
Total investments	\$ 1,609,398	\$ -	\$ -	\$ 1,609,398

Net interest and investment (loss) income consists of the following for the years ended December 31:

	2018	2017
Interest and dividends	\$ 46,069	\$ 33,333
Net realized and unrealized (loss) gain	(131,887)	90,865
Investment management fees	(15,301)	(9,139)
Interest and investment (loss) income, net	\$ (101,119)	\$ 115,059

6. Property and Equipment

HFW held the following property and equipment at December 31:

	2018	2017
Furniture	\$ 1,625	\$ 1,625
Computer equipment and software	296,181	255,737
Vehicles	64,390	64,390
Total property and equipment	362,196	321,752
Less: accumulated depreciation	(234,960)	(178,282)
Property and equipment, net	\$ 127,236	\$ 143,470

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Notes to Financial Statements
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7. Commitments and Contingencies

Operating Leases

In April 2016, HFW entered into a lease agreement for new office space located in Springfield, Virginia. The terms of the lease contain provisions for reduced rent for the first ten months, rent escalations, and expires in 2022. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as deferred rent in the accompanying statements of financial position.

Total rent expense (including storage, utilities, and other occupancy costs) under this operating lease was \$219,929 and \$186,799 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under this operating lease are as follows for the years ending December 31:

2019	\$	155,321
2020		159,980
2021		164,780
2022		41,497
		<hr/>
Future minimum lease payments	\$	<u>521,578</u>

8. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ (1,658,863)	\$ 1,253,740
Designated by the Board for operating reserve	<u>3,328,669</u>	<u>2,749,515</u>
Total net assets without donor restrictions	<u>\$ 1,669,806</u>	<u>\$ 4,003,255</u>

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8. Net Assets (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Purpose restricted:		
Clinical support services	\$ 353,718	\$ 262,159
Other	-	1,584
	<u>353,718</u>	<u>263,743</u>
Total purpose restricted	353,718	263,743
Time and purpose restricted – Clinical support services	-	158,698
Time restricted	<u>1,409,610</u>	<u>1,272,900</u>
Total net assets with donor restrictions	<u>\$ 1,763,328</u>	<u>\$ 1,695,341</u>

9. In-Kind Contributions

HFW 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>2018</u>	<u>2017</u>
Advertising	\$ 452,918	\$ 524,027
Donated facilities	22,602	17,883
Professional fees	21,791	59,420
Goods	<u>99,405</u>	<u>96,298</u>
Total in-kind contributions	<u>\$ 596,716</u>	<u>\$ 697,628</u>

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10. Joint Costs

Costs associated with HFW's sponsored run and friendraising events that meet the requirements for treatment as joint costs under accounting principles generally accepted in the United States of America 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, 2018 and 2017, HFW conducted a 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>2018</u>	<u>2017</u>
Program services	\$ 420,032	\$ 475,420
Fundraising	<u>116,675</u>	<u>118,855</u>
Total joint costs	<u><u>\$ 536,707</u></u>	<u><u>\$ 594,275</u></u>

11. 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:

	<u>2018</u>	<u>2017</u>
Gross revenue	\$ 764,983	\$ 629,477
Direct benefit to donors	<u>(114,053)</u>	<u>(168,056)</u>
Special events, net	<u><u>\$ 650,930</u></u>	<u><u>\$ 461,421</u></u>

12. Methods Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel costs, which are allocated on the basis of estimates of time and effort. Expenses that benefit all aspects of HFW are allocated based upon the percentage of salaries for that program or activity relative to total HFW salaries.

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13. Income Taxes

HFW is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from income taxes on net unrelated business activities. No tax expense is recorded in the accompanying financial statements for the years ended December 31, 2018 and 2107, as there was no significant unrelated business income. Management has evaluated HFW's tax positions and has determined that HFW has taken no uncertain tax positions that require either recognition or disclosure in the accompanying financial statements.