

Hope For The Warriors®

Financial Statements and
Independent Auditors' Report

December 31, 2019 and 2018

Hope For The Warriors®

Financial Statements
December 31, 2019 and 2018

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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 statements of financial position as of December 31, 2019 and 2018; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, HFW adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

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

Vienna, Virginia
May 5, 2020

Hope For The Warriors®

Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 1,628,635	\$ 709,024
Investments	1,834,106	1,558,832
Accounts and contributions receivable	265,176	1,409,628
Pledges receivable, net	197,513	-
Deposits and prepaid expenses	98,373	88,823
Inventory	12,299	12,299
Property and equipment, net	126,406	127,236
Total assets	<u>\$ 4,162,508</u>	<u>\$ 3,905,842</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 126,202	\$ 167,023
Accrued salaries and benefits	313,065	248,055
Deferred revenue	41,350	110
Deferred rent	44,986	57,520
Line of credit	1,125,284	-
Total liabilities	<u>1,650,887</u>	<u>472,708</u>
Net Assets		
Without donor restrictions:		
Undesignated	720,410	1,090,652
Board-designated	1,075,476	579,154
Total without donor restrictions	1,795,886	1,669,806
With donor restrictions	715,735	1,763,328
Total net assets	<u>2,511,621</u>	<u>3,433,134</u>
Total liabilities and net assets	<u>\$ 4,162,508</u>	<u>\$ 3,905,842</u>

See accompanying notes.

Hope For The Warriors®

Statement of Activities For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions and grants	\$ 5,233,494	\$ 990,978	\$ 6,224,472
In-kind contributions	515,274	-	515,274
Special events, net	533,215	-	533,215
Investment income, net	273,267	-	273,267
Released from restrictions	2,038,571	(2,038,571)	-
Total revenue and support	8,593,821	(1,047,593)	7,546,228
Expenses			
Program services:			
Transition services	940,899	-	940,899
Clinical health and wellness	1,483,625	-	1,483,625
Cultural awareness	789,066	-	789,066
Community development	866,164	-	866,164
Community engagement	777,832	-	777,832
Sports and recreation	1,070,551	-	1,070,551
Other programs	1,787,145	-	1,787,145
Total program services	7,715,282	-	7,715,282
Supporting services:			
Management and general	580,547	-	580,547
Fundraising	171,912	-	171,912
Total supporting services	752,459	-	752,459
Total expenses	8,467,741	-	8,467,741
Change in Net Assets	126,080	(1,047,593)	(921,513)
Net Assets, beginning of year	1,669,806	1,763,328	3,433,134
Net Assets, end of year	\$ 1,795,886	\$ 715,735	\$ 2,511,621

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
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	1,830,233	-	1,830,233
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	784,778	-	784,778
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 Functional Expenses
For the Year Ended December 31, 2019

	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	\$ 526,458	\$ 881,545	\$ 326,469	\$ 684,430	\$ 323,220	\$ 728,531	\$ 1,465,068	\$ 4,935,721	\$ 366,423	\$ 35,578	\$ -	\$ 402,001	\$ 5,337,722
Grants and contributions	302,254	432,320	-	1,717	93,294	91,826	72,709	994,120	-	-	-	-	994,120
Professional fees	25,340	7,942	46,425	36,598	30,038	1,590	6,573	154,506	74,935	21,800	11,584	108,319	262,825
Advertising	6,796	3,108	153,025	3,432	78,875	12,279	9,941	267,456	590	3,858	-	4,448	271,904
Technology	9,440	13,947	5,972	10,728	5,066	23,012	26,953	95,118	5,744	74,152	-	79,896	175,014
Travel and meals	19,056	15,367	5,725	42,955	73,669	38,276	50,115	245,163	2,726	4,241	-	6,967	252,130
Donated services, facilities, and materials	3,632	22,430	231,916	-	84,680	34,406	-	377,064	86,072	-	52,138	138,210	515,274
Meetings and events	7,013	951	735	3,635	58,017	75,498	22,119	167,968	586	-	205,594	206,180	374,148
Insurance	3,256	5,452	2,019	4,233	1,999	5,884	9,061	31,904	2,266	220	-	2,486	34,390
Depreciation	5,198	8,704	3,223	6,758	3,191	7,193	14,465	48,732	3,617	351	-	3,968	52,700
Occupancy	21,183	61,506	-	26,525	12,526	30,265	69,431	221,436	-	1,379	-	1,379	222,815
Other expenses	11,273	30,353	13,557	45,153	13,257	21,791	40,710	176,094	37,588	30,333	580	68,501	244,595
Subtotal	940,899	1,483,625	789,066	866,164	777,832	1,070,551	1,787,145	7,715,282	580,547	171,912	269,896	1,022,355	8,737,637
Less: direct benefit to donors	-	-	-	-	-	-	-	-	-	-	(269,896)	(269,896)	(269,896)
Total Expenses	\$ 940,899	\$ 1,483,625	\$ 789,066	\$ 866,164	\$ 777,832	\$ 1,070,551	\$ 1,787,145	\$ 7,715,282	\$ 580,547	\$ 171,912	\$ -	\$ 752,459	\$ 8,467,741

