

Hope For The Warriors®

Financial Statements and
Independent Auditors' Report

December 31, 2020 and 2019

Hope For The Warriors®

Financial Statements
December 31, 2020 and 2019

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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® (HOPE), which comprise the statements of financial position as of December 31, 2020 and 2019; 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 HOPE as of December 31, 2020 and 2019, 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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, flowing style.

Vienna, Virginia
May 24, 2021

Hope For The Warriors®

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,916,384	\$ 1,628,635
Investments	1,155,698	1,834,106
Accounts receivable	14,964	15,649
Grants and contributions receivable, net	449,558	447,040
Accrued rent receivable	13,991	-
Deposits and prepaid expenses	56,342	98,373
Inventory	9,825	12,299
Property and equipment, net	104,679	126,406
Total assets	<u>\$ 3,721,441</u>	<u>\$ 4,162,508</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 157,585	\$ 126,202
Accrued salaries and benefits	126,693	313,065
Deferred sponsorships	55,790	41,350
Refundable advances	560,421	-
Deferred rent	-	44,986
Line of credit	655,220	1,125,284
Loan payable – Small Business Loan Program	152,138	-
Total liabilities	<u>1,707,847</u>	<u>1,650,887</u>
Net Assets		
Without donor restrictions:		
Undesignated	350,082	720,410
Board-designated	1,061,032	1,075,476
Total without donor restrictions	1,411,114	1,795,886
With donor restrictions	602,480	715,735
Total net assets	<u>2,013,594</u>	<u>2,511,621</u>
Total liabilities and net assets	<u>\$ 3,721,441</u>	<u>\$ 4,162,508</u>

See accompanying notes.

Hope For The Warriors®

Statement of Activities For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 4,313,901	\$ 1,281,820	\$ 5,595,721
In-kind contributions	65,116	-	65,116
Special events, net	247,539	-	247,539
Investment income, net	147,974	-	147,974
Released from restrictions	1,395,075	(1,395,075)	-
Total revenue and support	6,169,605	(113,255)	6,056,350
Expenses			
Program services:			
Transition services	752,059	-	752,059
Clinical health and wellness	1,277,226	-	1,277,226
Cultural awareness	507,790	-	507,790
Community development	443,504	-	443,504
Community engagement	346,965	-	346,965
Cohen Veteran Network	563,121	-	563,121
Sports and recreation	752,654	-	752,654
Other programs	1,199,025	-	1,199,025
Total program services	5,842,344	-	5,842,344
Supporting services:			
Management and general	596,941	-	596,941
Fundraising	115,092	-	115,092
Total supporting services	712,033	-	712,033
Total expenses	6,554,377	-	6,554,377
Change in Net Assets	(384,772)	(113,255)	(498,027)
Net Assets, beginning of year	1,795,886	715,735	2,511,621
Net Assets, end of year	\$ 1,411,114	\$ 602,480	\$ 2,013,594

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			
Grants and contributions	\$ 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 Functional Expenses
For the Year Ended December 31, 2020

	Program Services									Supporting Services				Total
	Transition Services	Clinical Health and Wellness	Cultural Awareness	Community Development	Community Engagement	Cohen Veteran Network	Sports and Recreation	Other Programs	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	
Personnel costs	\$ 582,679	\$ 821,232	\$ 320,007	\$ 288,874	\$ 306,440	\$ 490,568	\$ 651,628	\$ 1,094,442	\$ 4,555,870	\$ 262,334	\$ 44,044	\$ -	\$ 306,378	\$ 4,862,248
Grants and contributions	122,274	387,721	-	-	10,119	-	9,233	4,893	534,240	-	-	-	-	534,240
Professional fees	-	3,288	65,667	52,418	-	23,975	625	7,675	153,648	199,398	17,935	301	217,634	371,282
Advertising	1,088	747	87,337	831	1,022	-	6,739	3,961	101,725	-	2,783	-	2,783	104,508
Technology	12,836	16,429	9,710	5,807	4,269	20,083	13,602	21,901	104,637	5,674	14,023	-	19,697	124,334
Travel and meals	-	-	853	2,773	3,369	-	3,001	3,205	13,201	30	2,210	-	2,240	15,441
Donated services, facilities, and materials	-	250	-	-	6,124	-	500	-	6,874	58,242	-	-	58,242	65,116
Meetings and events	4,532	1,626	-	36,283	316	261	32,045	513	75,576	-	-	9,845	9,845	85,421
Insurance	4,192	5,908	2,303	2,074	2,207	3,529	4,687	7,873	32,773	1,887	317	-	2,204	34,977
Depreciation	5,708	8,045	3,135	2,825	3,005	4,806	6,383	10,723	44,630	2,570	431	-	3,001	47,631
Occupancy	10,624	14,715	5,529	4,979	5,298	8,471	12,498	18,898	81,012	4,530	761	-	5,291	86,303
Other expenses	8,126	17,265	13,249	46,640	4,796	11,428	11,713	24,941	138,158	62,276	32,588	-	94,864	233,022
Subtotal	752,059	1,277,226	507,790	443,504	346,965	563,121	752,654	1,199,025	5,842,344	596,941	115,092	10,146	722,179	6,564,523
Less: direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	(10,146)	(10,146)	(10,146)
Total Expenses	\$ 752,059	\$ 1,277,226	\$ 507,790	\$ 443,504	\$ 346,965	\$ 563,121	\$ 752,654	\$ 1,199,025	\$ 5,842,344	\$ 596,941	\$ 115,092	\$ -	\$ 712,033	\$ 6,554,377

