

UPSTATE WARRIOR SOLUTION, INC.
Greenville, South Carolina

FINANCIAL STATEMENTS
September 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

UPSTATE WARRIOR SOLUTION, INC.
GREENVILLE, SOUTH CAROLINA
Table of Contents
September 30, 2018 and 2017

	<u>Page(s)</u>
Independent Auditors' Report on Financial Statements	1
 <u>Exhibit</u>	
A Statements of Financial Position.....	2
B Statements of Activities.....	3
C Statements of Functional Expenses.....	4
D Statements of Cash Flows.....	5
 Notes to Financial Statements	 6 - 10



MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

Board of Directors
Upstate Warrior Solution, Inc.

We have audited the accompanying statement of financial position of Upstate Warrior Solution, Inc. (a nonprofit organization), as of September 30, 2018, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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 consolidated 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 Upstate Warrior Solution, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Upstate Warrior Solution, Inc. as of September 30, 2017, were audited by other auditors whose report dated February 15, 2018 expressed an unmodified opinion on those financial statements.

Martin Smith and Company CPAs PA

January 31, 2019

EXHIBIT A

UPSTATE WARRIOR SOLUTION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 103,416	\$ 138,789
Contributions and other receivables	60,019	56,588
Grants receivable	195,621	46,465
Land held for sale	16,000	-
Property and equipment, net	<u>27,600</u>	<u>36,880</u>
Total assets	<u>\$ 402,656</u>	<u>\$ 278,722</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 29,957	\$ 72,348
Other liabilities	100	-
Total liabilities	<u>30,057</u>	<u>72,348</u>
Net assets:		
Unrestricted	263,110	134,958
Temporarily restricted	<u>109,489</u>	<u>71,416</u>
Total net assets	<u>372,599</u>	<u>206,374</u>
Total liabilities and net assets	<u>\$ 402,656</u>	<u>\$ 278,722</u>

See accompanying notes to financial statements.

EXHIBIT B

UPSTATE WARRIOR SOLUTION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Corporate donations	\$ 99,256	\$ 60,525	\$ 159,781	\$ 90,556	\$ -	\$ 90,556
Individual donations	186,751	28,254	215,005	203,477	-	203,477
Grants	440,868	227,600	668,468	406,947	155,000	561,947
Fundraising event income	239,241	-	239,241	205,233	-	205,233
Donated services, material and space	52,793	-	52,793	38,988	-	38,988
Sublease income	24,818	-	24,818	27,969	-	27,969
Other net investment income	39	-	39	64	-	64
Net assets released from restrictions	278,306	(278,306)	-	155,666	(155,666)	-
Total revenue and support	<u>1,322,072</u>	<u>38,073</u>	<u>1,360,145</u>	<u>1,128,900</u>	<u>(666)</u>	<u>1,128,234</u>
Other costs and expenses:						
Program services	1,016,028	-	1,016,028	955,423	-	955,423
Supporting services:						
Management and general	105,394	-	105,394	101,962	-	101,962
Fundraising	72,498	-	72,498	80,871	-	80,871
Total other costs and expenses	<u>1,193,920</u>	<u>-</u>	<u>1,193,920</u>	<u>1,138,256</u>	<u>-</u>	<u>1,138,256</u>
Changes in net assets	128,152	38,073	166,225	(9,356)	(666)	(10,022)
Net assets at beginning of year	<u>134,958</u>	<u>71,416</u>	<u>206,374</u>	<u>144,314</u>	<u>72,082</u>	<u>216,396</u>
Net assets at end of year	<u>\$ 263,110</u>	<u>\$ 109,489</u>	<u>\$ 372,599</u>	<u>\$ 134,958</u>	<u>\$ 71,416</u>	<u>\$ 206,374</u>

See accompanying notes to financial statements.

