

SERVE OUR WILLING WARRIORS

FINANCIAL STATEMENTS

DECEMBER 31, 2021



ASSURANCE, TAX & ADVISORY SERVICES

SERVE OUR WILLING WARRIORS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Serve Our Willing Warriors

Opinion

We have audited the financial statements of Serve Our Willing Warriors (the Organization), 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the change 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 (GAAS). 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 the Organization 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 the Organization'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 the Organization's 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.

PBMares, LLP

Warrenton, Virginia
January 23, 2023

FINANCIAL STATEMENTS

SERVE OUR WILLING WARRIORS

STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 1,141,263	\$ 370,439
Grants and contributions receivable	-	89,433
Prepaid expenses	7,004	14,433
Property and equipment, net	1,663,885	1,740,594
Total assets	\$ 2,812,152	\$ 2,214,899
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 8,490	\$ 22,069
Accrued compensation and other related liabilities	14,793	8,194
Notes payable	697,549	717,085
Total liabilities	720,832	747,348
Net Assets		
Without donor restrictions	1,710,857	1,419,601
With donor restrictions	380,463	47,950
Total net assets	2,091,320	1,467,551
Total liabilities and net assets	\$ 2,812,152	\$ 2,214,899

SERVE OUR WILLING WARRIORS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<hr/>			
Grants, Contributions, and Other Support			
Contributions and grants	\$ 471,628	\$ 333,100	\$ 804,728
Contributions in-kind	21,815	-	21,815
Special events	382,069	-	382,069
Interest and other income	7,140	-	7,140
Net assets released from restrictions	587	(587)	-
	<hr/>		
Total grants, contributions, and other support	883,239	332,513	1,215,752
	<hr/>		
Expenses			
Program services	418,465	-	418,465
Supporting services	164,218	-	164,218
	<hr/>		
Total expenses	582,683	-	582,683
	<hr/>		
Gains and Losses			
Loss on disposal of property and equipment	(9,300)	-	(9,300)
	<hr/>		
Change in net assets	291,256	332,513	623,769
	<hr/>		
Net Assets, beginning of year	1,419,601	47,950	1,467,551
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Net Assets, end of year	<u>\$ 1,710,857</u>	<u>\$ 380,463</u>	<u>\$ 2,091,320</u>

SERVE OUR WILLING WARRIORS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Grants, Contributions, and Other Support			
Contributions and grants	\$ 529,110	\$ 10,040	\$ 539,150
Contributions in-kind	3,322	-	3,322
Special events	163,489	-	163,489
Interest and other income	11,413	-	11,413
Net assets released from restrictions	11,303	(11,303)	-
Total grants, contributions, and other support	718,637	(1,263)	717,374
Expenses			
Program services	349,454	-	349,454
Supporting services	137,655	-	137,655
Total expenses	487,109	-	487,109
Change in net assets	231,528	(1,263)	230,265
Net Assets, beginning of year	1,188,073	49,213	1,237,286
Net Assets, end of year	<u>\$ 1,419,601</u>	<u>\$ 47,950</u>	<u>\$ 1,467,551</u>

SERVE OUR WILLING WARRIORS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salary and related expenses	\$ 155,662	\$ 42,291	\$ 14,070	\$ 212,023
Venue, catering and other event expense	4,244	42	73,555	77,841
Depreciation and amortization	66,124	1,870	-	67,994
Interest expense	39,972	1,130	-	41,102
Other warrior retreat	27,821	151	8,643	36,615
Professional fees	22,935	13,413	-	36,348
Utilities	20,993	594	-	21,587
Property taxes	19,516	552	-	20,068
Other expenses	14,320	260	567	15,147
Insurance	12,802	531	-	13,333
Printing and copying	7,223	-	4,642	11,865
Website and software	10,167	645	-	10,812
Repairs and maintenance	7,675	217	-	7,892
Bank and credit card fees	3,643	626	290	4,559
Visiting Chef program	4,349	-	-	4,349
Office supplies	380	129	-	509
Direct warrior support	364	-	-	364
Travel	275	-	-	275
	<u>\$ 418,465</u>	<u>\$ 62,451</u>	<u>\$ 101,767</u>	<u>\$ 582,683</u>

SERVE OUR WILLING WARRIORS

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salary and related expenses	\$ 87,873	\$ 30,935	\$ 6,342	\$ 125,150
Venue, catering and other event expense	4,683	42	51,311	56,036
Depreciation and amortization	81,852	2,315	-	84,167
Interest expense	43,024	1,217	-	44,241
Other warrior retreat	10,239	47	12,215	22,501
Professional fees	1,300	22,498	-	23,798
Utilities	17,592	497	-	18,089
Property taxes	8,623	244	-	8,867
Other expenses	17,536	393	1,314	19,243
Insurance	10,367	2,127	-	12,494
Printing and copying	9,279	38	2,806	12,123
Website and software	17,773	644	-	18,417
Repairs and maintenance	29,359	830	-	30,189
Bank and credit card fees	4,298	256	-	4,554
Visiting Chef program	4,647	-	-	4,647
Office supplies	1,009	1,584	-	2,593
	<u>\$ 349,454</u>	<u>\$ 63,667</u>	<u>\$ 73,988</u>	<u>\$ 487,109</u>

