

SERVE OUR WILLING WARRIORS

**Financial Statements For the Year Ended December 31, 2017
and Independent Auditors' Report
Dated May 7, 2019**

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Jennifer S. Burke, CPA PLLC

Independent Auditors' Report

Members of the Board of Directors
Serve Our Willing Warriors

We have audited the accompanying financial statements of Serve Our Willing Warriors, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Serve Our Willing Warriors as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Jennifer S. Burke CPA PLLC

Jennifer S. Burke CPA PLLC

Warrenton, Virginia

May 7, 2019

Serve Our Willing Warriors
Statement of Financial Position
As of December 31, 2017

ASSETS

Current Assets

Cash	\$ 307,910
Pledges Receivable	225,025
Donated Gift Cards	8,645
Total Current Assets	<u>541,580</u>

Property and Equipment

Furniture and Equipment	185,269
Buildings and Building Improvements	945,702
Land	158,800
Land Improvements	87,520
Accumulated Depreciation	(158,865)
Total Property and Equipment	<u>1,218,426</u>

TOTAL ASSETS **1,760,006**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	1,800
Payroll Liabilities	20,185
Notes Payable - Current	600,503
Total Current Liabilities	<u>622,488</u>

Long Term Liabilities

Notes Payable	176,567
Total Long Term Liabilities	<u>176,567</u>

TOTAL LIABILITIES **799,055**

Net Assets

Unrestricted Net Assets	627,125
Temporarily Restricted Net Assets	333,826
Total Net Assets	<u>960,951</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 1,760,006**

See the accompanying Independent Auditors' Report and notes to the financial statements

Serve Our Willing Warriors
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ 7,349	\$ 325,000	\$ 332,349
Special Event Income	241,737	-	241,737
Contributions	210,230	1,626	211,856
In-kind Contributions	134,774	7,200	141,974
Interest and Dividends	1,573	-	1,573
Miscellaneous Income	808	-	808
Total Support and Revenue	<u>596,471</u>	<u>333,826</u>	<u>930,297</u>
Cost of Special Events	<u>44,937</u>	<u>-</u>	<u>44,937</u>
Gross Support and Revenue	551,534	333,826	885,360
EXPENSES			
Program Services	359,011	-	359,011
General and Administrative	94,553	-	94,553
Fundraising	75,677	-	75,677
Total Expenses	<u>529,241</u>	<u>-</u>	<u>529,241</u>
CHANGE IN NET ASSETS	22,293	333,826	356,119
Net Assets, Beginning of Year	<u>604,832</u>	<u>-</u>	<u>604,832</u>
Net Assets, End of Year	<u>\$ 627,125</u>	<u>\$ 333,826</u>	<u>\$ 960,951</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

Serve Our Willing Warriors
Statement of Cash Flows
For the Year Ended December 31, 2017

OPERATING ACTIVITIES

Change in Net Assets	\$	356,119
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		54,592
Donated Property and Equipment		(108,713)
(Increase)/Decrease in:		
Pledges Receivable		(225,603)
Donated Gift Cards		(8,645)
Prepaid Expenses		2,108
Increase/(Decrease):		
Accounts Payable		(2,594)
Payroll Liabilities		20,185
NET CASH PROVIDED BY OPERATING ACTIVITIES		87,449

INVESTING ACTIVITIES

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FINANCING ACTIVITIES

Payments on Notes Payable		(25,913)
NET CASH USED BY FINANCING ACTIVITIES		(25,913)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		61,536
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		246,374
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	307,910

Interest Paid	\$	29,631
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See the accompanying Independent Auditors' Report and notes to the financial statements

Serve Our Willing Warriors
Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 125,801	\$ 62,038	\$ 15,165	\$ 203,004
Depreciation	53,937	369	287	54,593
Event Expense	6,900	-	38,850	45,750
Contract Services	27,401	10,634	1,000	39,035
Interest Expense	28,778	480	373	29,631
In-kind Contribution Expense	27,527	-	-	27,527
Payroll Taxes	11,144	5,572	1,258	17,974
Insurance	7,987	2,114	1,644	11,745
Property Taxes	7,516	1,990	1,547	11,053
Repairs and Maintenance	10,511	296	231	11,038
Utilities	9,507	159	123	9,789
Gifts and Contributions	8,800	-	-	8,800
Printing	5,060	1,339	2,271	8,670
Supplies	5,715	-	2,065	7,780
Meetings	4,977	55	2,093	7,125
Advertising and Marketing	2,998	-	3,870	6,868
Website	5,359	-	1,340	6,699
Office Supplies	4,416	1,201	1,014	6,631
Miscellaneous	2,352	976	658	3,986
Professional Fees	-	3,854	-	3,854
Telephone	1,919	508	395	2,822
Fees	-	2,641	-	2,641
Books and Subscriptions	-	112	1,129	1,241
Postage	406	215	364	985
	<u>406</u>	<u>215</u>	<u>364</u>	<u>985</u>
Total	<u>\$ 359,011</u>	<u>\$ 94,553</u>	<u>\$ 75,677</u>	<u>\$ 529,241</u>