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	\$ 801,640	\$ 1,189,024	\$ 171,073	\$ 587,953	\$ 477,539	\$ 714,375	\$ 553,917	\$ 4,495,521	\$ 269,638	\$ 95,157	\$ -	\$ 364,795	\$ 4,860,316
Grants and contributions	262,055	538,099	-	1,077	91,039	126,326	19,815	1,038,411	-	-	-	-	1,038,411
Professional fees	80,650	28,884	64,076	42,214	16,120	420	45,484	277,848	93,961	1,699	5,072	100,732	378,580
Advertising	3,217	10,672	159,554	3,389	84,093	3,733	12,749	277,407	2	50,551	-	50,553	327,960
Technology	31,925	23,850	4,224	11,906	13,658	25,922	526	112,011	5,460	65,228	-	70,688	182,699
Travel and meals	64,736	19,974	6,559	18,530	128,535	56,885	108,935	404,154	2,512	9,078	-	11,590	415,744
Donated services, facilities, and materials	462,443	10,762	-	2,250	57,418	10,202	300	543,375	48,243	-	5,098	53,341	596,716
Meetings and events	16,593	3,905	168	1,339	133,314	72,412	29,407	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	29,849	38,713	15,588	37,847	19,484	21,016	13,645	176,142	22,416	22,196	187	44,799	220,941
Subtotal	1,830,233	1,963,776	430,893	739,670	1,048,138	1,076,755	784,778	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	\$ 1,830,233	\$ 1,963,776	\$ 430,893	\$ 739,670	\$ 1,048,138	\$ 1,076,755	\$ 784,778	\$ 7,874,243	\$ 457,872	\$ 249,365	\$ -	\$ 707,237	\$ 8,581,480

See accompanying notes.

Hope For The Warriors®

Statements of Cash Flows For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (921,513)	\$ (2,265,462)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	52,700	56,677
Donated investments	(2,049)	(6,483)
Net realized and unrealized (gain) loss on investments	(245,808)	131,887
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and contributions receivable	1,144,452	38,296
Pledges receivable	(197,513)	-
Deposits and prepaid expenses	(9,550)	(12,510)
Increase (decrease) in:		
Accounts payable	(40,821)	(21,103)
Accrued salaries and benefits	65,010	47,574
Grants payable	-	(150,000)
Deferred revenue	41,240	110
Deferred rent	(12,534)	(8,009)
	(126,386)	(2,189,023)
Cash Flows from Investing Activities		
Purchases of fixed assets	(51,870)	(40,443)
Purchases of investments	(509,287)	(1,484,520)
Proceeds from sale of investments	481,870	1,409,682
	(79,287)	(115,281)
Cash Flows from Financing Activity		
Proceeds from borrowings on line of credit	1,125,284	-
	1,125,284	-
Net Increase (Decrease) in Cash and Cash Equivalents	919,611	(2,304,304)
Cash and Cash Equivalents, beginning of year	709,024	3,013,328
Cash and Cash Equivalents, end of year	\$ 1,628,635	\$ 709,024

See accompanying notes.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018

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, 2019 and 2018

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 grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve fund.
- *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, 2019 and 2018

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 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 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.

