

Hope For The Warriors®

Financial Statements and
Independent Auditors' Report

December 31, 2021 and 2020

Hope For The Warriors®

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hope For The Warriors®

Opinion

We have audited the accompanying financial statements of Hope For The Warriors® (HOPE), which comprise the statements of financial position as of December 31, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HOPE as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of HOPE and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HOPE's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 HOPE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HOPE's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Vienna, Virginia
April 21, 2022

Hope For The Warriors®

Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 2,317,802	\$ 1,916,384
Investments	1,159,584	1,155,698
Accounts receivable, net	64,157	14,964
Grants and contributions receivable	884,451	449,558
Accrued rent receivable	7,664	13,991
Deposits and prepaid expenses	77,479	56,342
Inventory	7,220	9,825
Property and equipment, net	97,086	104,679
Total assets	<u>\$ 4,615,443</u>	<u>\$ 3,721,441</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 135,987	\$ 157,585
Accrued salaries and benefits	156,168	126,693
Deferred sponsorships	63,000	55,790
Refundable advances	787,111	560,421
Line of credit	-	655,220
Loan payable – Small Business Loan Program	156,083	152,138
Total liabilities	<u>1,298,349</u>	<u>1,707,847</u>
Net Assets		
Without donor restrictions:		
Undesignated	2,066,583	350,082
Board-designated	838,085	1,061,032
Total without donor restrictions	2,904,668	1,411,114
With donor restrictions	412,426	602,480
Total net assets	<u>3,317,094</u>	<u>2,013,594</u>
Total liabilities and net assets	<u>\$ 4,615,443</u>	<u>\$ 3,721,441</u>

See accompanying notes.

Hope For The Warriors®

Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 5,477,767	\$ 1,917,475	\$ 7,395,242
In-kind contributions	201,834	-	201,834
Special events, net	393,838	-	393,838
Cohen Veterans Network clinic	117,268	-	117,268
Investment income, net	114,436	-	114,436
Other income	26	-	26
Released from restrictions	2,107,529	(2,107,529)	-
Total revenue and support	8,412,698	(190,054)	8,222,644
Expenses			
Program services:			
Well-being	3,209,918	-	3,209,918
Cultural awareness	559,963	-	559,963
Community development	849,594	-	849,594
Community engagement	437,261	-	437,261
Cohen Veterans Network	1,005,709	-	1,005,709
Other programs	179,778	-	179,778
Total program services	6,242,223	-	6,242,223
Supporting services:			
Management and general	607,810	-	607,810
Fundraising	69,111	-	69,111
Total supporting services	676,921	-	676,921
Total expenses	6,919,144	-	6,919,144
Change in Net Assets	1,493,554	(190,054)	1,303,500
Net Assets, beginning of year	1,411,114	602,480	2,013,594
Net Assets, end of year	\$ 2,904,668	\$ 412,426	\$ 3,317,094

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:			
Well-being	2,781,939	-	2,781,939
Cultural awareness	507,790	-	507,790
Community development	443,504	-	443,504
Community engagement	346,965	-	346,965
Cohen Veterans Network	563,121	-	563,121
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 Functional Expenses
For the Year Ended December 31, 2021

	Program Services							Supporting Services				Total
	Well-Being	Cultural Awareness	Community Development	Community Engagement	Cohen Veterans Network	Other Programs	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	
Personnel costs	\$ 2,361,250	\$ 353,775	\$ 515,200	\$ 314,805	\$ 885,920	\$ 110,267	\$ 4,541,217	\$ 342,791	\$ 64,453	\$ -	\$ 407,244	\$ 4,948,461
Grants and contributions	591,642	-	27	9,096	-	8	600,773	-	-	-	-	600,773
Professional fees	4,799	42,000	35,392	1,475	11,665	15,000	110,331	151,882	-	-	151,882	262,213
Advertising	8,100	107,218	13,693	33,297	114	3,451	165,873	-	-	-	-	165,873
Technology	41,967	30,352	17,538	5,959	27,072	1,953	124,841	9,141	1,081	-	10,222	135,063
Travel and meals	12,658	-	8,249	37,144	1,959	8,640	68,650	1,155	-	-	1,155	69,805
Donated services, facilities, and materials	31,962	-	146,661	12,721	-	-	191,344	10,490	-	-	10,490	201,834
Meetings and events	13,060	-	353	611	1,500	8,332	23,856	330	-	82,038	82,368	106,224
Insurance	15,928	2,221	3,500	2,343	6,161	767	30,920	3,069	425	-	3,494	34,414
Depreciation	20,266	2,544	4,529	2,807	8,047	922	39,115	5,312	589	-	5,901	45,016
Occupancy	67,837	9,133	14,393	9,633	25,337	3,157	129,490	12,621	1,747	-	14,368	143,858
Other expenses	40,449	12,720	90,059	7,370	37,934	27,281	215,813	71,019	816	-	71,835	287,648
Subtotal	3,209,918	559,963	849,594	437,261	1,005,709	179,778	6,242,223	607,810	69,111	82,038	758,959	7,001,182
Less: direct benefit to donors	-	-	-	-	-	-	-	-	-	(82,038)	(82,038)	(82,038)
Total Expenses	\$ 3,209,918	\$ 559,963	\$ 849,594	\$ 437,261	\$ 1,005,709	\$ 179,778	\$ 6,242,223	\$ 607,810	\$ 69,111	\$ -	\$ 676,921	\$ 6,919,144

See accompanying notes.

