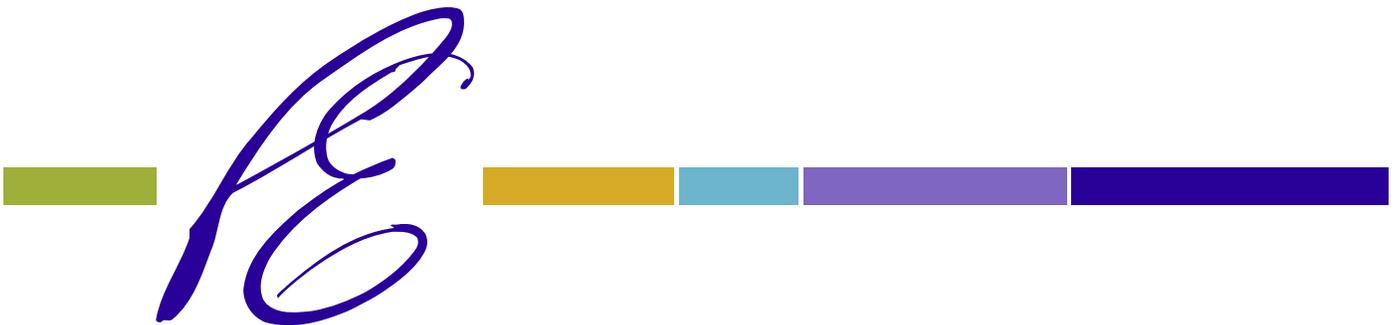


**Wounded Warrior Homes, Inc.**

**Financial Statements**

\* \* \* \* \*

**June 30, 2017**



**Wounded Warrior Homes, Inc.**  
**Audited Financial Statements**

**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 13

## **Independent Auditors' Report**

To the Board of Directors  
Wounded Warrior Homes, Inc.  
San Marcos, California

We have audited the accompanying financial statements of Wounded Warrior Homes, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, 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 error or fraud.

### **Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. 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 Wounded Warrior Homes, Inc. as of June 30, 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.

*Polito Eppich Associates LLP*

January 23, 2018  
San Marcos, California

**Wounded Warrior Homes, Inc.**  
**Statement of Financial Position**  
**June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 341,586	\$ 43,289	\$ 384,875
Investments	3,349		3,349
Other current assets	1,933		1,933
Property and equipment, net	721,805		721,805
Deposits	3,400		3,400
<b>Total Assets</b>	<u>\$ 1,072,073</u>	<u>\$ 43,289</u>	<u>\$ 1,115,362</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accrued expenses	\$ 2,826	\$ 0	\$ 2,826
Mortgage payable	254,399		254,399
<b>Total Liabilities</b>	257,225	0	257,225
<b>Net Assets</b>	814,848	43,289	858,137
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,072,073</u>	<u>\$ 43,289</u>	<u>\$ 1,115,362</u>

See accompanying notes and independent auditors' report.

**Wounded Warrior Homes, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Support</b>			
Direct public support and grants	\$ 205,744	\$ 86,703	\$ 292,447
In-kind donated advertising	287,028		287,028
Special events	146,038	2,777	148,815
In-kind donated goods and property	27,160		27,160
Rental income	10,630		10,630
Promotional sales	917		917
Investment income	312		312
<b>Total Revenue and Support</b>	<u>677,829</u>	<u>89,480</u>	<u>767,309</u>
<b>Net Assets Released from Restriction</b>	<u>121,313</u>	<u>(121,313)</u>	<u>0</u>
	799,142	(31,833)	767,309
<b>Expenses</b>			
Costs of direct benefits to donors	2,494		2,494
Program and housing services	601,296		601,296
Support services:			
Management and general	58,146		58,146
Fundraising	93,825		93,825
<b>Total Expenses</b>	<u>755,761</u>	<u>0</u>	<u>755,761</u>
<b>Change in Net Assets</b>	43,381	(31,833)	11,548
<b>Net Assets at Beginning of Year</b>	<u>771,467</u>	<u>75,122</u>	<u>846,589</u>
<b>Net Assets at End of Year</b>	<u>\$ 814,848</u>	<u>\$ 43,289</u>	<u>\$ 858,137</u>

See accompanying notes and independent auditors' report.

**Wounded Warrior Homes, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Donated advertising	\$ 229,749	\$ 0	\$ 57,279	\$ 287,028
Personnel expenses	160,965	25,857	8,351	195,173
Occupancy expenses	49,045	7,566	1,991	58,602
Marketing and development	35,072	4,524	9,031	48,627
Donated goods	26,087	0	0	26,087
Professional fees	1,919	7,272	16,619	25,810
Depreciation	22,879	1,722	0	24,601
Housing rent	21,000	0	0	21,000
Interest expense	15,075	12	0	15,087
Event expense	16,618	0	0	16,618
Other program expenses	8,683	71	0	8,754
Veteran support expenses	6,499	0	0	6,499
Insurance	4,149	2,064	259	6,472
Travel	2,457	3,443	22	5,922
Bank charges	0	2,288	273	2,561
Education and seminars	0	1,751	0	1,751
Payroll processing fees	0	1,347	0	1,347
Meals and dining	882	84	0	966
Taxes, licenses and fees	117	145	0	262
Charitable contributions	100	0	0	100
<b>Total Expenses</b>	<u>\$ 601,296</u>	<u>\$ 58,146</u>	<u>\$ 93,825</u>	<u>\$ 753,267</u>

See accompanying notes and independent auditors' report.