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	Cultural Awareness	Community Development	Community Engagement	Sports and Recreation	Other Programs	Total Program Services	Management and General	Fundraising	Direct	Total Supporting Services	
		Health and Wellness									Benefit to Donors		
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®

Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (498,027)	\$ (921,513)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	47,631	52,700
Donated investments	(9,807)	(2,049)
Net realized and unrealized gain on investments	(137,393)	(245,808)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	685	(15,649)
Grants and contributions receivable, net	(2,518)	962,588
Accrued rent receivable	(13,991)	-
Deposits and prepaid expenses	42,031	(9,550)
Inventory	2,474	-
Increase (decrease) in:		
Accounts payable	31,383	(40,821)
Accrued salaries and benefits	(186,372)	65,010
Deferred sponsorships	14,440	41,240
Refundable advances	560,421	-
Deferred rent	(44,986)	(12,534)
	(194,029)	(126,386)
Cash Flows from Investing Activities		
Purchases of fixed assets	(25,904)	(51,870)
Purchases of investments	(1,036,591)	(509,287)
Proceeds from sale of investments	1,862,199	481,870
	799,704	(79,287)
Net cash provided by (used in) investing activities	799,704	(79,287)
Cash Flows from Financing Activities		
Payments on line of credit	(805,064)	-
Proceeds from borrowings on line of credit	335,000	1,125,284
Proceeds from loan – Small Business Program	152,138	-
	(317,926)	1,125,284
Net cash (used in) provided by financing activities	(317,926)	1,125,284
Net Increase in Cash and Cash Equivalents	287,749	919,611
Cash and Cash Equivalents, beginning of year	1,628,635	709,024
Cash and Cash Equivalents, end of year	\$ 1,916,384	\$ 1,628,635

See accompanying notes.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Operations

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

Transition Services

Military families are familiar with a constant state of transition. While that transition is part of the life cycle of a military career, multiple combat deployments add an unprecedented level of stress. HOPE 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.

HOPE's suite of Transition Programs includes meeting the career and educational goals of the service member, veteran, and family members. HOPE's team works closely with employers to create employment and education opportunities for service members and spouses. Partnerships with universities are built to meet the needs of today's veterans and spouses pursuing educational and employment goals. Biannual scholarships are awarded to both military spouses and caregivers. Program work is completed through intensive multi-day programs, one-day seminars, virtual educational webinars, and one-on-one trainings.

Clinical Health and Wellness

HOPE 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 psychological wounds, warriors and families ultimately seek to find a quality of life that embraces wellbeing — an empowering choice toward a healthy and fulfilling life. The many programs, facilitated by licensed 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. HOPE's unique approach of virtual comprehensive case management ensures our warriors and their families experience a solution-based approach to restoring self, family, and hope.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Operations (continued)

Cultural Awareness

HOPE's communications team drives the initiative to bridge the military-civilian divide through understanding of the needs of the veteran community and military families, and how the public at large can support them. The team facilitates dialogue, primarily through digital platforms, that brings awareness of and respect for the existing cultural differences and experiences. Additionally, sustained awareness of the needs of the military community results in effective programming for the DOD, Department of Veteran's Affairs, and socially-responsible corporate entities. This team informs HOPE and its partners with metrics and engagement strategies that continue that connection.

Community Development

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

Community Engagement

HOPE 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 communities. HOPE provides education and resources, both in person and virtually, to service members and their families as they transition out of the military. By developing relationships within the community — through both events and program work — HOPE establishes connectedness to community that is also a key component of the warrior culture.