Hope For The Warriors®

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services							Supporting Services				Total
	Well-Being	Cultural Awareness	Community Development	Community Engagement	Cohen Veterans Network	Other Programs	Total Program Services	Management and General	Fundraising	Direct Benefit to Donors	Total Supporting Services	
Personnel costs	\$ 2,055,539	\$ 320,007	\$ 288,874	\$ 306,440	\$ 490,568	\$ 1,094,442	\$ 4,555,870	\$ 262,334	\$ 44,044	\$ -	\$ 306,378	\$ 4,862,248
Grants and contributions	519,228	-	-	10,119	-	4,893	534,240	-	-	-	-	534,240
Professional fees	3,913	65,667	52,418	-	23,975	7,675	153,648	199,398	17,935	301	217,634	371,282
Advertising	8,574	87,337	831	1,022	-	3,961	101,725	-	2,783	-	2,783	104,508
Technology	42,867	9,710	5,807	4,269	20,083	21,901	104,637	5,674	14,023	-	19,697	124,334
Travel and meals	3,001	853	2,773	3,369	-	3,205	13,201	30	2,210	-	2,240	15,441
Donated services, facilities, and materials	750	-	-	6,124	-	-	6,874	58,242	-	-	58,242	65,116
Meetings and events	38,203	-	36,283	316	261	513	75,576	-	-	9,845	9,845	85,421
Insurance	14,787	2,303	2,074	2,207	3,529	7,873	32,773	1,887	317	-	2,204	34,977
Depreciation	20,136	3,135	2,825	3,005	4,806	10,723	44,630	2,570	431	-	3,001	47,631
Occupancy	37,837	5,529	4,979	5,298	8,471	18,898	81,012	4,530	761	-	5,291	86,303
Other expenses	37,104	13,249	46,640	4,796	11,428	24,941	138,158	62,276	32,588	-	94,864	233,022
Subtotal	2,781,939	507,790	443,504	346,965	563,121	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	\$ 2,781,939	\$ 507,790	\$ 443,504	\$ 346,965	\$ 563,121	\$ 1,199,025	\$ 5,842,344	\$ 596,941	\$ 115,092	\$ -	\$ 712,033	\$ 6,554,377

See accompanying notes.

Hope For The Warriors®

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,303,500	\$ (498,027)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	45,016	47,631
Donated investments	(6,302)	(9,807)
Net realized and unrealized gain on investments	(105,657)	(137,393)
Change in allowance – accounts receivable	42,954	-
Forgiveness of loan – Paycheck Protection Program	(936,300)	(919,900)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(92,147)	685
Grants and contributions receivable	(434,893)	(2,518)
Accrued rent receivable	6,327	(13,991)
Deposits and prepaid expenses	(21,137)	42,031
Inventory	2,605	2,474
Increase (decrease) in:		
Accounts payable	(21,598)	31,383
Accrued salaries and benefits	29,475	(186,372)
Interest payable	3,945	-
Deferred sponsorships	7,210	14,440
Refundable advances	226,690	560,421
Deferred rent	-	(44,986)
	49,688	(1,113,929)
Net cash provided by (used in) operating activities	49,688	(1,113,929)
Cash Flows from Investing Activities		
Purchases of fixed assets	(37,423)	(25,904)
Purchases of investments	(291,596)	(1,036,591)
Proceeds from sale of investments	399,669	1,862,199
	70,650	799,704
Net cash provided by investing activities	70,650	799,704
Cash Flows from Financing Activities		
Payments on line of credit	(655,220)	(805,064)
Proceeds from loan – Paycheck Protection Program	936,300	919,900
Proceeds from borrowings on line of credit	-	335,000
Proceeds from loan – Small Business Program	-	152,138
	281,080	601,974
Net cash provided by financing activities	281,080	601,974
Net Increase in Cash and Cash Equivalents	401,418	287,749
Cash and Cash Equivalents, beginning of year	1,916,384	1,628,635
Cash and Cash Equivalents, end of year	\$ 2,317,802	\$ 1,916,384

See accompanying notes.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2021 and 2020

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:

Well-Being

HOPE's overarching goal is to enhance the quality of life for the entire post-9/11 Warrior Community. HOPE views well-being, or wellness as positive and affirming; an active process in which people become aware of, and make choices toward, a more prosperous and purposeful life. HOPE's well-being model (details below) integrates six well-being domains that were developed to meet the complex needs of the Warrior Community.