Accounts and Contributions Receivable

Accounts and 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 accounts and contributions receivables are collectible at December 31, 2019 and 2018.

Pledges Receivable

Pledges receivable represent unconditional pledges and are recorded at net realizable value. Pledges receivable due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. In subsequent years, amortization of the discount is included in contribution revenue in the statements of activities. Management believes that all pledges receivable are collectible at December 31, 2019 and 2018, and, accordingly, no allowance for uncollectible accounts has been established.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

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.

Revenue Recognition

Contributions are recorded as revenue when received or promised. 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.

Revenue from special events is recognized as earned in the period in which the event takes place. Events sponsorships are comprised of exchange elements based on the benefits received, including run registrations, banner and booth display, and advertisement. Sponsorships are recognized as revenue at a point in time once performance obligations are met or once the events take place. Sponsorships received for the future events are recorded as deferred sponsorships revenue.

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 \$515,274 and \$596,716 are recorded as in-kind contribution revenue for the years ended December 31, 2019 and 2018, respectively.

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Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

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 Costs

Advertising costs are expensed as incurred, and approximated \$271,904 and \$327,960 during the years ended December 31, 2019 and 2018, 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.

Reclassification

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effects in the change in net assets previously reported.

Adopted Accounting Pronouncements

Financial Accounting Standards Update (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. HFW has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

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Notes to Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements (continued)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. HFW has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. The implementation had no impact on the 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. Management continues to evaluate the potential impact of this update on HFW's financial statements.

Subsequent Events

In preparing these financial statements, HFW has evaluated events and transactions for potential recognition or disclosure through May 5, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that are likely to impact HFW. The extent of the impact of the COVID-19 coronavirus on HFW's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and direct impact on HFW, all of which are uncertain and cannot be predicted at this time. HFW has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2019 and 2018

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,628,635	\$ 709,024
Accounts and contributions receivable	265,176	1,409,628
Pledges receivable due in less than one year	100,000	-
Investments	<u>1,834,106</u>	<u>1,558,832</u>
 Total financial assets	 <u>3,827,917</u>	 <u>3,677,484</u>
 Less: not available for general expenditures:		
Board-designated funds	(1,075,476)	(579,154)
Net assets with donors restrictions	(715,735)	(1,763,328)
Collateralized investments	<u>(1,125,284)</u>	<u>-</u>
 Total not available for general expenditures	 <u>(2,916,495)</u>	 <u>(2,342,482)</u>
 Total available for general expenditures	 <u>\$ 911,422</u>	 <u>\$ 1,335,002</u>

HFW strives to maintain liquid financial assets to meet 90 days of operating expenditures. As part of its liquidity plan, HFW invests cash in excess of daily requirements in various short-term investments. In addition, as described in Note 9 to the financial statements, HFW maintains a flexible line of credit with its investment institution that is collateralized by HFW's investment portfolio, and a committed line of credit in the amount of \$50,000 that it could draw upon in the event of an unanticipated liquidity need.

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Notes to Financial Statements
December 31, 2019 and 2018

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 both years ended December 31, 2019 and 2018, approximately 23% of the total revenue and support came from two donors.

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.