Steven A. Cohen Military Family Clinic at Hope For the Warriors

The Steven A. Cohen Military Family Clinic ("The Clinic") at Hope for The Warriors provides confidential, high-quality behavioral health care services at little to no cost without long wait times to post-9/11 veterans, active duty service members with a TRICARE referral, and military families. The Clinic is a local resource connection for the community, including Camp Lejeune, Jacksonville, and the greater Onslow County area.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Operations (continued)

Steven A. Cohen Military Family Clinic at Hope For the Warriors (continued)

Services are available regardless of discharge status, role in uniform, combat experience, ability to pay, or insurance. Military families can find care for: depression, anxiety, post-traumatic stress disorder, sleep problems, adolescent behavioral issues, relationship and family stress, and transitional challenges. Families also have access to case management support and local referrals to help with other stresses like unemployment, finances, housing, and legal issues.

Sports and Recreation

HOPE recognizes pursuing athletic goals is a key component of the physical and psychological recovery for service members, military families, and the warrior community. Program work includes supporting the warrior individually and within a team to participate in competitive endurance events in a virtual environment, and at the local and national level. For warriors and families who find healing in nature, HOPE supports opportunities to participate in the great outdoors, accessible to their communities, with peer and mentor opportunities. Camaraderie and peer engagement are key components in HOPE's recreational experiences. Through sports and recreational experiences, HOPE builds a community that embraces the warrior athlete supporting their physical, emotional, and social wellness.

Other Programs

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

Hope For The Warriors®

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

HOPE'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.

Cash Equivalents

HOPE considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 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 net investment income in the accompanying statements of activities. Donated investments are initially valued at the market value on the date received from the donor. HOPE'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 Receivable

Accounts 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 receivables are collectible at December 31, 2020 and 2019.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional receivables and are recorded at net realizable value. Grants and contributions are recognized as revenue in the period promised. Grants and contributions receivable due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. Management believes all grants and contributions receivable are collectible at December 31, 2020 and 2019, and accordingly, no allowance for doubtful accounts has been established.

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

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are unconditional are recorded as revenue when received or promised. HOPE reports grants and 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.

Conditional grants are recorded as revenue when the grant becomes unconditional upon meeting certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2020, HOPE recorded \$560,421 as refundable advances in the accompanying statement of financial position related to the grant for which the performance requirements had not been met. There were no such grants at December 31, 2019.

In-kind contributions include donated materials, services, and facilities, and are recognized at fair value at the time of receipt. Amounts totaling \$65,116 and \$515,274 are recorded in the statements of activities as in-kind contributions revenue for the years ended December 31, 2020 and 2019, respectively.

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Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

Sponsorships for special events that are nonreciprocal are recognized as contributions. For contributions, revenue is recognized when a contribution becomes unconditional. Typically, sponsorship agreements contain a right of return or right of release from obligations, should the sponsored event not take place. As such, HOPE recognizes revenue for these conditional contributions when the related event is conducted. Sponsorships received for future events are recorded as deferred sponsorships revenue in the statements of financial position.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when HOPE satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration HOPE expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, HOPE combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met. Specifically, for the various types of contracts, HOPE recognizes revenue as follows:

Special events revenue 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.

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 \$104,508 and \$271,904 during the years ended December 31, 2020 and 2019, respectively.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have no effects in the change in net assets previously reported.

Recently issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 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 2022.

Subsequent Events

In preparing these financial statements, HOPE has evaluated events and transactions for potential recognition or disclosure through May 24, 2021, the date the financial statements were available to be issued.

Subsequent to year end, on March 12, 2021, HOPE applied for forgiveness of the first loan under the Paycheck Protection Program (PPP). The forgiveness application was approved by the Small Business Administration (SBA) on May 24, 2021. See Note 10 for details.

Also subsequent to year end, on January 19, 2021, HOPE applied for a second loan under the PPP. The loan was granted to HOPE on February 2, 2021, in the amount of \$936,300. See Note 10 for details.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,916,384	\$ 1,628,635
Investments	1,155,698	1,834,106
Accounts receivable	14,964	15,649
Grants and contributions receivable due in less than one year	449,558	349,527
Total financial assets	3,536,604	3,827,917
Less: not available for general expenditures:		
Refundable advances	(560,421)	-
Board-designated funds	(1,061,032)	(1,075,476)
Net assets with donor restrictions	(602,480)	(715,735)
Collateralized investments	<u>(655,220)</u>	<u>(1,125,284)</u>
Total not available for general expenditures	<u>(2,879,153)</u>	<u>(2,916,495)</u>
Total available for general expenditures	<u>\$ 657,451</u>	<u>\$ 911,422</u>

