

**SOLDIERSTRONG, INC.**

FINANCIAL STATEMENTS

December 31, 2019 and 2018

**SOLDIERSTRONG, INC.**

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December 31, 2019 and 2018

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
SoldierStrong, Inc.

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

We have audited the accompanying financial statements of SoldierStrong, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2019 and 2018, 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 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 audits. We conducted our audits 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 auditors' 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, 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.

*Mercedien, P.C.*

*Certified Public Accountants*

May 28, 2020

**SOLDIERSTRONG, INC.**STATEMENTS OF FINANCIAL POSITION  
December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 177,901	\$ 70,755
Contributions receivable	40,178	32,961
Bequest receivable	-	311,987
Investments	61,018	-
Prepaid expenses	1,692	11,484
Equipment, net of accumulated depreciation of \$1,007 for 2019	<u>1,433</u>	<u>2,043</u>
Total Assets	<u>\$ 282,222</u>	<u>\$ 429,230</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued expenses	<u>\$ 51,288</u>	<u>\$ 62,902</u>
Net Assets		
Without donor restrictions	188,363	284,056
With donor restrictions	<u>42,571</u>	<u>82,272</u>
Total Net Assets	<u>230,934</u>	<u>366,328</u>
Total Liabilities and Net Assets	<u>\$ 282,222</u>	<u>\$ 429,230</u>

**SOLDIERSTRONG, INC.**

## STATEMENTS OF ACTIVITIES

Year Ended December 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions	\$ 513,216	\$ -	\$ 513,216	\$ 1,060,693
Other revenue	-	-	-	15,000
Professional fundraising campaign	880,657	-	880,657	828,842
Investment return	8,617	-	8,617	-
Special event revenue	434,357	-	434,357	330,494
Less: direct benefit cost of the special event	(209,509)	-	(209,509)	(167,044)
Net assets released from restrictions	<u>39,701</u>	<u>(39,701)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,667,039</u>	<u>(39,701)</u>	<u>1,627,338</u>	<u>2,067,985</u>
Expenses				
Program services	938,018	-	938,018	815,811
Management and general	64,650	-	64,650	35,093
Fundraising	<u>760,064</u>	<u>-</u>	<u>760,064</u>	<u>901,907</u>
Total expenses	<u>1,762,732</u>	<u>-</u>	<u>1,762,732</u>	<u>1,752,811</u>
Change in net assets	(95,693)	(39,701)	(135,394)	315,174
Net assets, beginning of year	<u>284,056</u>	<u>82,272</u>	<u>366,328</u>	<u>51,154</u>
Net assets, end of year	<u>\$ 188,363</u>	<u>\$ 42,571</u>	<u>\$ 230,934</u>	<u>\$ 366,328</u>

**SOLDIERSTRONG, INC.**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2019

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	Program Services	Management and General	Fundraising	Total
Grants and scholarships	\$ 81,919	\$ -	\$ -	\$ 81,919
Exosuits and rehabilitation fees	504,476	-	-	504,476
StrongMind bundle packages	174,965	-	-	174,965
Salaries	23,800	23,800	23,800	71,400
Payroll taxes	2,010	2,010	2,010	6,030
Travel and meetings	1,901	186	34,421	36,508
Professional fundraiser	-	-	645,941	645,941
Professional fees	92,668	15,733	28,197	136,598
Advertising and marketing	23,833	3,606	7,663	35,102
Office and telephone	3,811	3,528	283	7,622
Grantwriting	-	-	3,878	3,878
Insurance	3,276	2,010	155	5,441
Memberships and subscriptions	-	1,479	-	1,479
Postage and printing	3,542	3,542	3,542	10,626
Website	20,426	-	2,270	22,696
Depreciation	-	610	-	610
Miscellaneous	1,391	8,146	7,904	17,441
Total	<u>\$ 938,018</u>	<u>\$ 64,650</u>	<u>\$ 760,064</u>	<u>\$ 1,762,732</u>

**SOLDIERSTRONG, INC.**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2018

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	Program Services	Management and General	Fundraising	Total *
Grants and scholarships	\$ 130,379	\$ -	\$ -	\$ 130,379
Exosuits and rehabilitation fees	484,772	-	-	484,772
Salaries	18,398	18,955	18,397	55,750
Payroll taxes	1,623	1,672	1,623	4,918
Travel and meetings	2,053	-	32,671	34,724
Professional fundraiser	-	-	782,549	782,549
Professional fees	122,279	-	38,823	161,102
Advertising and marketing	36,347	3,004	21,162	60,513
Office and telephone	4,316	3,755	561	8,632
Insurance	3,276	2,006	173	5,455
Memberships and subscriptions	-	262	-	262
Postage and printing	2,542	2,618	2,541	7,701
Website	5,648	-	627	6,275
Interest expense	1,397	-	-	1,397
Depreciation	-	366	-	366
Miscellaneous	2,781	2,455	2,780	8,016
Total	<u>\$ 815,811</u>	<u>\$ 35,093</u>	<u>\$ 901,907</u>	<u>\$ 1,752,811</u>

\* Reclassified

See notes to financial statements.