UPSTATE WARRIOR SOLUTION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>				<u>2017</u>			
	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>			<u>Management and General</u>	<u>Fundraising</u>	
Payroll and benefits	\$ 639,008	\$ 42,367	\$ 40,252	\$ 721,627	\$ 643,318	\$ 44,880	\$ 33,968	\$ 722,166
Fellowship stipends and contract labor	117,810	-	-	117,810	98,310	-	-	98,310
Quality of life	8,957	-	-	8,957	6,852	-	-	6,852
Employment program	-	-	-	-	5,803	-	-	5,803
Outdoor program	1,716	-	-	1,716	-	-	-	-
Healthcare and benefits program	730	-	-	730	-	-	-	-
Housing program	3,000	-	-	3,000	1,050	-	-	1,050
Education program	1,615	-	-	1,615	7,542	-	-	7,542
Training program	12,513	-	-	12,513	7,676	-	-	7,676
Outreach/mentor program	11,521	-	-	11,521	14,007	-	-	14,007
Family outreach program	817	-	-	817	1,236	-	-	1,236
Community engagement program	11,361	-	-	11,361	-	-	-	-
Old Hickory program	43,529	-	-	43,529	-	-	-	-
NVI program	124	-	-	124	-	-	-	-
Operation Dragonfly program	500	-	-	500	-	-	-	-
Fundraising expense	-	-	13,563	13,563	-	-	32,447	32,447
Advertising and promotion	8,557	533	1,600	10,690	20,608	1,284	3,853	25,745
Office expense	39,998	15,412	3,355	58,765	31,628	12,187	2,653	46,468
Computer and internet expense	13,248	2,087	380	15,715	17,309	2,727	497	20,533
Travel, meals, and entertainment	16,066	2,428	-	18,494	12,199	1,844	-	14,043
Event and hosting	-	-	13,348	13,348	-	-	7,453	7,453
Program supplies	-	-	-	-	11,781	-	-	11,781
Professional fees	3,248	36,164	-	39,412	3,000	33,397	-	36,397
Rent expense	72,430	6,403	-	78,833	63,824	5,643	-	69,467
Depreciation expense	9,280	-	-	9,280	9,280	-	-	9,280
	<u>\$ 1,016,028</u>	<u>\$ 105,394</u>	<u>\$ 72,498</u>	<u>\$ 1,193,920</u>	<u>\$ 955,423</u>	<u>\$ 101,962</u>	<u>\$ 80,871</u>	<u>\$ 1,138,256</u>

EXHIBIT D

UPSTATE WARRIOR SOLUTION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 166,225	\$ (10,022)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,280	9,280
Non-cash donations	(16,000)	-
(Increase) decrease in assets:		
Contributions and other receivables	(3,431)	(48,253)
Grants receivables	(149,156)	(45,730)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(42,391)	361
Other liabilities	100	-
Deferred revenue	-	(1,698)
Net cash used in operating activities	<u>(35,373)</u>	<u>(96,062)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>-</u>	<u>(17,500)</u>
Net cash used in investing activities	<u>-</u>	<u>(17,500)</u>
Net decrease in cash and cash equivalents	(35,373)	(113,562)
Cash and cash equivalents at beginning of year	<u>138,789</u>	<u>252,351</u>
Cash and cash equivalents at end of year	<u>\$ 103,416</u>	<u>\$ 138,789</u>

See accompanying notes to consolidated financial statements.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Nature of Organization**

Upstate Warrior Solution, Inc. (“the Organization”) is incorporated under the laws of the state of South Carolina as a not-for-profit organization and has been authorized to transact business as a not-for-profit organization within the state of South Carolina. The Organization is established to connect warriors and their families to the resources they need, and to guide them through the process of developing realistic solutions for a variety of areas in their lives. A warrior is any service member who is currently serving or has served, regardless of military branch, nature of discharge, current status, or troubling past. The Organization’s primary program services are warrior outreach, healthcare, education and training, housing, and employment.

b) **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

c) **Financial Statement Presentation**

These financial statements have been prepared to focus on the Organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with recommendations of the Financial Accounting Standards Board (“FASB”) in the *Accounting Standards Codification* (“ASC”). This guidance requires that unconditional promises to give be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. It establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. If a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at September 30, 2018 and 2017.

d) **Contributions and Revenue**

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose of restrictions.

Contributions are recognized when received. Contributions which are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions and are reclassified to unrestricted net assets and reported in the Statements of Activities as restricted contributions expended as the restrictions expire.

Noncash contributions are recorded as support at their estimated fair value at the date they are placed into service or are sold. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash balances in depository institutions, and money market balances.

f) Contributions and Other Receivables and Grants Receivable

Receivables are expected to be collected within one year. Management evaluates receivables and records an allowance for uncollectible receivables based upon an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determined the possibility of collection is remote. There was no allowance for uncollectible contributions or grants receivable at September 30, 2018 and 2017.

g) Land Held for Sale

From time to time, the Organization may receive gifts of property. In accordance with donor intent, the Organization has offered the land for sale.

h) Property and Equipment

Leasehold improvements, furniture, and equipment with values over \$1,000 are capitalized, with purchases being recorded at cost and donations being recorded as contributions at their estimated fair market value. Leasehold improvements are depreciated using the straight-line method over the shorter of the remaining lease term or their estimated useful lives. Furniture and equipment are depreciated using the straight-line method over their estimated useful lives (three to five years).

i) Donated Services and Goods

A number of unpaid volunteers have made significant contributions of their time to the Organization. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria was not met.

