

**UPSTATE WARRIOR SOLUTION, INC.**  
**Greenville, South Carolina**

**FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**(With Independent Auditors' Report Thereon)**

**UPSTATE WARRIOR SOLUTION, INC.**  
**GREENVILLE, SOUTH CAROLINA**  
**Table of Contents**  
**September 30, 2020 and 2019**

	<u>Page(s)</u>
<b>Independent Auditors' Report on Financial Statements</b> .....	1
 <b><u>Exhibit</u></b>	
<b>A</b> Statements of Financial Position.....	2
<b>B</b> Statements of Activities.....	3
<b>C</b> Statements of Functional Expenses.....	4
<b>D</b> Statements of Cash Flows.....	5
 <b>Notes to Financial Statements</b> .....	 6 - 12



# MARTIN · SMITH

& COMPANY CPAs

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Upstate Warrior Solution, Inc.  
Greenville, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of Upstate Warrior Solution, Inc. (the "Organization") (a nonprofit organization), as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Martin Smith and Company CPAs PA*

January 27, 2021  
Greenville, South Carolina

**UPSTATE WARRIOR SOLUTION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 693,184	\$ 417,539
Contributions and other receivables	10,423	30,825
Grants receivable	81,149	144,664
Deposits	847	-
Land held for sale	16,000	16,000
Property and equipment, net	770	19,633
Total assets	\$ 802,373	\$ 628,661
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable and accrued expenses	\$ 69,293	\$ 26,987
Deferred revenue	37,305	-
Notes payable	144,835	-
Total liabilities	251,433	26,987
Net assets:		
Without donor restrictions	200,812	238,043
With donor restrictions	350,128	363,631
Total net assets	550,940	601,674
Total liabilities and net assets	\$ 802,373	\$ 628,661

See accompanying notes to financial statements.

**EXHIBIT B**

**UPSTATE WARRIOR SOLUTION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended September 30, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Corporate donations	\$ 177,540	\$ -	\$ 177,540	\$ 163,252	\$ 51,061	\$ 214,313
Individual donations	269,515	-	269,515	319,412	66,616	386,028
Grants	-	591,825	591,825	253,311	479,497	732,808
Endowment contributions	-	102,600	102,600	-	49,600	49,600
Fundraising event income	121,244	-	121,244	176,754	-	176,754
Donated services, material and space	25,165	-	25,165	62,258	-	62,258
Sublease income	23,416	-	23,416	24,476	-	24,476
Other net investment income	7,535	-	7,535	823	-	823
Net assets released from restrictions	707,928	(707,928)	-	392,632	(392,632)	-
Total revenue and support	1,332,343	(13,503)	1,318,840	1,392,918	254,142	1,647,060
Other costs and expenses:						
Program services	1,227,943	-	1,227,943	1,249,768	-	1,249,768
Supporting services:						
Management and general	78,801	-	78,801	82,787	-	82,787
Fundraising	62,830	-	62,830	85,430	-	85,430
Total other costs and expenses	1,369,574	-	1,369,574	1,417,985	-	1,417,985
Changes in net assets	(37,231)	(13,503)	(50,734)	(25,067)	254,142	229,075
Net assets at beginning of year	238,043	363,631	601,674	263,110	109,489	372,599
Net assets at end of year	\$ 200,812	\$ 350,128	\$ 550,940	\$ 238,043	\$ 363,631	\$ 601,674

See accompanying notes to financial statements.

**UPSTATE WARRIOR SOLUTION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended September 30, 2020 and 2019**

	<u>2020</u>				<u>2019</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	\$ 689,647	\$ 34,709	\$ 30,182	\$ 754,538	\$ 659,798	\$ 31,965	\$ 38,022	\$ 729,785
Fellowship stipends and contract labor	128,222	-	-	128,222	112,770	-	-	112,770
Quality of life	4,526	-	-	4,526	5,010	-	-	5,010
Employment program	1,239	-	-	1,239	2,384	-	-	2,384
Outdoor program	1,425	-	-	1,425	9,263	-	-	9,263
Healthcare and benefits program	1,000	-	-	1,000	1,000	-	-	1,000
Housing program	2,023	-	-	2,023	2,116	-	-	2,116
Education program	1,500	-	-	1,500	1,000	-	-	1,000
Training program	3,842	-	-	3,842	12,667	-	-	12,667
Outreach/mentor program	6,269	-	-	6,269	33,941	-	-	33,941
Family outreach program	4,785	-	-	4,785	1,694	-	-	1,694
Community engagement program	17,805	-	-	17,805	22,037	-	-	22,037
Old Hickory program	-	-	-	-	1,250	-	-	1,250
NVI program	-	-	-	-	800	-	-	800
Operation Dragonfly program	-	-	-	-	157,527	-	-	157,527
Crisis support	450	-	-	450	-	-	-	-
COVID-19 emergency fund	57,592	-	-	57,592	-	-	-	-
Mission 85 program	104,731	-	-	104,731	10,125	-	-	10,125
Fundraising expense	-	-	-	-	-	-	11,595	11,595
Advertising and promotion	4,774	298	895	5,967	12,626	789	2,367	15,782
Office expense	30,728	12,969	2,993	46,690	28,762	19,171	4,424	52,357
Computer and internet expense	15,050	2,329	538	17,917	11,922	1,845	426	14,193
Travel, meals, and entertainment	9,920	1,482	-	11,402	13,685	2,049	-	15,734
Insurance	22,292	7,833	-	30,125	15,048	5,751	1,327	22,126
Event and hosting	-	-	23,567	23,567	1,591	-	24,043	25,634
Program supplies	3,191	-	-	3,191	4,987	-	-	4,987
Professional fees	49,764	12,336	2,847	64,947	36,556	13,978	3,226	53,760
Rent expense	65,805	6,845	1,808	74,458	83,242	7,239	-	90,481
Depreciation expense	1,363	-	-	1,363	7,967	-	-	7,967
	<u>\$ 1,227,943</u>	<u>\$ 78,801</u>	<u>\$ 62,830</u>	<u>\$ 1,369,574</u>	<u>\$ 1,249,768</u>	<u>\$ 82,787</u>	<u>\$ 85,430</u>	<u>\$ 1,417,985</u>

