

UPSTATE WARRIOR SOLUTION, INC.
Greenville, South Carolina

FINANCIAL STATEMENTS
September 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

UPSTATE WARRIOR SOLUTION, INC.
GREENVILLE, SOUTH CAROLINA
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September 30, 2022 and 2021

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MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying statements of financial position of Upstate Warrior Solution, Inc. (“the Organization”) (a nonprofit corporation) as of September 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related footnotes to the financial statements.

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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upstate Warrior Solution, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Martin Smith and Company CPAs PA

Martin Smith & Company CPAs, PA
Greenville, South Carolina
May 26, 2023

UPSTATE WARRIOR SOLUTION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 786,478	\$ 1,408,673
Investments	159,304	191,513
Accounts receivable	6,355	31,755
Pledges receivable, net	947,047	645,000
Grants receivable	-	133,998
Deposits	50,847	847
Land held for sale	-	16,000
Property and equipment, net	<u>1,386,996</u>	<u>-</u>
Total assets	<u>\$ 3,337,027</u>	<u>\$ 2,427,786</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 37,843	\$ 76,907
Deferred revenue	21,216	27,654
Notes payable	<u>-</u>	<u>144,542</u>
Total liabilities	<u>59,059</u>	<u>249,103</u>
Net assets:		
Without donor restrictions	1,851,682	450,565
With donor restrictions	<u>1,426,286</u>	<u>1,728,118</u>
Total net assets	<u>3,277,968</u>	<u>2,178,683</u>
Total liabilities and net assets	<u>\$ 3,337,027</u>	<u>\$ 2,427,786</u>

See accompanying notes to financial statements.

EXHIBIT B

UPSTATE WARRIOR SOLUTION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Corporate donations	\$ 268,370	\$ -	\$ 268,370	\$ 121,664	\$ -	\$ 121,664
Individual donations	346,666	-	346,666	287,058	-	287,058
Grants	530,153	707,441	1,237,594	201,952	874,190	1,076,142
Fundraising event income	220,903	1,260,181	1,481,084	269,816	1,346,500	1,616,316
Donated services, material and space	61,322	-	61,322	37,903	-	37,903
Sublease income	24,000	-	24,000	24,042	-	24,042
Other net investment income	(27,394)	-	(27,394)	28,508	-	28,508
Net assets released from restrictions	2,269,454	(2,269,454)	-	842,700	(842,700)	-
Total revenue and support	<u>3,693,474</u>	<u>(301,832)</u>	<u>3,391,642</u>	<u>1,813,643</u>	<u>1,377,990</u>	<u>3,191,633</u>
Other costs and expenses:						
Program services	1,950,756	-	1,950,756	1,416,608	-	1,416,608
Supporting services:						
Management and general	186,339	-	186,339	86,006	-	86,006
Fundraising	155,262	-	155,262	61,276	-	61,276
Total other costs and expenses	<u>2,292,357</u>	<u>-</u>	<u>2,292,357</u>	<u>1,563,890</u>	<u>-</u>	<u>1,563,890</u>
Changes in net assets	1,401,117	(301,832)	1,099,285	249,753	1,377,990	1,627,743
Net assets at beginning of year	<u>450,565</u>	<u>1,728,118</u>	<u>2,178,683</u>	<u>200,812</u>	<u>350,128</u>	<u>550,940</u>
Net assets at end of year	<u>\$ 1,851,682</u>	<u>\$ 1,426,286</u>	<u>\$ 3,277,968</u>	<u>\$ 450,565</u>	<u>\$ 1,728,118</u>	<u>\$ 2,178,683</u>

See accompanying notes to financial statements.

