

HOPE FOR THE WARRIORS
FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT
THEREON

JUNE 30, 2009 AND 2008

CONTENTS

| | <u>Page</u> |
|--|--------------|
| Independent Auditor's Report | 1 |
| Audited Financial Statements | |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Cash Flows | 4 |
| Notes to Financial Statements | 5-8 |
| Supplemental Information | 9 |
| Statements of Functional Expenses | 10-11 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hope for the Warriors

We have audited the accompanying statements of financial position of Hope for the Warriors (H4W) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of H4W's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The statements of functional expenses on pages 10 and 11 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respect in relation to the basic financial statements taken as a whole.



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**HOPE FOR THE WARRIORS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

| | <u>2009</u> | <u>2008</u> |
|-----------------------------------|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 345,852 | \$ 494,358 |
| Accounts Receivable | 1,500 | - |
| Total Current Assets | <u>347,352</u> | <u>494,358</u> |
| Non-Current Assets | | |
| Property and Equipment, Net | <u>380,694</u> | <u>91,270</u> |
| Total Assets | <u>\$ 728,046</u> | <u>\$ 585,628</u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts Payable | \$ 151,596 | \$ 17,815 |
| Payroll Liabilities | - | 2,712 |
| Total Current Liabilities | <u>151,596</u> | <u>20,527</u> |
| Net Assets | | |
| Unrestricted | 208,008 | 230,376 |
| Temporarily Restricted | 368,442 | 334,725 |
| Total Net Assets | <u>576,450</u> | <u>565,101</u> |
| Total Liabilities and Net Assets | <u>\$ 728,046</u> | <u>\$ 585,628</u> |

The accompanying notes are an integral part of these financial statements

**HOPE FOR THE WARRIORS
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008**

| | 2009 | | 2008 | | | |
|--------------------------------------|-------------------|---------------------------|-------------------|-------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Revenues | | | | | | |
| Contributions | \$ 128,911 | \$ 870,373 | \$ 999,284 | \$ 185,089 | \$ 620,032 | \$ 805,121 |
| Special Events | 326,699 | - | 326,699 | 169,917 | - | 169,917 |
| Interest | 8,861 | - | 8,861 | 20,144 | - | 20,144 |
| In-kind Rent | 100,794 | - | 100,794 | 38,694 | - | 38,694 |
| Donated Services and Items | 47,157 | - | 47,157 | - | - | - |
| Net Assets Released From Restriction | 836,656 | (836,656) | - | 526,592 | (526,592) | - |
| Total Revenues | <u>1,449,078</u> | <u>33,717</u> | <u>1,482,795</u> | <u>940,436</u> | <u>93,440</u> | <u>1,033,876</u> |
| Expenses | | | | | | |
| Program Services | 1,045,280 | - | 1,045,280 | 814,544 | - | 814,544 |
| Supporting Services | 426,166 | - | 426,166 | 212,272 | - | 212,272 |
| Total Expenses | <u>1,471,446</u> | <u>-</u> | <u>1,471,446</u> | <u>1,026,816</u> | <u>-</u> | <u>1,026,816</u> |
| Change in Net Assets | (22,368) | 33,717 | 11,349 | (86,380) | 93,440 | 7,060 |
| Net assets, Beginning | 230,376 | 334,725 | 565,101 | 316,756 | 241,285 | 558,041 |
| Net assets, Ending | <u>\$ 208,008</u> | <u>\$ 368,442</u> | <u>\$ 576,450</u> | <u>\$ 230,376</u> | <u>\$ 334,725</u> | <u>\$ 565,101</u> |

The accompanying notes are an integral part of these financial statements

**HOPE FOR THE WARRIORS
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008**

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in Net Assets | \$ 11,349 | \$ 7,060 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash From Operating Activities | | |
| Depreciation | 4,515 | 3,038 |
| Change in Assets and Liabilities | | |
| Increase in Accounts Receivable | (1,500) | - |
| Increase in Accounts Payable | 133,782 | 17,815 |
| Increase (decrease) in Payroll Liabilities | <u>(2,712)</u> | <u>2,712</u> |
| Net Cash Flow From Operating Activities | 145,434 | 30,625 |
| Cash Flow From Investing Activities | | |
| Acquisition of Property and Equipment | <u>(293,940)</u> | <u>(68,935)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (148,506) | (38,310) |
| Cash and Cash Equivalents, Beginning | <u>494,358</u> | <u>532,668</u> |
| Cash and Cash Equivalents, Ending | <u>\$ 345,852</u> | <u>\$ 494,358</u> |