SERVE OUR WILLING WARRIORS

STATEMENTS OF CASH FLOWS Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 623,769	\$ 230,265
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	67,994	84,167
Amortization of deferred financing costs	-	3,441
Loss on disposal of property and equipment	9,300	-
Change in operating assets and liabilities		
Grants and contributions receivable	89,433	(89,433)
Prepaid expenses	7,429	(12,640)
Accounts payable and accrued expenses	(13,579)	12,910
Accrued compensation and other related liabilities	6,599	3,154
Net cash provided by operating activities	790,945	231,864
Cash Flows from Investing Activities		
Acquisition of property and equipment	(585)	(57,900)
Net cash used in investing activities	(585)	(57,900)
Cash Flows from Financing Activities		
Proceeds from notes payable	-	150,000
Principal payments on notes payable - related party	-	(169,220)
Principal payments on notes payable	(19,536)	(14,280)
Net cash used in financing activities	(19,536)	(33,500)
Net increase in cash and cash equivalents	770,824	140,464
Cash and Cash Equivalents, beginning of year	370,439	229,975
Cash and Cash Equivalents, end of year	\$ 1,141,263	\$ 370,439
Supplemental Disclosure of Non-Cash Activities		
Interest paid	\$ 40,731	\$ 45,655

SERVE OUR WILLING WARRIORS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Serve Our Willing Warriors (the Organization) was incorporated on July 19, 2012 in the Commonwealth of Virginia. The Organization is a nonprofit organization that provides assistance to men and women faced with the consequences of serving within the United States Armed Forces. The Organization offers cost-free getaways from the hospital environment where warriors and their families can come to relax, spend quality time together and reconnect. The Organization's programs include more than 60 cost-free educational and recreational activities, including seminars that address the issues of dealing with post-traumatic stress and traumatic brain injury. The Organization is primarily funded through grants and contributions.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), whereby revenues are recorded when earned and expenses are recorded when obligations are incurred.

Grants, contributions, and other support: The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 – *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU requires that an entity determine whether a revenue source is an exchange transaction covered under ASU 2014-09 or a contribution covered under ASU 2018-08. If it is determined to be a contribution, the next step is to determine if it is a conditional or unconditional contribution which affects the timing of the revenue recognized. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

FASB ASU 2014-09, *Revenue from Contracts with Customers*, requires that the Organization recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Organization adopted the standard during the year ended December 31, 2020, using the modified retrospective transition method analyzing all contracts not yet completed as of January 1, 2021. The Organization does not currently have significant revenues from contracts with customers, although this could change in the future.

There are also no incremental costs of obtaining contracts and no significant financing components. Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers. The level of revenue generated through contracts with customers can fluctuate due to certain economic factors.

Cash and cash equivalents: The Organization considers highly liquid investments with a maturity of three months or less to be cash equivalents. The Organization maintains its cash in checking and savings accounts with financial institutions. Such deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. The Organization has not experienced any losses in any accounts and does not believe it is exposed to significant credit risk with these deposits.

SERVE OUR WILLING WARRIORS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment that is expected to be used for at least one year and is valued at greater than \$2,500 is capitalized. Property and equipment are reported at cost, if purchased. Items donated to the Organization are reported at their estimated fair market value at the date of receipt. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from 5 to 40 years.

Income taxes: The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

The most significant tax positions of the Organization are its assertions that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax. FASB Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, related to uncertain tax positions, prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management has evaluated the impact of the standard to its financial statements. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed. The Organization's policy is to classify income tax related interest and penalties in interest expense and miscellaneous expenses, respectively.

Net assets: Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

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 permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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. See Note 6 for a description of net assets with donor restrictions.

Grants and contributions receivable: Grants and accounts receivable are considered to be fully collectible and accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made. There was no bad debt expense for the years ended December 31, 2021 and 2020.

SERVE OUR WILLING WARRIORS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional expense allocations: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Directly identifiable expenses are allocated to program services, management and general, or fundraising. Expenses related to more than one function are charged to program services, management and general, and fundraising classifications based on estimates made by management. Allocations are based on departmental staffing levels and other methodologies. 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 the Organization.

Estimates and assumptions: The preparation of financial statements in accordance with accounting standards generally accepted in the U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization has determined there will be no material impact of this new standard on its financial statements.