UPSTATE WARRIOR SOLUTION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended September 30, 2022 and 2021

	2022				2021			
	Support Services				Support Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Payroll and benefits	\$ 881,110	\$ 64,351	\$ 44,551	\$ 990,012	\$ 775,574	\$ 37,927	\$ 46,528	\$ 860,029
Fellowship stipends and contract labor	120,973	-	-	120,973	134,315	-	-	134,315
Veterans Ascend program	240,000	-	-	240,000	-	-	-	-
Vietnam Veterans Reunion Foundation	124,710	-	-	124,710	-	-	-	-
Veterans Center campaign	87,412	9,542	13,822	110,776	-	-	-	-
Mission 85 program	60,145	-	-	60,145	90,375	-	-	90,375
Community engagement program	42,878	-	-	42,878	43,846	-	-	43,846
Cliff Falls Memorial Project	39,189	-	-	39,189	-	-	-	-
Family outreach program	20,881	-	-	20,881	23,836	-	-	23,836
Warriors Once Again program	12,500	-	-	12,500	-	-	-	-
COVID-19 emergency fund program	12,165	-	-	12,165	21,933	-	-	21,933
Training program	11,976	-	-	11,976	12,172	-	-	12,172
Quality of life program	10,048	-	-	10,048	5,164	-	-	5,164
Outreach/mentor program	8,289	-	-	8,289	9,378	-	-	9,378
Outdoor program	4,629	-	-	4,629	2,400	-	-	2,400
UVBN program	1,387	-	-	1,387	-	-	-	-
Employment program	588	-	-	588	3,154	-	-	3,154
UVAN/NVI program	349	-	-	349	-	-	-	-
Housing program	176	-	-	176	21,185	-	-	21,185
Healthcare, benefits, education program	-	-	-	-	5,273	-	-	5,273
Contributions	16,000	-	-	16,000	-	-	-	-
Fundraising expense	-	-	7,013	7,013	6,151	-	-	6,151
Advertising and promotion	11,294	706	2,117	14,117	12,195	686	2,061	14,942
Office expense	43,099	16,479	3,803	63,381	34,457	14,543	3,356	52,356
Computer and internet expense	14,679	2,272	524	17,475	18,423	2,851	659	21,933
Travel, meals, and entertainment	23,750	3,549	-	27,299	15,703	2,139	-	17,842
Insurance	20,605	7,240	-	27,845	20,293	7,130	-	27,423
Event and hosting	-	-	77,430	77,430	26,704	-	3,675	30,379
Program supplies	2,705	-	-	2,705	14,106	-	-	14,106
Professional fees	68,025	26,009	6,002	100,036	57,904	14,354	3,313	75,571
Rent expense	71,194	6,191	-	77,385	61,297	6,376	1,684	69,357
Bad debt expense	-	50,000	-	50,000	-	-	-	-
Depreciation expense	-	-	-	-	770	-	-	770
	<u>\$ 1,950,756</u>	<u>\$ 186,339</u>	<u>\$ 155,262</u>	<u>\$ 2,292,357</u>	<u>\$ 1,416,608</u>	<u>\$ 86,006</u>	<u>\$ 61,276</u>	<u>\$ 1,563,890</u>

See accompanying notes to financial statements.

EXHIBIT D

UPSTATE WARRIOR SOLUTION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	\$ 1,099,285	\$ 1,627,743
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	-	770
Unrealized (gains) losses on investments	28,054	(27,554)
Grant income recorded for forgiveness of PPP loan	(144,542)	(144,835)
Inkind contribution expense	16,000	-
Allowance and discount on pledges receivable	134,274	-
(Increase) decrease in assets:		
Accounts receivables	25,400	(21,332)
Pledges receivable	(436,321)	(645,000)
Grants receivable	133,998	(52,850)
Deposits	(50,000)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(39,064)	7,614
Deferred revenue	(6,438)	(9,651)
Contributions restricted for capital projects	(1,344,455)	(1,346,500)
Net cash used in operating activities	(583,809)	(611,595)
Cash flows from investing activities:		
Purchases of property and equipment	(1,386,996)	-
Proceeds from sale (purchase) of investments	4,155	(609)
Net cash used in investing activities	(1,382,841)	(609)
Cash flows from financing activities:		
Proceeds from borrowing on PPP loan	-	144,542
Contributions restricted for capital projects	1,344,455	1,346,500
Net cash provided by financing activities	1,344,455	1,491,042
Net increase (decrease) in cash and cash equivalents	(622,195)	878,838
Cash and cash equivalents at beginning of year	1,408,673	529,835
Cash and cash equivalents at end of year	\$ 786,478	\$ 1,408,673

Schedule of non-cash financing and investing activities:

During the years ended September 30, 2022 and 2021, the Organization received \$61,322 and \$37,903 in non-cash donations, respectively.

