

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

SERVE OUR WILLING WARRIORS

December 31, 2022
(with comparative totals for December 31, 2021)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Serve our Willing Warriors

We have audited the accompanying financial statements of Serve our Willing Warriors (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year 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 Serve our Willing Warriors as of December 31, 2022, and the changes in its net assets and its functional expenses and cash flows for the year then ended in accordance with accounting standards generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Statement section of our report. We are required to be independent of Serve our Willing Warriors and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. 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.

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 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 judgement and maintain professional skepticism through 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 Serve our Willing Warriors' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Serve our Willing Warriors' ability to continue as a going concern for a reasonable period of time.

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.

Other Matter

The financial statements of Serve our Willing Warriors as of December 31, 2021 were audited by another auditor whose report dated January 23, 2023, issued an unmodified opinion on the financial statements. Information presented for the year ended December 31 2021 was derived from the December 31, 2021 audited financial statements and is for comparative purposes only. These amounts have not been subjected to our audit procedures and we express no opinion on them.

Douglas Corey, & Associates P.C.

Fairfax, Virginia
April 25, 2023

Serve our Willing Warriors
Statements of Financial Position
December 31, 2022 and 2021
(See Independent Auditor's Report and notes to financial statements)

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents		
Cash - operating	\$ 1,663,908	\$ 1,141,263
Pledge receivable	15,000	-
Prepaid expenses	3,041	7,004
Total Current Assets	1,681,949	1,148,267
Property and Equipment	2,065,209	2,080,807
Less accumulated depreciation and amortization	(500,714)	(476,028)
	1,564,495	1,604,779
Work in process	10,420	-
	1,574,915	1,604,779
	\$ 3,256,864	\$ 2,753,046
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 9,779	\$ 8,490
Accrued compensation and related liabilities	9,731	14,793
Current maturities of long-term debt	21,524	18,953
Total current liabilities	41,034	42,236
Notes payable, net of current maturities	653,723	678,596
Total liabilities	694,757	720,832
Net Assets		
Without donor restrictions	1,710,401	1,651,751
With donor restrictions	851,706	380,463
	2,562,107	2,032,214
	\$ 3,256,864	\$ 2,753,046

Serve our Willing Warriors
Statement of Activities
For the year ended December 31, 2022
Comparative Totals for 2021
(See Independent Auditor's Report and notes to financial statements)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Revenue and Other Support:				
Special events	\$ 290,511	\$ -	\$ 290,511	\$ 382,069
Contributions/grants	367,149	622,693	989,842	804,728
Other income	12,447	-	12,447	-
Interest	180	-	180	7,140
In-kind	-	-	-	21,815
Loss on fixed asset disposal	(8,043)	-	(8,043)	(9,300)
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>151,450</u>	<u>(151,450)</u>	<u>-</u>	<u>-</u>
	<u>813,694</u>	<u>471,243</u>	<u>1,284,937</u>	<u>1,206,452</u>
Expenses:				
Program	578,728	-	578,728	418,465
Management and general	49,483	-	49,483	62,451
Fundraising	<u>126,833</u>	<u>-</u>	<u>126,833</u>	<u>101,767</u>
	<u>755,044</u>	<u>-</u>	<u>755,044</u>	<u>582,683</u>
Change in net assets	58,650	471,243	529,893	623,769
Net Assets, beginning of year	1,651,751	380,463	2,032,214	1,467,551
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,106)</u>
Net Assets, end of year	<u>\$ 1,710,401</u>	<u>\$ 851,706</u>	<u>\$ 2,562,107</u>	<u>\$ 2,032,214</u>

Serve our Willing Warriors
Statement of Functional Expenses
For the year ended December 31, 2022
Comparative Totals for 2021
(See Independent Auditor's Report and notes to financial statements)

	Supporting Services			2022 Total Expenses	2021 Total Expenses
	Program Sevices	Mangement and General	Fundraising		
Payroll and related expenses	\$ 246,110	\$ 35,846	\$ 8,770	\$ 290,726	\$ 212,023
Event expenses	-	-	108,824	108,824	77,841
Depreciation	55,409	-	-	55,409	67,994
Website and software	33,885	4,784	1,196	39,865	10,812
Warrior retreat	35,787	-	-	35,787	36,615
Warrior support	32,276	-	-	32,276	364
Accounting and other professional fees	26,268	3,708	927	30,903	36,623
Interest	28,697	-	-	28,697	41,102
Marketing	17,238	-	6,000	23,238	-
Utilities	20,438	-	-	20,438	21,587
Repairs and maintenance	18,620	-	-	18,620	7,892
Property taxes	18,562	-	-	18,562	20,068
Insurance	11,289	1,038	89	12,416	13,333
Bank and credit card fees	9,784	1,381	345	11,510	4,559
Printing and copying	8,940	1,262	316	10,518	11,865
Office expenses/supplies	8,238	1,163	291	9,692	509
Visiting chef program	5,060	-	-	5,060	4,349
Membership	1,832	259	65	2,156	-
Security and safety	295	42	10	347	-
Other expenses	-	-	-	-	15,147
	<u>\$ 578,728</u>	<u>49,483</u>	<u>\$ 126,833</u>	<u>\$ 755,044</u>	<u>\$ 582,683</u>