Physical Wellness

Engages the warrior community in staying active and physically fit through competitive sports and recreational events. HOPE connects warriors and family members to a variety of opportunities to support personal fitness and recreation goals. Whether its running, cycling, hiking, fishing, or hunting, HOPE helps warriors to set goals and track milestones with a healthy competitive spirit.

Emotional Wellness

Often, a veteran or family member is not able to obtain treatment within their community or is hesitant to seek services from the VA or other sources of mental health care available locally. HOPE's supportive counseling is designed to provide short-term counseling to augment other treatment. Licensed Social Workers provide supportive clinical services to service members, veterans, caregivers, and adult family members needing interim support where a gap in services is identified.

Financial Wellness

Financial wellness programs assist and support clients during times of crisis and transitions. Clinical case management is provided throughout the process. Program staff provide support through financial grants, referrals, information about resources, supportive counseling, and sharing of knowledge and education

Hope For The Warriors®

Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations (continued)

Well-Being (continued)

Financial Wellness (continued)

The assistance provided is intended as a temporary support. These programs assist service members, veterans, and their families in two specific ways. First, program coordinators provide integrated case management, financial education with an emphasis on long-term financial stability, and resource referrals that assist the client both today and in the future. Second, if the client meets program eligibility criteria, financial support may be provided to assist the family in the short-term.

Life Roles

Life Roles programs support active-duty warriors and their family members primarily as they transition to veteran status. These programs address career transition, employment, and educational needs and benefits unique to warriors and military families. Many warriors and their family members face drastically different and new challenges if medically retired or designated as unemployable due to combat or service-connected injuries. Finding meaningful and satisfying work or impactful volunteer opportunities after service is critical to a warrior's overall health and wellness.

Social Support

Led by a licensed clinical social worker, this domain is the entry point for all of HOPE's wellness services supporting our Warrior Community. In less than three days from initial inquiry, the Intake Coordination team conducts intake interviews with a focus on expressed need and well-being, and then connects each applicant, as appropriate, to HOPE's physical, emotional, financial, and transition health supports, as well as community and peer support resources.

Community Connection

Integral to HOPE's continuum model, HOPE's all-veteran Military Relations team individually engages with warriors throughout their journey as part of the HOPE family. The team connects warriors to new opportunities provided by HOPE along with those of HOPE's community partners. HOPE's Ambassador Program offers opportunities for warriors to give back and support their comrades by providing 1-1 peer support. The Military Relations team helps warriors to find new ways to serve and to help warriors find where they fit and can engage in the larger community, outside of military service.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2021 and 2020

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, 2021 and 2020

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.

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.

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.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *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.

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 management fees, are included as a component of 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 and are recorded at net realizable value at December 31, 2021 and 2020. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. The allowance for doubtful accounts totaled \$42,954 and \$0 at December 31, 2021 and 2020, respectively.

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.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable (continued)

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, 2021 and 2020, 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 10 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. HOPE recorded \$787,111 and \$560,421 at December 31, 2021 and 2020, respectively, as refundable advances in the accompanying statements of financial position related to the grant for which the performance requirements had not been met.

In-kind contributions include donated materials, services, and facilities, and are recognized at fair value at the time of receipt. Amounts totaling \$201,834 and \$65,116 are recorded in the statements of activities as in-kind contributions revenue for the years ended December 31, 2021 and 2020, respectively.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2021 and 2020

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.

Cohen Veterans Network clinic revenue is recognized as earned in the period the clinical service is provided to the veterans.

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.

Hope For The Warriors®

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred, and approximated \$165,873 and \$104,508 during the years ended December 31, 2021 and 2020, 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.

Recently Issued Accounting Pronouncements

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

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities will be required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities will also be required to disclose various information related to contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. HOPE is currently in the process of evaluating the impact of the new accounting guidance on its December 31, 2022 financial statements.

Subsequent Events

In preparing these financial statements, HOPE has evaluated events and transactions for potential recognition or disclosure through April 21, 2022, the date the financial statements were available to be issued.