See accompanying notes to financial statements.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

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. For purposes of the Statements of Cash Flows, the Organization considers cash and liquid investments with original maturities of three months or less to be cash and cash equivalents.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

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

f) Investments

Investments are reported at fair market value and are comprised of mutual funds. The investments are maintained at a local community foundation and are not insured.

g) Accounts, Grants, and Pledges Receivable

Accounts and grants receivable are expected to be collected within one year. Unconditional promises to give that are expected to be collected in future years are recorded in the financial statements as pledges receivable and as contributions. Promises to give that are to be received after one year are recorded at the present value of their estimated future cash flows. The discounted value of the unconditional promises to give is computed using interest rates applicable to the year in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met. Intentions to give are not recorded as assets or contribution revenue. Pledges receivable relate to a capital campaign undertaken by the Organization in the first previous fiscal 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 determines the possibility of collection is remote. The Organization's estimate is based on historical experience, current economic conditions, a review of the current status of receivables, and management's assessment of the collectability of specific accounts. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Receivables are presented net of an allowance for doubtful accounts of \$50,000 and \$-0- at September 30, 2022 and 2021, respectively.

h) Land Held for Sale

From time to time, the Organization may receive gifts of property. In accordance with donor intent, the Organization offered the land for sale, and the land was sold during the year ended September 30, 2022.

i) 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). No depreciation is taken on land or construction in progress. Net gains or losses on sales of property and equipment are reflected in current operations.

j) 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.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

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

k) 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.

l) 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.

m) Statements of Financial Position Presentation

Assets and liabilities presented in the Statements of Financial Position are recorded in order of liquidity or nearness to conversion to cash.

n) 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. Payroll and benefits are allocated based on each employee's allocated time. Other expenses are allocated based on management's estimates.

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, 2022, the Organization's uninsured cash balances at one bank total \$545,294. 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) **PLEDGES RECEIVABLE**

The Organization has received promises to give which are included as restricted by donor. The pledges receivable is reported at the present value of the expected cash flows. As of September 30, 2022, these promises to give are due in the gross amount of \$1,081,321 within five years, before a present value adjustment of \$84,274 and an allowance for uncollectible pledges of \$50,000, for a net of \$947,047. As of September 30, 2021, these promises to give were due in the gross amount of \$645,000. The Organization has received no conditional promises to give as of September 30, 2022 and 2021.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

4) PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2022 and 2021, are summarized as follows:

	2022	2021
Leasehold improvements	\$ 4,854	\$ 4,854
Furniture	39,377	39,377
Equipment	7,022	7,022
Construction in progress	1,386,996	-
	1,438,249	51,253
Less accumulated depreciation	(51,253)	(51,253)
	\$ 1,386,996	\$ -0-

Depreciation expense for the years ended September 30, 2022 and 2021, was \$- and \$770, respectively.

During the year ended September 30, 2022, the Organization commenced capital improvements on a leased building which will house the Rupert Huse Veterans Center. The Organization had expended \$1,386,996 on this capital project as of September 30, 2022, which is included as Construction in progress. The Organization estimates that the total cost of improvements and related furnishings will be approximately \$3.1 million, and the project will be completed in the next fiscal year.

5) NOTES PAYABLE

During the year ended September 30, 2021, the Organization borrowed \$144,542 through the Paycheck Protection Program (“PPP”) Phase II under the Coronavirus Aid, Relief, and Economic Security Act (“the CARES Act”). During the current fiscal year, the Organization met the requirements for total forgiveness of this loan, and the loan was legally forgiven. The amount forgiven is included in grant income on the Statements of Activities for the year ended September 30, 2022. During the year ended September 30, 2021, the Organization met the requirements for forgiveness of a loan for \$144,835 under PPP Phase I. The amount forgiven is included in the grant income on the Statements of Activities for the year ended September 30, 2021.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

6) NET ASSET DESIGNATIONS AND RESTRICTIONS

Substantially all of the restrictions on the net assets at September 30, 2022 and 2021, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Capital Campaign	\$ 1,099,743	\$ 1,337,336
Endowment Funds	152,200	152,200
Entrepreneur Program	85,300	-
Fullerton Foundation	59,674	111,755
Covid-19 Relief Program	13,152	-
Mission 85 Program	6,874	67,019
Therapeutic Arts Program	4,950	-
Prisma Grant	4,393	-
Chaplain Program	-	40,700
COVID Assistance	-	5,317
Reimbursable Grant	-	8,291
Suicide Prevention	-	5,500
	<u>\$ 1,426,286</u>	<u>\$ 1,728,118</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 \$2,269,454 and \$842,700 were released from restrictions for the years ended September 30, 2022 and 2021, respectively.