Serve our Willing Warriors
Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(See Independent Auditor's Report and notes to financial statements)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 529,893	\$ 623,769
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	55,409	67,994
Loss on disposal of furniture	8,043	9,300
(Increase) decrease in grants and contributions receivable	(15,000)	89,433
(Increase) decrease in prepaid expenses	3,963	7,429
Increase (decrease) in accounts payable and accrued expenses	1,289	(13,579)
Increase (decrease) in compensation and related liabilities	<u>(5,062)</u>	<u>6,599</u>
Net cash provided (used) by operating activities	578,535	790,945
Cash flows from investing activities:		
Expenditures for property and equipment	(23,755)	(585)
Expenditures for work in process	<u>(10,420)</u>	<u>-</u>
Net cash provided (used) by investing activities	(34,175)	(585)
Cash flows from financing activities:		
Payment on long-term debt	<u>(21,715)</u>	<u>(19,536)</u>
Net cash provided (used) by financing activities	<u>(21,715)</u>	<u>(19,536)</u>
Net increase (decrease) in cash and cash equivalents	522,645	770,824
Cash, beginning of year	<u>1,141,263</u>	<u>370,439</u>
Cash, end of year	<u>\$ 1,663,908</u>	<u>\$ 1,141,263</u>
Cash paid during the year for:		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Interest expense	<u>\$ 28,697</u>	<u>\$ 40,731</u>

Serve our Willing Warriors
Notes to Financial Statements
December 31, 2022 and 2021
(See Independent Auditor's Report)

Note A - Nature of Organization

Serve our Willing Warriors (SOWW) is a non-profit corporation incorporated on July 19, 2012 in the Commonwealth of Virginia to provide assistance to men and women faced with the consequences of serving within the United States Armed Forces. SOWW offers cost-free getaways from the hospital environment where warriors and their families can come to relax, spend quality time together and reconnect. SOWW's programs include more than 40 free educational and recreational activities, including seminars that address the issues of dealing with post-traumatic stress and traumatic brain injury. SOWW is primarily funded through grants and contributions.

Note B - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Method of Accounting

SOWW's financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Consequently, revenues are recognized when earned and expenses are recognized when incurred.

2. Financial Statement Presentation

Under U.S. generally accepted accounting principles, SOWW is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions represent resources that are not subject to donor-imposed restrictions and are available for operations at management's discretion.

Net Assets With Donor Restrictions represent resources restricted by the donor as to purpose or by the passage of time.

3. Revenue

SOWW receives grants and gifts from various sources, including governmental agencies, foundations, charitable organizations, and individuals. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Serve our Willing Warriors
Notes to Financial Statements
December 31, 2022 and 2021
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

4. Recognition of Contributions with Donor Restrictions

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions until the restriction expires, at which time it is reclassified to net assets without donor restrictions. For the year ended December 31, 2022, donor restricted contributions are mostly intended for the new Warrior Retreat Building to be built in 2023.

5. Pledge Receivable

Pledge receivable consists of an amount due from a pledge during the year ended December 31, 2022. The pledge is collectible within one year. SOWW considers the amount fully collectible and, therefore, has not recorded an allowance for doubtful accounts.

6. Buildings, Building Improvements, and Property

Buildings, building improvements and property are recorded at cost at the date of acquisition. Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. Depreciation is computed on the accelerated and straight-line methods for financial reporting. Costs of repairs, maintenance, and minor replacements are expensed as incurred. The assets are depreciated over their estimated useful lives, which range from 5 to 39 years.

7. Income Taxes

Income taxes are not provided for in the financial statements since the SOWW is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

SOWW follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions take or expected to be taken in a tax return. There are no such uncertain tax positions for SOWW for the years ended December 31, 2022 and 2021.

SOWW's tax returns are subject to possible examination by taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Serve our Willing Warriors
Notes to Financial Statements
December 31, 2022 and 2021
(See Independent Auditor's Report)

Note B - Summary of Accounting Policies, continued

8. Functional Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of SOWW.

9. Cash and cash equivalents

For purposes of the statement of cash flows, SOWW considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents.

10. Use of Estimates

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

Note C – Date of Management's Review

In preparing the financial statements, SOWW has evaluated events and transactions for potential recognition or disclosure through April 25, 2023, the date that the financial statements were available to be issued.

Note D—Liquidity and Availability of Financial Assets

SOWW maintains a liquid cash balance in a checking account in an amount necessary to meet its anticipated operating expenditures for the first month of the next fiscal year.