HOPE strives to maintain liquid financial assets to meet 90 days of operating expenditures. As part of its liquidity plan, HOPE invests cash in excess of daily requirements in various short-term investments. In addition, as described in Note 12 to the financial statements, HOPE maintains a flexible line of credit with its investment institution that is collateralized by HOPE'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
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4. Concentrations of Risk

Credit Risk

Financial instruments that potentially subject HOPE to significant concentrations of credit risk consist of cash and cash equivalents, and investments. HOPE 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). HOPE 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 HOPE'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 HOPE's program activities. For the years ended December 31, 2020 and 2019, approximately 21% and 23%, respectively, of the total revenue and support came from two donors.

5. Investments and Fair Value Measurement

HOPE 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, HOPE 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 HOPE's fair value hierarchy for those investments measured on a recurring basis at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash and money				
market funds	\$ 25,390	\$ -	\$ -	\$ 25,390
Mutual funds:				
Equity	294,677	-	-	294,677
Equity ETFs	459,962	-	-	459,962
Fixed income	51,465	-	-	51,465
Fixed income ETFs	324,204	-	-	324,204
Total investments	\$ 1,155,698	\$ -	\$ -	\$ 1,155,698

The following table presents HOPE'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
Mutual funds:				
Equity	255,008	-	-	255,008
Equity ETFs	817,616	-	-	817,616
Fixed income	226,281	-	-	226,281
Fixed income ETFs	401,062	-	-	401,062
Total investments	\$ 1,834,106	\$ -	\$ -	\$ 1,834,106

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5. Investments and Fair Value Measurement (continued)

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 21,516	\$ 42,147
Net realized and unrealized gain	137,393	245,808
Investment management fees	<u>(10,935)</u>	<u>(14,688)</u>
Total investment income, net	<u>\$ 147,974</u>	<u>\$ 273,267</u>

6. Grants and Contributions Receivable

Grants and contributions receivable are promised as follows at December 31:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 449,558	\$ 349,527
Due in one to five years	<u>-</u>	<u>100,000</u>
Total grants and contributions receivable	449,558	449,527
Less: present-value discount at 2.25%	<u>-</u>	<u>(2,487)</u>
Grants and contributions receivable, net	<u>\$ 449,558</u>	<u>\$ 447,040</u>

7. Property and Equipment

HOPE held the following property and equipment at December 31:

	<u>2020</u>	<u>2019</u>
Furniture	\$ 1,625	\$ 1,625
Computer equipment and software	370,601	344,697
Vehicles	<u>64,390</u>	<u>64,390</u>
Total property and equipment	436,616	410,712
Less: accumulated depreciation	<u>(331,937)</u>	<u>(284,306)</u>
Property and equipment, net	<u>\$ 104,679</u>	<u>\$ 126,406</u>

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8. Refundable Advances

On February 26, 2020, HOPE entered into an agreement with Cohen Veterans Network, Inc. (CVN). CVN is focused on establishing a network of free or low-cost outpatient mental health clinics for veterans and their family members. HOPE will work with CVN to support a clinic in North Carolina that will provide compassionate, evidence-based, individually-tailored, flexible, mental health treatment to veterans and their family members. Funds received from CVN are conditional grants that when performance requirements are satisfied, they can be recorded as revenue. At December 31, 2020, HOPE recorded \$560,421 as refundable advances in the accompanying statements of financial position related to the funds received from CVN.

9. Commitments and Contingencies

Operating Leases

In April 2016, HOPE entered into a lease agreement for 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. In December 2020, the lease agreement was amended one more time to defer base rent for a period of 3 months starting December 2020 through February 2021 to be payable in 12 monthly installments commencing March 1, 2021. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as accrued rent receivable in the accompanying statements of financial position.

In addition, HOPE entered into an office space lease agreement in Jacksonville, North Carolina for a period of 5 years commencing on February 1, 2018 and expiring on January 31, 2023 with a base monthly payment of \$2,048. HOPE also leases an office space in Houston, Texas, which is on a month-to-month basis for a monthly payment of \$125.

Total occupancy expense (including storage, utilities, and other occupancy costs) under these operating leases was \$86,303 and \$222,815 for the years ended December 31, 2020 and 2019, respectively.