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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>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,317,802	\$ 1,916,384
Investments	1,159,584	1,155,698
Accounts receivable, net	64,157	14,964
Grants and contributions receivable due in less than one year	<u>884,451</u>	<u>449,558</u>
Total financial assets	4,425,994	3,536,604
Less: not available for general expenditures:		
Refundable advances	(787,111)	(560,421)
Board-designated funds	(838,085)	(1,061,032)
Net assets with donor restrictions	(412,426)	(602,480)
Collateralized investments	<u>-</u>	<u>(655,220)</u>
Total not available for general expenditures	<u>(2,037,622)</u>	<u>(2,879,153)</u>
Total available for general expenditures	<u><u>\$ 2,388,372</u></u>	<u><u>\$ 657,451</u></u>

HOPE strives to maintain liquid financial assets to meet 90 days of operating expenditures. As part of its liquidity plan, HOPE invests cash and cash equivalents in excess of daily requirements in various short-term investments. In addition, as described in Note 11 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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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 year ended December 31, 2020, approximately 21% of the total revenue and support came from two donors. For the year ended December 31, 2021, HOPE did not have any significant 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, 2021:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 19,581	\$ -	\$ -	\$ 19,581
Mutual funds:				
Equity	339,703	-	-	339,703
Equity ETFs	354,599	-	-	354,599
Fixed income	112,220	-	-	112,220
Fixed income ETFs	333,481	-	-	333,481
Total investments	\$ 1,159,584	\$ -	\$ -	\$ 1,159,584

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

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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>2021</u>	<u>2020</u>
Interest and dividends	\$ 18,719	\$ 21,516
Realized gain	91,950	169,263
Unrealized gain (loss)	13,707	(31,870)
Investment management fees	<u>(9,940)</u>	<u>(10,935)</u>
Total investment income, net	<u>\$ 114,436</u>	<u>\$ 147,974</u>

6. Property and Equipment

HOPE held the following property and equipment at December 31:

	<u>2021</u>	<u>2020</u>
Furniture	\$ 1,625	\$ 1,625
Computer equipment and software	408,025	370,601
Vehicles	<u>64,390</u>	<u>64,390</u>
Total property and equipment	474,040	436,616
Less: accumulated depreciation	<u>(376,954)</u>	<u>(331,937)</u>
Property and equipment, net	<u>\$ 97,086</u>	<u>\$ 104,679</u>

7. 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, 2021 and 2020, HOPE recorded \$787,111 and \$560,421, respectively, as refundable advances in the accompanying statements of financial position related to the funds received from CVN.

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8. 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 10 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 three 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 five 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 \$143,858 and \$86,303 for the years ended December 31, 2021 and 2020, respectively.

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

2022	\$	142,486
2023		118,868
2024		120,325
2025		<u>30,302</u>
Future minimum lease payments	\$	<u>411,981</u>

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9. Paycheck Protection Program Loan

Under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA), on May 4, 2020, HOPE received \$919,900 from Legacy Bank. The 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 accounted for this loan as a conditional contribution. As of December 31, 2020, the conditions had been substantially satisfied and the related loan was recognized as grant revenue. On March 12, 2021, HOPE applied for forgiveness of the first loan under the PPP. Subsequent to year end, the forgiveness application was approved by the SBA on May 24, 2021.

On January 19, 2021, HOPE applied for a second loan under the PPP. The second loan was granted to HOPE on February 2, 2021, in the amount of \$936,300. During the covered period, HOPE incurred qualifying expenditures and this loan was recorded as grant revenue. In 2021, HOPE applied for forgiveness of the full amount of this loan and this loan was fully forgiven by the SBA on January 14, 2022.

10. 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, 2021 and 2020, the outstanding loan payable balance was \$156,083 and \$152,138, respectively.

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

2022	\$	3,309
2023		3,402
2024		3,496
2025		3,594
2026		3,694
Thereafter		<u>130,884</u>
Total principal payments	\$	<u>148,379</u>

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11. 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% at both December 31, 2021 and 2020). There was no outstanding balance on this line of credit at December 31, 2021 and 2020.

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 \$0 and \$655,220 at December 31, 2021 and 2020, respectively.

12. Net Assets With Donor Restrictions

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

	2021	2020
Program restricted	\$ 246,097	\$ 238,434
Time restricted	166,329	364,046
Total net assets with donor restrictions	<u>\$ 412,426</u>	<u>\$ 602,480</u>

13. 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:

	2021	2020
Professional fees	\$ 10,490	\$ 58,242
Goods	191,344	6,374
Advertising	-	500
Total in-kind contributions	<u>\$ 201,834</u>	<u>\$ 65,116</u>

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14. 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>2021</u>	<u>2020</u>
Gross revenue	\$ 475,876	\$ 257,685
Direct benefit to donors	<u>(82,038)</u>	<u>(10,146)</u>
Special events, net	<u>\$ 393,838</u>	<u>\$ 247,539</u>

15. 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>2021</u>	<u>2020</u>
Program services	\$ 121,666	\$ 281,960
Fundraising	<u>12,413</u>	<u>31,681</u>
Total joint costs	<u>\$ 134,079</u>	<u>\$ 313,641</u>

16. Allocation of Expenses from Management and General Activities

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.

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17. 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, 2021 and 2020, 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.