SOWW's financial assets available for general expenditures through December 31, 2023 are as follows:

Financial assets:	
Cash and cash equivalents available for General expenditures within one year	
Operating cash	\$1,665,011
Less: Net assets with donor restrictions	<u>(851,706)</u>
Cash available for general expenditures	<u>\$813,305</u>

Serve our Willing Warriors
Notes to Financial Statements
December 31, 2022 and 2021
(See Independent Auditor's Report)

Note E – Fixed Assets

Building, building improvements, and property:

	December 31, 2022	December 31, 2021
Buildings and improvements	\$1,584,992	\$1,613,458
Furniture and equipment	192,504	219,573
Land improvements	128,913	88,976
Land	<u>158,800</u>	<u>158,800</u>
	2,065,209	2,080,807
Accumulated depreciation	<u>(500,714)</u>	<u>(476,028)</u>
Net Book Value	<u>\$1,564,495</u>	<u>\$1,604,779</u>

Depreciation expense for the years ended December 31, 2022 and 2021 totaled \$55,409 and \$67,994, respectively.

Note F – In-kind Contributions

SOWW received donated supplies and professional services totaling \$0 and \$21,815 during the years ending December 31, 2022 and 2021, respectively.

Unpaid volunteers contribute their time to forward the Organization's program services. Those donated services do not meet the criteria for recognition as donated services under generally accepted accounting principles, and no value has been included in these financial statements.

Serve our Willing Warriors
Notes to Financial Statements
December 31, 2022 and 2021
(See Independent Auditor's Report)

Note G – Long-term Debt

SOWW's long-term debt consists of the following:

December 31, 2022 December 31, 2021

Note payable to a bank for the purchase of the land and building that constitute the Warrior Retreat at Bull Run. The note payable has a maturity date of September 2, 2024 and bears interest at 6.75%. The note is secured by the real estate at the Warrior Retreat at Bull Run, which has been recorded as part of fixed assets in the accompanying financial statements at a cost of \$653,890. The note is guaranteed by the founders of SOWW and a company owned by one of the founders.

\$ - \$ 551,707

Refinance of original loan on Warrior Retreat at Bull Run. The note payable has a maturity date of July 9, 2029 and bears interest at 4.75%. The note is secured by the real estate at the Warrior Retreat at Bull Run, which has been recorded as part of fixed assets in the accompanying financial statements at a cost of \$653,890. The note is guaranteed by the founders of SOWW and a company owned by one of the founders.

\$ 541,106 \$ -

Small Business Administration note in the amount of \$150,000 issued on June 9, 2020 under the Economic Injury Disaster Loan Program. The note is unsecured and bears interest at 2.75%. Monthly payments of principal and interest of \$641 are due beginning June 9, 2021 through June 9, 2050.

\$ 134,141 \$ 145,842

Less: Current maturities
Long-term debt

\$ 675,247 \$ 697,549
(21,524) (18,953)
\$ 653,723 \$ 678,596

Serve our Willing Warriors
Notes to Financial Statements
December 31, 2022 and 2021
(See Independent Auditor's Report)

Note G – Long-term Debt, continued

Aggregate maturities of long-term debt subsequent to December 31, 2022, are as follows:

2023	\$21,524
2024	22,481
2025	23,482
2026	24,530
2027	25,626
Thereafter	<u>557,604</u>
	<u>\$ 675,247</u>

Interest expense on the above loans totaled \$28,697 and \$41,102 for the years ended December 31, 2022 and 2021, respectively.

Note H – Net Assets

Net assets with donor restrictions are available for the following purposes:

	December 31, 2022	December 31, 2021
Grand lodge	\$ 823,878	\$355,100
Visiting chef	3,344	8,548
Staging	3,340	3,340
Asset purchases	1,350	4,000
Repairs/replacements	2,508	-
Warrior date night	1,666	1,666
Pledge receivable	15,000	-
Warrior garden	-	3,109
Vehicle purchase	-	2,000
Warrior support	-	500
Entrance signs and lighting	<u>620</u>	<u>2,200</u>
	<u>\$851,706</u>	<u>\$380,463</u>

Serve our Willing Warriors
Notes to Financial Statements
December 31, 2022 and 2021
(See Independent Auditor's Report)

Note I – Major Donors

During the year ended December 31, 2022, SOWW received approximately 16% of support from one major donor.

During the year ended December 31, 2021, SOWW received approximately 25% of support from one major donor.

Note J – Concentration of Credit Risk

At various times during the years ended December 31, 2022 and 2021, SOWW had more funds on deposit at one financial institution than the \$250,000 insured by the Federal Deposit Insurance Corporation.

Note K – Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Note L – Subsequent Event

SOWW has begun the process of building the Grand Lodge, which will be additional warrior guest lodging with a focus on groups. The Lodge will be built on the retreat property. The estimated total cost of the lodge is \$800,000 to \$1,000,000. During the year ended December 31, 2022, work in process on the lodge totaled \$10,420.

Note M – Prior Period Adjustment

An adjustment was made to prior year accumulated depreciation. The effect of the adjustment was an increase in accumulated depreciation and a decrease in net assets totaling \$59,106.