The accompanying notes are an integral part of these financial statements

**HOPE FOR THE WARRIORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 – Organization

Hope For The Warriors (H4W) is a nonprofit organization whose mission is to enhance the quality of life for United States Service Members and their families who have been adversely affected by injuries or death in the line of duty. H4W began in Jacksonville, NC – The home of Camp Lejeune Marine Corp Base. H4W plan to serve all branches of the United States Armed Forces. H4W's support comes primarily from individual donors' contributions.

H4W is a non-profit organization as detailed in Section 501(c)(3) of the Internal Revenue code and is exempt from federal and state income taxes.

NOTE 2 – Significant Accounting Policies

Basis of Accounting

H4W prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Consequently, revenue is recognized when earned and expense is recognized when the obligation is incurred.

Basis of Presentation

H4W follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," and SFAS No. 116, Accounting for Contributions Received and Contributions Made. Under SFAS No. 117, H4W is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted Net Assets, Temporarily Restricted Net Assets, and Permanently Restricted Net Assets, as applicable.

Public Support and Revenue

H4W recognizes revenue from contributions when notification of the funding commitment is received from the donor. H4W reports contributions of cash and other assets as temporarily restricted if they are received with donor stipulations that restricts the use of the donated assets. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with restriction that expire within the same fiscal year are recorded as restricted upon receipt.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at their estimated fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets of five to ten years based on cost. Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is reported in the statement of activities, as appropriate.

**HOPE FOR THE WARRIORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Estimates

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

Cash and Cash Equivalents

H4W considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," and SFAS No. 157 "Fair Value Measurements" requires disclosure of fair value information about financial instruments, whether or not recorded in the statement of financial condition. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and cash equivalents and accounts receivable - the carrying amounts reported in the statement of financial position approximate their fair value because of the liquidity and short maturities of those instruments.

NOTE 3 – Concentration of Credit Risk

H4W maintains different bank accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2009 cash and cash equivalents exceeding the Federal insurance limits amounted to \$113,812. The at-risk amount changes daily depending upon the actual account balances on deposit with the respective financial institutions.

NOTE 4 – Donated Services

H4W receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. Services that meet the criteria for recognition under SFAS No. 116 are recognized as donated service revenue and expenses.

**HOPE FOR THE WARRIORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 5 – Property and Equipment

A summary of property and equipment as of June 30, 2009 and 2008 is as follows:

| | <u>2009</u> | <u>2008</u> |
|--------------------------------|-------------------|------------------|
| Furniture and Fixtures | \$ 36,699 | \$ 36,699 |
| Computers | 7,481 | 3,300 |
| Building-in-Progress | <u>344,758</u> | <u>55,000</u> |
| Total Property and Equipment | 388,938 | 94,999 |
| Less: Accumulated Depreciation | <u>(8,244)</u> | <u>(3,729)</u> |
| Property and Equipment, Net | <u>\$ 380,694</u> | <u>\$ 91,270</u> |

Building-in-progress

In 2007, H4W started collecting donations towards the Warrior Hope and Care Center to be built at Marine Corps Base Camp Lejeune. H4W collected \$36,500 in fiscal year 2009 and \$127,009 in fiscal year 2008. All donations received towards the Warrior Hope and Care Center are restricted. H4W spent \$289,758 and \$55,000 in architect fees in 2009 and 2008, respectively, for the building design that were capitalized as building-in-progress. The building is expected to be complete in spring/summer 2013, with an estimated total cost of about \$20 million.

In early 2009, the United States Marine Corps reached an agreement with H4W to take over the construction of the building. Currently, it is unclear what H4W involvement with the Center would be and H4W suspended construction.

Depreciation expense

Depreciation expense for the years ended June 30, 2009 and 2008 was \$4,515 and \$3,038, respectively.