**Wounded Warrior Homes, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

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**Cash Flows from Operating Activities**

Increase in net assets	\$ 11,548
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	24,601
Unrealized gain on investment	(237)
Change in operating assets:	
Other current assets	9,575
Change in operating liabilities:	
Accrued expenses	(5,173)
<b>Net Cash Provided by Operating Activities</b>	<u>40,314</u>

**Cash Flows from Investing Activities:**

Purchase of investments	(3,223)
Proceeds from sales of investments	2,871
Purchase of property and equipment	(1,742)
<b>Net Cash Used in Investing Activities:</b>	<u>(2,094)</u>

**Cash Flows from Financing Activities**

Payments on mortgage payable	(14,121)
<b>Net Cash Used in Financing Activities:</b>	<u>(14,121)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	24,099
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>360,776</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 384,875</u></u>

**Supplemental Disclosures of Cash Flow Data**

Cash payments for:	
Interest	<u><u>\$ 15,087</u></u>

See accompanying notes and independent auditors' report.

**Wounded Warrior Homes, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 1: Nature of Business**

Wounded Warrior Homes, Inc. (the Organization) is a California nonprofit corporation and established on December 28, 2009. The Organization provides long term transitional housing and additional resources to single post-911 combat veterans with Traumatic Brain Injury (TBI) and Post-Traumatic Stress Disorder (PTSD).

**Program Services:** The Organization's primary program is geared toward supporting single veterans with Traumatic Brain Injury during recovery and transition from active-duty military service to independent living. Currently, the Organization provides transitional housing for individuals who submit an application and meet their eligibility criteria.

The Organization also provides limited financial support beyond housing to assist the veterans with the basic necessities and emergency needs.

**Note 2: Significant Accounting Policies**

The significant accounting policies of the Organization are presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management which is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**Financial Statement Presentation:** The accompanying financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP) in accordance with the Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC).

The Organization follows the financial statement presentation recommended by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958. Under FASB ASC 958, the Organization is required to report net assets, revenues, expenses, gains, and losses into three categories, according to externally (donor) imposed restrictions. A description of the net asset categories follows:

*Unrestricted net assets* represent expendable funds available for operations that are not otherwise limited by donor restrictions.

*Temporarily restricted net assets* consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

*Permanently restricted net assets* represent those assets contributed to the Organization where the original dollar value is to remain in perpetuity as a permanent fund of the Organization.

**Note 2: Significant Accounting Policies (Continued)**

**Donor-Imposed Restrictions:** All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

**Cash and Cash Equivalents:** The Organization considers all highly liquid investments available for current uses with an initial maturity of three months or less to be cash equivalents.

The Organization received restricted donations for the purchase of long-term assets. Cash totaling \$10,000 is designated for the purchase of noncurrent assets.

**Investments:** Investments in equity securities with readily determinable fair market values are reported at fair market value with gains and losses included in the statements of activities.

Marketable securities consist of mutual funds recorded at fair market value. Realized gains or losses on the sale of marketable securities are calculated using the specific-identification method. Unrealized gains and losses represent the change in the fair market value of individual investments for the year or since the acquisition date if acquired during the year. Unrealized gains and losses are recorded as a component of unrestricted net assets.

**Property and Equipment:** Acquisitions of property and equipment of \$500 or more are capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of 3 – 27.5 years.

Property and equipment donated with explicit restrictions regarding their use or disposal are reported as temporarily or permanently restricted assets and support depending on the nature of the restrictions.

**Donated Goods and Services:** Donated goods and professional services are recognized in the accompanying statements at their estimated fair market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated professional services are reported in the financial statements as revenue and expenditures. The value of these donations has been determined from invoices rendered by the various donors. The Organization recorded \$313,115 in non-cash donations for the year ended June 30, 2017.

A number of volunteers have made significant contributions of time to the Organization's program and support functions. The value of this contributed time does not meet the criteria for recognition of donated services existing in accounting standards and, accordingly, is not reflected in the accompanying financial statements.

**Note 2: Significant Accounting Policies (Continued)**

**Contributions:** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

**Functional Allocation of Expenses:** The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized and estimates made by the Organization's management.

**Income Taxes:** The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service and the state of California. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any tax assets or liabilities, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2017.

All tax exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. Currently there are no audits of the Organization's returns in process.

**Concentrations of Credit Risk:** The Organization maintains cash balances at banks insured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalents.

**Advertising:** Advertising is charged to operations when incurred. Advertising costs for the year ending June 30, 2017 was \$335,021.