**EXHIBIT D**

**UPSTATE WARRIOR SOLUTION, INC.  
STATEMENTS OF CASH FLOWS  
For the Years Ended September 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (50,734)	\$ 229,075
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,363	7,967
Loss on disposal of property and equipment	17,500	-
(Increase) decrease in assets:		
Contributions and other receivables	20,402	29,194
Grants receivable	63,515	50,957
Deposits	(847)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	42,306	(3,070)
Deferred revenue	37,305	-
Net cash provided by operating activities	130,810	314,123
Cash flows from financing activities:		
Loan proceeds	144,835	-
Net cash provided by financing activities	144,835	-
Cash flows from investing activities:		
Purchases of property and equipment	-	-
Net cash provided by investing activities	-	-
Net increase in cash and cash equivalents	275,645	314,123
Cash and cash equivalents at beginning of year	417,539	103,416
Cash and cash equivalents at end of year	\$ 693,184	\$ 417,539

Schedule of non-cash financing and investing activities:

During the year ended September 30, 2019, the Organization received \$11,170 in non-cash donations, in the form of investment securities.

See accompanying notes to financial statements.

**UPSTATE WARRIOR SOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**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 two 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:

**Net assets without donor restrictions** - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Board of Directors (“the Board”), designated by the Board for specific purposes, or invested in property and equipment.

**Net assets with donor restrictions** - 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements of Activities as net assets released from restrictions.

**d) Contributions and Revenue**

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence of any donor restrictions. Contributions are recognized when received or when the donor makes an unconditional promise to give to the Organization. Contributions which are restricted by the donor are reported as increases in net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon the satisfaction of the time or purpose restrictions.

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.

**e) Cash and Cash Equivalents**

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



**UPSTATE WARRIOR SOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**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, 2020 and 2019.

**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 net assets without donor restrictions 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 contributions with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions 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.

**UPSTATE WARRIOR SOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**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.

**m) New Accounting Pronouncement**

During the year ended September 30, 2019, the Organization adopted the requirements of the FASB ASC No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)* (“the Update”). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by the Update is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

**2) CASH AND CASH EQUIVALENTS**

The Organization maintains bank and investment accounts at several banking institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At September 30, 2020, the Organization’s uninsured cash balances total \$72,974. Management believes that, due to the strength of the financial institution, the Organization is not exposed to any significant credit risk on cash and cash equivalents.

**3) PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2020 and 2019 are summarized as follows:

	<b>2020</b>	<b>2019</b>
Leasehold improvements	\$ 4,854	\$ 4,854
Furniture	39,377	39,377
Equipment	7,022	7,022
Programming content development	-	17,500
	51,253	68,753
Less accumulated depreciation	(50,483)	(49,120)
	\$ 770	\$ 19,633

Depreciation expense for the years ended September 30, 2020 and 2019 was \$1,363 and \$7,967, respectively.

**UPSTATE WARRIOR SOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**4) NOTES PAYABLE**

The Organization borrowed through the Paycheck Protection Program (“PPP”) under the Corona Aid, Relief, and Economic Security Act (“CARES”). This program allows eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs for the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven.

The Organization determined its eligibility for PPP and borrowed \$134,835 from a bank under this program in April 2020. The terms of the loan require twenty-four monthly payments of \$5,618, including principal and interest at 1%, commencing on February 6, 2021. Management of the Organization is confident that it will be able to expend the loan proceeds in such a manner that it will meet the requirements for full forgiveness of the loan. See Note 10 for further discussion.

**5) NET ASSET DESIGNATIONS AND RESTRICTIONS**

Substantially all of the restrictions on the net assets at September 30, 2020 and 2019 were related to funds raised for ongoing efforts to help prepare the Organization for future needs and service to the community.