See the accompanying Independent Auditors' Report and notes to the financial statements

SERVE OUR WILLING WARRIORS
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1: ORGANIZATION AND PURPOSE

Serve Our Willing Warriors (“the Organization”) is registered under the Commonwealth of Virginia as a Not for Profit Corporation. Organized in 2012, the Organization provides assistance to men and women faced with the consequences of serving within the United States armed forces.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Method of accounting: The financial statements are presented on the accrual basis of accounting.

Cash: Cash includes all monies in a business checking account and a business savings account.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities in the financial statements and reported amounts of revenues and expenses during the reporting period. Due to their prospective nature, actual results could differ from those estimates.

Public support and revenue recognition: Current unrestricted net assets are those funds presently available for use by the Organization at management’s discretion. All contributions with time or donor-imposed restrictions are recognized as temporarily or permanently restricted revenue that increases those net asset classes. When temporary restrictions are met, the contributions are transferred to unrestricted revenue. Donor restricted contributions whose restrictions are met in the same year are reported solely as unrestricted revenue. Contributions with no restrictions are recognized immediately as unrestricted revenue.

The Organization reports gifts of furniture and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts on long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and Equipment: The Organization capitalizes all property and equipment acquisitions in excess of \$1,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method. Furniture and equipment are depreciated over 5 to 7 years, depreciable land improvements are depreciated over 15 years, the buildings are depreciated over 39 years,

SERVE OUR WILLING WARRIORS
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

and the barn is depreciated over 20 years. The Organization's 2017 depreciation expense amounted to \$54,593.

Functional Expenses: Expenses are charged directly to program, administrative, and fundraising in general categories based on specific identification. Indirect expenses have been allocated based on direct costs.

Income Tax Status: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after they were filed.

NOTE 3: NOTES PAYABLE

Founders' Note: The founders of the Organization made a \$200,000 loan on December 31, 2012. A sales contract was placed on the property in the founder's name. On January 24, 2013, \$600 was paid by the Organization toward the founders' real estate acquisition. The founders went to settlement in March 2013. The settlement sheet and the title of the real estate were in the founders' name. The Organization disbursed \$170,000 on March 4, 2013, toward the purchase of this real estate. Since the property was titled in the founders' name, and not the Organization's name, the Organization took ownership of the property in 2014 via an assumption of debt via a Special Warranty Deed of Assumption.

The promissory note establishes an interest rate of 4 ½ percent over a 20 year period with a balloon payment due in 2019. The loan is payable in consecutive monthly payments of \$1,266, including interest. The balance of this note, as of December 31, 2017 was \$183,631.

Commercial Mortgage: The founders of this Organization purchased property in 2013. The Organization assumed the ownership of this property and the remaining mortgage in October 2014 through a Special Warranty Deed of Assumption. The promissory note was created on March 3, 2013. Interest is computed at 4 percent over a 60 month period with a balloon payment due on March 4, 2018. The loan is payable in consecutive monthly payments of \$3,585, including interest, and is collateralized by the building. In 2018, this loan was extended through 2019. The principal balance on this loan, as of December 31, 2017 was \$593,439.

SERVE OUR WILLING WARRIORS
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 3: NOTES PAYABLE (continued)

Loan maturities for each of the years following December 31, 2017 are as follows:

2018	\$ 600,503
2019	<u>176,567</u>
Total Notes Payable	<u>\$ 777,070</u>

Interest expense for 2017 on these loans totaled \$29,631.

NOTE 4: RESTRICTED NET ASSETS

At December 31, 2017 temporarily restricted net assets consisted of the following:

PenFed Home project	\$ 325,000
Gift Cards for Retreat work and repairs	7,200
Wounded Warrior Date Night	<u>1,626</u>
Total Temporarily Restricted Net Assets	<u>\$ 333,826</u>

There were no permanently restricted net assets at December 31, 2017.

NOTE 5: CONTRIBUTED SERVICES

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization received contributed professional construction and repair services on the retreat during the year ended December 31, 2017, with a fair value on the dates of donation of \$39,795.

NOTE 6: RELATED PARTY TRANSACTIONS

The Organization makes monthly payments on a loan from the founders. The loan was for the purpose of making a down payment on the retreat center, and was initially valued at \$200,000, as referenced in Note 3.

NOTE 7: SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the statement of financial position date for potential recognition and disclosure through May 7, 2019, the date on which the financial statements were available to be issued.