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*. Not-for-profits will be required to provide additional information on the contributions of nonfinancial assets they receive under a new accounting standard issued. Contributed nonfinancial assets can include fixed assets such as land, buildings and equipment; the use of fixed assets or utilities; material and supplies, such as food, clothing or pharmaceuticals; intangible assets; and recognized contributed services. The new ASU requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The new standard should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The Organization is currently evaluating the impact of the adoption of the new standard on its financial statements. The Organization has determined there will be no material impact of this new standard on its financial statements.

SERVE OUR WILLING WARRIORS

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Reclassifications: Certain amounts in the December 31, 2020 financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on the previously reported change in net assets.

Subsequent events: Subsequent events have been evaluated through January 23, 2023, the date the financial statements were available to be issued. The Organization has determined that there are no subsequent events.

Note 2. Liquidity and Availability

The following represents the Organization's financial assets at December 31, 2021:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,141,263
Less amounts not available to be used for general expenditures within one year:	
Net assets with donor restrictions	<u>(380,463)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 760,800</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 3. Property and Equipment

Property and equipment, net, at December 31, 2021 and 2020 consists of:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 219,573	\$ 257,597
Buildings and improvements	1,613,458	1,614,719
Land improvements	88,976	88,976
Less accumulated depreciation and amortization	<u>(416,922)</u>	<u>(379,498)</u>
Depreciable property and equipment, net	1,505,085	1,581,794
Land	<u>158,800</u>	<u>158,800</u>
Property and equipment, net	\$ 1,663,885	\$ 1,740,594

SERVE OUR WILLING WARRIORS

NOTES TO FINANCIAL STATEMENTS

Note 4. Notes Payable

The Organization's long-term debt consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
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 at a cost of \$653,890 at December 31, 2021 and 2020. The note is guaranteed by the founders of the Organization and a company owned by one of the founders.	\$ 551,707	\$ 567,085
Small Business Administration note issued in the amount of \$150,000 on June 9, 2020 under the Economic Injury Disaster Loan Program. The note is unsecured, bears interest at 2.75%, and requires monthly payments of principal and interest of \$641 per month beginning June 9, 2021 through June 9, 2050.	<u>145,842</u>	<u>150,000</u>
Total long-term debt	<u><u>\$ 697,549</u></u>	<u><u>\$ 717,085</u></u>

Loan maturities as of December 31, 2021 are as follows:

<u>Years</u>	<u>Amounts</u>
2022	\$ 18,953
2023	21,948
2024	520,061
2025	3,859
2026	3,967
Thereafter	<u>128,761</u>
	<u><u>\$ 697,549</u></u>

Interest expense for 2021 and 2020 on these loans totaled \$41,102 and \$44,241, respectively.

SERVE OUR WILLING WARRIORS

NOTES TO FINANCIAL STATEMENTS

Note 6. Net Assets with Donor Restrictions and Net Assets Released from Restrictions

Net assets with donor restrictions were as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Subject to restrictions for the following purposes:		
Grand lodge	\$ 325,000	\$ -
Room sponsorships	30,100	23,000
Visiting Chef program	8,548	9,135
Lawn mower	4,000	4,000
Staging purchases	3,340	2,840
Warrior Garden program	3,109	3,109
Purchase of entrance sign and lighting	2,200	2,200
Vehicle purchase	2,000	2,000
Wounded Warrior Date Night	1,666	1,666
Warrior support	500	-
	<u>\$ 380,463</u>	<u>\$ 47,950</u>

Net assets with donor restrictions received and released within the same fiscal year are reported as net assets without donor restrictions on the statements of activities. The net assets released from restrictions during the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Purpose restrictions accomplished:		
Visiting Chef program	\$ 587	\$ 1,017
Deck building materials	-	8,700
House supplies and maintenance	-	1,586
	<u>\$ 587</u>	<u>\$ 11,303</u>

Note 7. Contributions In-Kind

Organization received donated supplies and professional services of \$21,815 and \$3,322 in 2021 and 2020, respectively which are recorded in contributions in-kind and program expenses on the statements of activities.

SERVE OUR WILLING WARRIORS

NOTES TO FINANCIAL STATEMENTS

Note 8. Major Contributors and Contributions

The majority of the Organization's revenues and support are derived from grants and contributions. For the year ended December 31, 2021, one donor contributed approximately 26% of total grants, contributions, and other support. For the year ended December 31, 2020, two donors contributed approximately 27% of total grants, contributions, and other support, including the Paycheck Protection Program loan discussed in Note 9.

Note 9. Paycheck Protection Program Loans

As a part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Organization received Paycheck Protection Program (PPP) loans in the amounts of \$107,256 and \$105,502 during the years ended December 31, 2021 and 2020, respectively, the Organization accounted for the PPP loans as contributions in the years ended December 31, 2021 and 2020 as the conditions for PPP loan forgiveness had been fully or substantially met. The PPP loans were forgiven in full during the years ended December 31, 2021 and 2020, respectively.