NOTE 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2009 and 2008:

| | <u>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| Scholarships and Education | \$ - | \$ 22,571 |
| Warrior Wishes | 17,476 | 44,715 |
| Immediate Grants | 13,283 | - |
| Warrior Hope and Care Center | 286,566 | 266,214 |
| Hope and Morale | 27,043 | 890 |
| Above and beyond | 13,412 | 310 |
| Other | <u>10,662</u> | <u>25</u> |
| Total Temporarily Restricted Net Assets | <u>\$ 368,442</u> | <u>\$ 334,725</u> |

HOPE FOR THE WARRIORS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

Net assets were released from donor restrictions by satisfying the purpose or time restrictions specified by donors are as follows:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|-------------------|-------------------|
| Scholarships and Education | \$ 56,694 | \$ 46,338 |
| Warrior Wish | 278,749 | 201,028 |
| Warrior House and Care Center | 57,167 | 87,109 |
| Immediate Needs | 234,603 | 138,077 |
| Hope and Morale | 126,713 | 34,350 |
| Above and beyond | 58,516 | 19,690 |
| Other | 24,214 | - |
| Total Restrictions Released | <u>\$ 836,656</u> | <u>\$ 526,592</u> |

NOTE 7 – In-Kind Rent

In-kind rent is the estimated rental value of three donated residences at Camp Lejeune and office space in New York.