Donations of goods and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

j) Income Taxes

The Organization is exempt from Federal and State income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and 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. It also provides related guidance on measurement classification, interest and penalties, and disclosure. The Organization has determined that it has no uncertain tax positions requiring accrual and disclosure.

k) 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.

l) Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

2) PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 4,854	\$ 4,854
Furniture	39,377	39,377
Equipment	7,022	7,022
Programming content development	<u>17,500</u>	<u>17,500</u>
	68,753	68,753
Less accumulated depreciation	<u>(41,153)</u>	<u>(31,873)</u>
	<u>\$ 27,600</u>	<u>\$ 36,880</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was \$9,280 and \$9,280, respectively.

3) NET ASSET DESIGNATIONS AND RESTRICTIONS

Substantially all of the restrictions on the net assets at September 30, 2018 and 2017 were related to funds raised for ongoing efforts to help prepare the Organization for future needs and service to the community.

Temporarily restricted net assets are available for the following purposes at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Support and Caseworkers	\$ 11,962	\$ 32,050
Wellness in Pickens	19,444	15,063
Financial Stability in Anderson	10,276	5,271
Operation Dragonfly Program	39,850	-
Old Hickory Program	2,900	-
NVI Program	1,877	-
Employment Program	7,500	-
Fellowship Program	5,680	-
Fellowship Program	10,000	-
Financial Stability and Education in Greenville	-	12,109
Spartanburg Veteran Court	<u>-</u>	<u>6,923</u>
	<u>\$ 109,489</u>	<u>\$ 71,416</u>

Net assets are released from restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by donors, or by being released from restrictions by the donors. Temporarily restricted net assets of \$278,306 and \$155,666 were released from restrictions for the years ended September 30, 2018 and 2017, respectively.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

4) DONATED SERVICES, MATERIAL AND LEASED SPACE, Continued

During the years ended September 30, 2018 and 2017, the Organization recorded \$52,793 and \$38,988, respectively, in donated services, material and space.

During the year ended September 30, 2018, the Organization received \$10,328 in donated goods and services related to fundraising activities and \$6,575 in donated goods and services to support programs of the Organization. As detailed below, the Organization also received below market rents.

During the year ended September 30, 2017, the Organization received \$16,338 in donated goods and services related to fundraising activities and \$3,300 in donated goods and services to support programs of the Organization. As detailed below, the Organization also received below market rents.

The Organization leases office space in Greenville under an operating lease through August 2020. The lease began in September 2015 and has a term of 60 months at a rate of \$3,083 for the first 24 months and \$3,392 for the last 36 months. The estimated fair market rental rate for the office space under this lease was \$4,317 per month in the years ended September 30, 2018 and 2017, respectively.

The Organization leased a field office in Spartanburg on a month-to-month basis for no cost through January 2018. In February 2018, the Organization began leasing a field office in Spartanburg for a term of twelve months at a rate of \$750 per month. The estimated fair market rental for the office space under this lease was \$1,500 per month in the year ended September 30, 2018.

The Organization leased a field office in Clemson through August 2018 at a rate of \$1,000 per month, which is the estimated fair market rental rate. In September 2018, the Organization began leasing a field office in Clemson for a term of twelve months at a rate of \$1,500 per month. The estimated fair market rental for the office space under this lease was \$1,600 per month in the year ended September 30, 2018.

The difference between the estimated fair market rental rates and the actual rates paid under the above leases is included in donated services, material and space and totaled \$35,890 and \$19,350 in the years ended September 30, 2018 and 2017, respectively.

The Organization subleases space in its Greenville office to tenants under separate lease agreements with each and recorded \$24,818 and \$27,969 in sublease rental income during the years ended September 30, 2018 and 2017, respectively. Under the terms of the subleases, the tenants are required to pay annual rents totaling \$28,070 in the first year plus a 2% rent escalator in subsequent years. The lease terms, including renewal options, generally extend until September 1, 2020, which is when the Organization's lease term for the Greenville office space expires.

5) CONCENTRATIONS

During the years ended September 30, 2018 and 2017, the Organization received grant revenue of \$187,500 and \$250,000, respectively, from America's Warrior Partnership. No other donors contributed a significant portion of the Organization's total revenues for the years ended September 30, 2018 and 2017.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

6) FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization has adopted the provisions of the *Fair Value Measurement and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

This guidance defines fair value as 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. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash and cash equivalents, accounts payable, accrued expenses, other liabilities - the carrying values approximate fair value due to their short maturities.

Contributions, Other, and Grants Receivable - the carrying values approximate fair value due to their short maturities.

6) SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 31, 2019, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended September 30, 2018.