Net assets with donor restrictions are available for the following purposes at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Workforce Development/Fellowship	\$ 150,000	\$ 156,499
Endowment Funds	152,200	49,600
GCRA Program	17,500	-
Mission 85 Program	12,444	73,675
WarriorServe Technology	5,000	5,000
Edge4Vets Program	3,500	-
Mental Health Program	3,000	-
Covvid-19 Relief Program	2,408	-
Chaplain Program	2,000	-
NVI Program	1,076	1,076
Chaplain Program	1,000	-
Development Program	-	44,000
Development Program	-	16,667
Mental Health Program	-	11,998
Employment Program	-	5,116
	<u>\$ 350,128</u>	<u>\$ 363,631</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. Net assets with donor restrictions of \$707,928 and \$392,632 were released from restrictions for the years ended September 30, 2020 and 2019, respectively.

**UPSTATE WARRIOR SOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**6) DONATED SERVICES, MATERIAL AND LEASED SPACE**

During the years ended September 30, 2020 and 2019, the Organization recorded \$25,165 and \$62,258, respectively, in donated services, material and leased space.

During the year ended September 30, 2020, the Organization received \$11,767 in donated goods and services related to fundraising activities. During the year ended September 30, 2019, the Organization received \$14,859 in donated goods and services related to fundraising activities and \$23,845 in donated goods and services to support programs of the Organization.

The Organization leases office space in Greenville under an operating lease renewed through August 2021. The lease began in September 2015 and had 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 Organization renewed the lease for twelve months through August 2021. The estimated fair market rental rate for the office space under this lease was \$4,317 per month in the years ended September 30, 2020 and 2019, respectively, and \$4,842 monthly starting September 2020.

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. In December 2019, the Organization began leasing a field office in Spartanburg for a term of twelve months at a rate of \$847 per month.

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 and renewed that lease for another twelve months through August 2020. The estimated fair market rental for the office space under this lease was \$1,600 per month in the years ended September 30, 2020 and 2019.

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 leased space and totaled \$13,398 and \$23,554 in the years ended September 30, 2020 and 2019, respectively.

The Organization subleases space in its Greenville office to tenants under separate lease agreements with each and recorded \$23,416 and \$24,476 in sublease rental income during the years ended September 30, 2020 and 2019, respectively. Under the terms of the subleases, the tenants are required to pay annual rents plus a 2% rent escalator in subsequent years. The lease terms, including renewal options, generally extend until September 1, 2021, which is when the Organization's lease term for the Greenville office space expires.

**7) CONCENTRATIONS**

During the years ended September 30, 2020 and 2019, the Organization received grant revenue of \$150,000 and \$185,000, respectively, from a major U.S. corporation. No other donors contributed a significant portion of the Organization's total revenues for the years ended September 30, 2020 and 2019.

**UPSTATE WARRIOR SOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**8) 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.

**9) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following table reflects the Organization's financial assets as of September 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable because certain net assets are donor restricted (see Footnote 3). The Organization has the following financial assets that could readily be made available within one year of the Statements of Financial Position date to fund expenses without limitations:

Financial assets:	
Cash and cash equivalents	\$ 693,184
Contributions and other receivables	10,423
Grants receivable	81,149
Financial assets, at year-end	<u>784,756</u>
Less those unavailable for general expenditures within one year due to:	
Donor imposed restrictions:	
Restrictions by donor with purpose restrictions	<u>(350,128)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 434,628</u>

The Organization has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

**UPSTATE WARRIOR SOLUTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2020 and 2019**

**10) OTHER**

In December 2019, an outbreak of novel coronavirus (“COVID-19”) originated in China and spread to other countries, including the U.S. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency, and have limited most aspects of business, education, travel, and personal physical interactions. It is anticipated that these substantial impacts will continue for some time. Beginning in March 2020, the Organization was forced to postpone or cancel many of its program activities and move many of its employees in its various programs and administrative functions to remote work. These necessary actions did cause certain revenue sources to decrease and additional expenses to be incurred. Future significant impacts may include continued cancellation of program activities and may include disruptions or restrictions on employees’ ability to work. Changes in the operating environment may also increase operating costs. Management of the Organization is carefully monitoring this situation and has budgeted so as to enable the Organization to maintain its financial stability.

In response to the pandemic, Congress passed the Corona Aid, Relief, and Economic Security Act (“CARES”), which, among other provisions, introduced additional aid to effected organizations through the Paycheck Protection Program (“PPP”). This program allows eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs for the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven.

The Organization determined its eligibility for PPP and borrowed \$134,835 under this program in April 2020. The Organization has accounted for the loan as a financial liability in accordance with FASB ASC 470 *Debt*. Based on this accounting guidance, the proceeds from the loan will remain recorded as a liability until either 1) the loan is, in part or wholly, forgiven and the Organization has been legally released or 2) the Organization pays off the loan. The Organization anticipates that it will be able to expend the loan proceeds in such a manner that it will meet the requirements for full forgiveness of the loan. Once the loan has been forgiven, the liability will be reduced and a gain on extinguishment recorded.

**11) SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 27, 2021, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the years ended September 30, 2020 and 2019.