**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 2: Significant Accounting Policies (Continued)**

**Subsequent Events:** The Organization has evaluated subsequent events through the report date, which is the date the financial statements were available to be issued. The following events occurred:

- On December 8, 2017 the Organization refinanced its mortgage (see Note 6) with Chase Bank. The secured mortgage of \$375,000 bears interest at 4.31% with monthly payments of \$2,349 through December 15, 2027 at which time the remaining unpaid balance is due. Terms include a prepayment penalty.
- September 2017 the board established a \$20,000 endowment fund (board designated endowment) and a \$20,000 agency fund with the Rancho Santa Fe Foundation.

Other than the items described above, management is not aware of any other events that have occurred subsequent to June 30, 2017 that would require adjustment to, or disclosure in these financial statements.

**Note 3: Investment and Fair Value Disclosures**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own estimates about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Organization's own data.)

Money market mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

**Wounded Warrior Homes, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 3: Investment and Fair Value Disclosures (Continued)**

Marketable securities including publicly traded investments such as domestic and foreign equity, mutual funds and government and corporate obligations that trade on an active exchange are classified within Level 1.

The following table presents the Organization's investments by fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 73	\$ -	\$ -	\$ 73
Exchange traded funds	<u>3,349</u>	<u>-</u>	<u>-</u>	<u>3,349</u>
Total	<u>\$ 3,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,422</u>

Summary of Return on Investments

The following schedule summarizes the return on investment and its classification in the statement of activities for the year ended June 30, 2017:

Unrealized gain on investments	\$ 237
Interest and dividend income	<u>75</u>
	<u>\$ 312</u>

**Note 4: Property and Equipment**

Property and equipment at June 30, 2017 follow:

Harvest House	\$ 350,000
York House Building	188,521
Land	167,479
Leasehold Improvements	88,842
Furniture and Equipment	8,293
Computers	<u>2,450</u>
	805,585
Less: accumulated depreciation	<u>(83,780)</u>
	<u>\$ 721,805</u>

Depreciation expense was \$24,601 for the year ending June 30, 2017.

**Wounded Warrior Homes, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 5: Operating Lease Agreement**

The Organization entered into an operating lease agreement for its office space on May 26, 2015. The lease includes scheduled base rent increases, currently at \$1,476 as of June 30, 2017, expiring May 2020. Rent expense for the year ended June 30, 2017 was \$19,187.

The Organization entered into an operating lease agreement for its veteran housing on December 24, 2015. The lease includes scheduled base rent increases, currently at \$1,750 as of June 30, 2017, expiring December 2017. Rent expense for the year ended June 30, 2017 was \$21,000.

Future minimum annual rental payments under the operating lease follow:

Year Ending <u>June 30,</u>	
2018	\$ 28,896
2019	18,846
2020	17,820
2021 and thereafter	0
	<u>\$ 65,562</u>

**Note 6: Mortgage Payable**

On June 25, 2013, the Organization purchased a residential home located on York Drive in Vista, California in the amount of \$346,000 for its permanent transitional housing program. The purchase was financed through a mortgage payable to The Thomas Clifton Booker and Mary Catherine Booker Family Trust for \$346,000. The mortgage is secured by the deed of trust on the property and carries annual interest at 5.75% with monthly payments of \$2,433. Principal only payments of \$15,000 are due annually with the 12<sup>th</sup>, 24<sup>th</sup>, and 36<sup>th</sup> installments. Principal only payments increase to \$20,000 annually with the 48<sup>th</sup>, 60<sup>th</sup>, 72<sup>nd</sup>, 84<sup>th</sup>, 96<sup>th</sup>, and 108<sup>th</sup> installments. Outstanding principal balance was \$254,399 at June 30, 2017.

Annual principal payments for mortgage payable follow:

Year Ending <u>June 30,</u>	
2018	\$ 36,136
2019	38,269
2020	40,528
2021	42,921
2022 and thereafter	96,545
	<u>\$ 254,399</u>

Interest expense on the mortgage payable for the year ending June 30, 2017 was \$15,075.

**Wounded Warrior Homes, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017**

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**Note 7: Related Party Transactions**

The Organization engaged in construction and repair related services of Steve Roseberry, a board member of the organization and spouse of the executive director. The Organization paid expenses totaling \$750 to Steve Roseberry for the year ending June 30, 2017.

**Note 8: Temporarily Restricted Net Assets**

Changes in temporarily restricted net assets for the year ended June 30, 2017 follow:

	<u>June 2016</u>	<u>Additions</u>	<u>Released</u>	<u>June 2017</u>
Transitional Housing	\$ 69,448	\$ 79,480	\$ (119,138)	\$ 29,790
Help Build a Home	<u>5,674</u>	<u>10,000</u>	<u>(2,175)</u>	<u>13,499</u>
Total	<u>\$ 75,122</u>	<u>\$ 89,480</u>	<u>\$ (121,313)</u>	<u>\$ 43,289</u>