Supplemental Information

**HOPE FOR THE WARRIORS
STATEMENT OF FUNTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

| | Program Services | | | | | | | | | | Supporting Services | | | Total |
|----------------------------------|------------------|-----------------|----------------------|-----------------|--------------|---------------|--------------|---------------|------------------------|----------------|---------------------|----------------------------|---------------------------|--------------|
| | Above and Beyond | Hope and Morale | Hope and Care Center | Immediate Needs | Scholarships | Warrior House | Warrior Wish | Program Other | Total Program Expenses | Special Events | Fundraising | General and Administrative | Total Supporting Services | |
| Advertising | \$ 157 | \$ 402 | \$ 127 | \$ - | \$ - | \$ - | \$ 16 | \$ 21,845 | \$ 22,547 | \$ - | \$ 1,106 | \$ - | \$ 1,106 | \$ 23,653 |
| Awards | - | - | - | - | 107 | - | 26 | 1,216 | 1,349 | 3,178 | - | - | 3,376 | 4,725 |
| Bank Charges and Merchant Fees | 119 | - | - | 18 | - | - | 414 | 760 | 1,311 | - | 8,073 | 1,167 | 1,167 | 10,551 |
| Banners and Signage | - | - | - | - | - | - | - | - | - | 4,261 | - | - | 4,261 | 4,261 |
| Cable | - | - | - | - | - | 2,024 | - | 2,211 | 2,024 | - | - | - | - | 2,024 |
| Childcare | - | 236 | - | - | - | - | - | - | 2,447 | - | - | 284 | 284 | 2,731 |
| Cleaning | - | - | - | - | - | 2,241 | - | - | 2,241 | - | - | - | - | 2,241 |
| Conference and Seminars | - | - | - | - | - | - | - | 185 | 185 | - | - | - | - | 185 |
| Depreciation | - | - | - | - | - | 64 | - | - | 64 | - | - | 845 | 845 | 4,515 |
| Dues and Subscriptions | - | - | - | - | - | 13 | - | 120 | 10,000 | - | - | - | - | 64 |
| Education Grants | 10,000 | - | - | - | - | - | - | - | 2,240 | - | - | - | - | 10,000 |
| Equipment Rental | 2,062 | 45 | - | - | - | - | - | - | 2,240 | 14,914 | - | - | 14,914 | 17,154 |
| Fees and Licenses | - | - | - | - | - | - | - | - | - | 2,020 | 923 | - | 923 | 2,943 |
| Participation Fees | - | - | - | - | - | - | - | - | - | 30,475 | - | - | 30,475 | 30,475 |
| Gift cards and Vouchers | - | 219 | - | 15,064 | - | - | 5,181 | 6,075 | 26,539 | - | 578 | - | 578 | 27,117 |
| Gifts | 100 | 162 | - | - | - | - | - | - | 262 | - | - | 1,299 | 1,561 | 1,717 |
| Immediate Needs | - | - | - | 166,891 | - | - | - | 45,000 | 166,891 | - | 12,000 | - | 15,000 | 166,891 |
| In-kind Rent | - | - | - | - | - | 40,794 | - | - | 85,794 | - | - | - | 6,178 | 100,794 |
| Insurance | - | - | - | - | - | - | - | - | - | 425 | - | - | 6,603 | 6,603 |
| Interest Expense | - | - | - | - | - | - | - | - | - | - | - | 29 | 29 | 29 |
| Location Use Fee | 7,500 | - | - | - | - | - | - | 310 | 7,810 | 16,833 | - | - | 16,833 | 24,643 |
| Meals | 9,043 | 2,841 | 575 | - | - | - | - | 1,234 | 13,693 | 20,079 | 6,933 | 1,028 | 28,040 | 41,733 |
| Membership Dues | - | - | - | - | - | - | - | 72 | 72 | - | - | 706 | 706 | 778 |
| Merchandise | 428 | 1,000 | - | - | - | - | - | 2,743 | 4,171 | 48,487 | - | - | 48,487 | 52,658 |
| Other Expenses | 1,648 | 1,624 | - | 3 | - | 89 | 978 | 1,205 | 5,547 | 15,780 | - | 2,558 | 18,338 | 23,885 |
| Outside Computer Services | - | - | - | 200 | - | - | - | - | 200 | 1,800 | - | 1,341 | 3,141 | 3,341 |
| Professional Fees | 1,701 | 3,778 | 848 | 8,026 | 60 | - | 3,422 | 12,671 | 30,506 | 19,210 | 1,226 | 32,363 | 52,799 | 83,305 |
| Accounting Fees | - | - | - | - | - | - | - | 23,321 | 23,321 | - | - | - | 6,375 | 29,696 |
| Postage, Shipping and Delivery | 132 | 360 | 226 | 165 | 54 | 43 | 482 | 2,767 | 4,229 | 1,774 | 2,253 | 4,552 | 8,579 | 12,808 |
| Printing and Copying | 282 | 1,678 | - | - | 20 | - | - | 716 | 2,696 | 5,073 | 1,880 | 2,261 | 9,214 | 11,910 |
| Repairs and Maintenance | - | - | - | - | - | 117 | - | 116 | 233 | 120 | - | - | 120 | 353 |
| Salaries | 8,271 | 30,090 | 9,108 | 38,420 | 7,478 | 6,413 | 17,170 | 6,144 | 123,094 | - | 34,866 | 24,572 | 59,438 | 182,532 |
| Payroll Taxes | 730 | 1,882 | 697 | 2,666 | 855 | 491 | 1,314 | 491 | 9,126 | - | 2,008 | 6,060 | 17,194 | 17,194 |
| Scholarships Awarded | - | - | - | - | 76,398 | - | - | - | 76,398 | - | - | - | 8,068 | 76,398 |
| Staff Development and Training | - | - | - | 115 | - | - | - | - | 115 | - | - | - | - | 115 |
| Supplies | 1,462 | 2,507 | 90 | 235 | 98 | 572 | - | 11,114 | 16,078 | 31,482 | - | 7,197 | 38,679 | 54,757 |
| Telephone and Telecommunications | 57 | 74 | 82 | 74 | - | 2,970 | 74 | 16,521 | 19,852 | 175 | - | 9,580 | 9,755 | 29,607 |
| Travel | 33,271 | 79,816 | 4,395 | 919 | - | 807 | 25 | 9,871 | 129,104 | 10,376 | 11,821 | 4,359 | 26,556 | 155,660 |
| Travel for Wounded and Family | - | - | - | 1,808 | - | - | - | - | 1,808 | - | - | - | - | 1,808 |
| Utilities | - | - | - | - | - | - | - | - | - | 85 | - | - | 85 | 85 |
| Warrior Wish Expense | - | - | - | - | - | - | 249,663 | - | 249,663 | - | - | - | - | 249,663 |
| Totals | \$ 76,963 | \$ 126,714 | \$ 16,148 | \$ 234,604 | \$ 85,070 | \$ 60,308 | \$ 278,765 | \$ 166,708 | \$ 1,045,280 | \$ 226,372 | \$ 82,919 | \$ 116,875 | \$ 426,166 | \$ 1,471,446 |

See independent auditor's report