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9. Commitments and Contingencies (continued)

Operating Leases (continued)

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

2021	\$	139,182
2022		142,486
2023		118,868
2024		120,325
2025		<u>30,302</u>
Future minimum lease payments	\$	<u>551,163</u>

10. Conditional Contribution – Paycheck Protection Program

Under the PPP administered by the SBA, on May 4, 2020, HOPE received \$919,900 from Legacy Bank (“the PPP Loan”). The PPP Loan is subject to full forgiveness upon use of the funds for payroll and other eligible costs and compliance with certain limitations on payroll and staffing reductions over a 24-week period. As such, HOPE has accounted for this PPP Loan as a conditional contribution. As of December 31, 2020, the conditions had been substantially satisfied and the related loan has been recognized as grant revenue. Subsequent to year end, on March 12, 2021, HOPE applied for forgiveness of the first loan under the PPP. The forgiveness application was approved by the SBA on May 24, 2021.

Subsequent to year end, on January 19, 2021, HOPE applied for a second loan under the PPP. The second PPP Loan was granted to HOPE on February 2, 2021, in the amount of \$936,300 with a maturity date on February 2, 2026. This PPP Loan bears interest at a fixed rate of 1.00%, which is payable monthly commencing on February 2, 2022. The PPP Loan may be repaid by HOPE at any time prior to maturity with no repayment penalties. Funds from this PPP Loan may only be used for payroll costs, benefits, mortgage payments, rent, utilities, and certain supplier costs and expenses for operations. HOPE intends to use the entire loan amount for qualifying expenses and apply for forgiveness of certain amounts up to the full amount of the loan under the terms of the PPP.

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11. Loan Payable – Small Business Administrative Loan Program

In July 2020, HOPE applied for the SBA Loan Program (“SBA Loan”) and was granted a loan in the amount of \$150,000. The SBA Loan is scheduled to mature in July 2050, subject to an annual interest rate of 2.75%. At December 31, 2020, the outstanding loan payable balance was \$152,138.

Principal payments on the loan obligation are as follows for the years ending December 31:

2021	\$	1,621
2022		3,309
2023		3,402
2024		3,496
2025		3,594
Thereafter		<u>134,578</u>
Total principal payments	\$	<u><u>150,000</u></u>

12. Lines of Credit

HOPE 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 Wall Street Journal prime rate plus 2.00% (5.25% and 6.00% at December 31, 2020 and 2019, respectively). There was no outstanding balance on this line of credit at December 31, 2020 and 2019.

In addition, HOPE 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 HOPE. 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 \$655,220 and \$1,125,284 at December 31, 2020 and 2019, respectively.

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Notes to Financial Statements
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13. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Program restricted	\$ 238,434	\$ 434,460
Time restricted	<u>364,046</u>	<u>281,275</u>
Total net assets with donor restrictions	<u>\$ 602,480</u>	<u>\$ 715,735</u>

14. In-Kind Contributions

HOPE 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>2020</u>	<u>2019</u>
Professional fees	\$ 58,242	\$ 63,420
Goods	6,374	76,077
Advertising	500	349,675
Donated facilities	<u>-</u>	<u>26,102</u>
Total in-kind contributions	<u>\$ 65,116</u>	<u>\$ 515,274</u>

15. 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>2020</u>	<u>2019</u>
Gross revenue	\$ 257,685	\$ 803,111
Direct benefit to donors	<u>(10,146)</u>	<u>(269,896)</u>
Special events, net	<u>\$ 247,539</u>	<u>\$ 533,215</u>

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16. Joint Costs

HOPE's sponsored run and annual gala include programmatic activities together with a request for contributions in support of HOPE'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>2020</u>	<u>2019</u>
Program services	\$ 281,960	\$ 447,208
Fundraising	<u>31,681</u>	<u>154,451</u>
Total joint costs	<u>\$ 313,641</u>	<u>\$ 601,659</u>

17. 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 HOPE are allocated based upon the percentage of salaries for that program or activity relative to total HOPE salaries.

18. Income Taxes

HOPE 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, 2020 and 2019, as there was no significant unrelated business income. Management has evaluated HOPE's tax positions and has determined that HOPE has taken no uncertain tax positions that require either recognition or disclosure in the accompanying financial statements.

19. COVID-19 Pandemic

The COVID-19 outbreak in the United States and around the world has caused business disruptions due to mandatory lockdowns implemented in most states in order to slow down the spread of the virus. HOPE's management has been monitoring the situation and implementing certain changes in its operations and upcoming events in order to mitigate the impact of this pandemic.

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19. COVID-19 Pandemic (continued)

While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration, and the full financial impact cannot be reasonably estimated at this time.