During the previous fiscal year, the Organization initiated a capital campaign to raise restricted funds for the development of a Veteran Resource Center to serve the local community. These funds are donor restricted for project construction, future lease payments, and facility operations. In the next fiscal year these funds will be transferred to a new wholly owned subsidiary of the Organization called UWS Properties, Inc. This subsidiary is pending a 501(c)(2) designation by the Internal Revenue Service.

7) LEASED SPACE

The Organization leases office space in Greenville under an operating lease through March 2023. The lease was renewed during the current fiscal year for six months at \$5,845 per month. Prior to the current lease renewal, the monthly rent was \$5,568.

The Organization subleases space in its Greenville office to tenants under separate lease agreements with each and recorded \$24,000 and \$24,042 in sublease rental income during the years ended September 30, 2022 and 2021, 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 March 2023, which is when the Organization's lease term for the Greenville office space expires.

In the current fiscal year, the Organization renewed the lease of a field office in Spartanburg for a term of twelve months at a rate of \$934 per month. Prior to the lease renewal, the lease was \$889 per month.

UPSTATE WARRIOR SOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

7) LEASED SPACE, Continued

On December 1, 2022, the Organization began leasing a field office in Spartanburg for a term of five years at a base rental rate of \$1,667 per month and an additional rental rate of \$2,248 per month. The lease calls for an annual increase in the base rent of 3% and an annual increase in additional rent based on the Organization's share of building operating expenses. The lease also has two one-year renewal options.

In September 2021, UWS Properties, Inc. ("UWSPI"), a wholly owned subsidiary of the Organization, signed a long-term lease on a building which will house the Rupert Huse Veterans Center. This building consists of approximately 38,375 rentable square feet. The lease term is 150 months with two 60-month renewal terms. The lease calls for fixed monthly rent payments ranging from \$22,358 to \$74,746. UWSPI will be sub-leasing space to the Organization and other tenants. Subsequent to year-end, the lease commencement date was established as of February 2, 2023.

8) IN-KIND DONATIONS

During the years ended September 30, 2022 and 2021, the Organization recorded in-kind contributions of \$61,322 and \$37,903, respectively.

During the year ended September 30, 2022, the Organization received \$50,256 in donated goods and items related to fundraising activities and \$11,066 in donated goods and items to support programs of the Organization. During the year ended September 30, 2021, the Organization received \$27,903 in donated goods related to fundraising activities and \$10,000 in donated goods to support programs of the Organization.

Donated goods and items are valued based upon readily available market information and are used in the activities of the Organization.

9) 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, investments, 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.

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10) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of September 30, 2022, 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	\$ 786,478
Investments	159,304
Accounts receivable	6,355
Pledges receivable	947,047
Deposits	<u>50,847</u>
Financial assets, at year-end	<u>1,950,031</u>
Less those unavailable for general expenditures within one year due to:	
Donor imposed restrictions:	
Restrictions by donor with purpose restrictions	<u>(1,426,286)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 523,745</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.

11) REVENUE RECOGNITION

The Organization has adopted the provisions of the *Revenue from Contracts with Customers* topic of FASB ASC. This guidance replaces most existing revenue recognition in U. S. GAAP and requires expanded disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying five steps listed in the guidance.

The Organization recognizes revenue through both restricted and unrestricted contributions and grants. Management has determined that these contributions are non-reciprocal transactions and, therefore, fall under the scope of the *Contributions Received* topic of ASC.

The Organization’s other revenue streams include interest income, dividend income, rent income, and other income which are not included within the scope of this ASC.

12) SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 26, 2023, 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, 2022 and 2021.