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5. Investments and Fair Value Measurement (continued)

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, 2019:

	Level 1	Level 2	Level 3	Total
Cash and money				
market funds	\$ 134,139	\$ -	\$ -	\$ 134,139
Equity mutual funds	255,008	-	-	255,008
Equity ETFs	817,616	-	-	817,616
Fixed income mutual funds	226,281	-	-	226,281
Fixed income ETFs	401,062	-	-	401,062
Total investments	\$ 1,834,106	\$ -	\$ -	\$ 1,834,106

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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5. Investments and Fair Value Measurement (continued)

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 42,147	\$ 46,069
Net realized and unrealized gain (loss)	245,808	(131,887)
Investment management fees	<u>(14,688)</u>	<u>(15,301)</u>
Total investment income (loss), net	<u>\$ 273,267</u>	<u>\$ (101,119)</u>

6. Pledges Receivable

Pledges receivable are promised as follows at December 31:

	<u>2019</u>	<u>2018</u>
Due in less than one year	\$ 100,000	\$ -
Due in one to five years	<u>100,000</u>	<u>-</u>
Total pledges receivable	200,000	-
Less: present-value discount at 2.25%	<u>(2,487)</u>	<u>-</u>
Pledges receivable, net	<u>\$ 197,513</u>	<u>\$ -</u>

7. Property and Equipment

HFV held the following property and equipment at December 31:

	<u>2019</u>	<u>2018</u>
Furniture	\$ 1,625	\$ 1,625
Computer equipment and software	344,697	296,181
Vehicles	<u>64,390</u>	<u>64,390</u>
Total property and equipment	410,712	362,196
Less: accumulated depreciation	<u>(284,306)</u>	<u>(234,960)</u>
Property and equipment, net	<u>\$ 126,406</u>	<u>\$ 127,236</u>

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8. 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 contained provisions for reduced rent for the first ten months, rent escalations, and was set to expire in 2022. In January 2020, the lease agreement was amended to reduce the size of the office space rented and extend the term of the lease through March 31, 2025. 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 occupancy expense (including storage, utilities, and other occupancy costs) under this operating lease was \$222,815 and \$219,929 for the years ended December 31, 2019 and 2018, respectively.

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

2020	\$	105,287
2021		109,574
2022		109,574
2023		116,820
2024		120,325
Thereafter		<u>30,302</u>
Future minimum lease payments	\$	<u><u>591,882</u></u>

9. Lines of Credit

HFW maintains a \$50,000 unsecured line of credit with a bank for the purposes of working capital needs. The line of credit is renewable every year. Borrowings under this line bear interest at the bank's prime rate plus 0.75% (6.00% and 5.75% at December 31, 2019 and 2018, respectively). There was no outstanding balance on this line of credit at December 31, 2019 and 2018.

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9. Lines of Credit (continued)

In addition, HFW has a flexible line of credit with its investment institution that is secured by an investment portfolio. This line of credit does not require principal payments; however, the investment institution may sell the underlying collateral to settle a collateral call without notice to HFW. Interest accrues at approximately 4%, which is a variable rate based on the one-month LIBOR. The outstanding balance on this line of credit was \$1,125,284 at December 31, 2019. There was no outstanding balance on this line of credit at December 31, 2018.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Program restricted	\$ 434,460	\$ 353,718
Time restricted	<u>281,275</u>	<u>1,409,610</u>
Total net assets with donor restrictions	<u>\$ 715,735</u>	<u>\$ 1,763,328</u>

11. 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>2019</u>	<u>2018</u>
Advertising	\$ 349,675	\$ 452,918
Donated facilities	26,102	22,602
Professional fees	63,420	21,791
Goods	<u>76,077</u>	<u>99,405</u>
Total in-kind contributions	<u>\$ 515,274</u>	<u>\$ 596,716</u>

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12. 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>2019</u>	<u>2018</u>
Gross revenue	\$ 803,111	\$ 764,983
Direct benefit to donors	<u>(269,896)</u>	<u>(114,053)</u>
Special events, net	<u>\$ 533,215</u>	<u>\$ 650,930</u>

13. Joint Costs

HFW's sponsored run and annual gala include programmatic activities together with a request for contributions in support of HFW's mission. The costs of conducting these activities included joint costs not directly attributable to any single function. Those costs were allocated among the functional expense categories as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Program services	\$ 447,208	\$ 420,032
Fundraising	<u>154,451</u>	<u>116,675</u>
Total joint costs	<u>\$ 601,659</u>	<u>\$ 536,707</u>

14. 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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15. Income Taxes

HFW is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code 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, 2019 and 2018, 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.