**SOLDIERSTRONG, INC.**STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (135,394)	\$ 315,174
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	610	366
Net gain on investments	(5,791)	-
Increase (decrease) in cash from		
Contributions receivable	(7,217)	(4,051)
Bequest receivable	311,987	(311,987)
Prepaid expenses	9,792	(4,867)
Accounts payable and accrued expenses	<u>(11,614)</u>	<u>38,889</u>
Net cash from operating activities	<u>162,373</u>	<u>33,524</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(1,218)
Purchase of investments	(306,683)	-
Proceeds from sale of investments	<u>251,456</u>	<u>-</u>
Net cash from investing activities	<u>(55,227)</u>	<u>(1,218)</u>
Net change in cash	107,146	32,306
Cash, beginning of year	<u>70,755</u>	<u>38,449</u>
Cash, end of year	<u>\$ 177,901</u>	<u>\$ 70,755</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for		
Interest	<u>\$ -</u>	<u>\$ 1,397</u>
Non cash investing and financing activities		
Donated items received	<u>\$ 5,712</u>	<u>\$ -</u>

## **SOLDIERSTRONG, INC.**

### NOTES TO FINANCIAL STATEMENTS

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#### **A. NATURE OF ORGANIZATION**

SoldierStrong, Inc. (the "Organization") is a not-for-profit organization, incorporated in the state of Connecticut. The Organization's mission is to provide support and opportunities to returning soldiers and military personnel to assist them in returning to civilian life and workforce and providing the basic essentials to the men and women of the U.S. Armed Forces serving on the battlefields for the United States of America. In addition, the Organization also provides funding and support for Exoskeletal suit purchase and research, physical rehabilitation and scholarships and grants to those individuals. In 2019, the Organization launched a new program, StrongMinds, which provides tools and techniques to American service people and veterans to support brain and mental health, treat Post-Traumatic Stress and reduce the incidents of suicide in the service and veteran communities.

#### **B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore are expendable for operating purposes.
- Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or by the passage of time.

##### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on deposit and highly liquid debt instruments with original maturities of ninety days or less.

##### **Contributions and Bequest Receivables**

The Organization considers all contributions and bequest receivables to be fully collectible; accordingly, no allowance for doubtful amounts is required. If amounts become uncollectible, they will be charged to the change in net assets when that determination is made. Bequest receivable was collected in full during the year ended December 31, 2019.

##### **Investments**

Investments with readily determinable fair values are valued at fair value in the statements of financial position. Investment return, including interest, dividends and realized and unrealized gains and losses, net of investment expenses, are reported in the statement of activities as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equipment**

Equipment purchased, costing in excess of \$1,000, is capitalized and recorded at cost, except for donated items, which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

**Public Support and Revenue Recognition**

Revenue Recognition - Contributions

The Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08 for the year ended December 31, 2019. The ASU clarifies the scope and guidance for contributions received and contributions made. The following outlines the Organization's accounting policies subject to this guidance.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

Conditional promises to give are recognized when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Revenue Recognition - Exchange Transactions

The Organization adopted ASC Topic 606, Revenue from Contracts with Customers, and all of the related amendments (ASC 606) for the year ended December 31, 2019. ASC 606 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The Organization adopted the standard using the modified retrospective approach and did not record a cumulative catchup adjustment to net assets as the timing and measurement of revenue for the Organization's customers is similar to its prior revenue recognition model which followed ASC Topic 605. The adoption of ASC Topic 606 pertains to the following exchange transactions.

Special events revenue is recognized when the event occurs.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**In-Kind Contributions**

The Organization recognizes donated services and materials at their fair value on the date of donation to the extent that these items are able to be reasonably valued and provide tangible benefit to the Organization.

**Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax, which, if incurred, would be recognized as a current expense. No such taxes have been recognized as of December 31, 2019 and 2018.

U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

The Organization did not record any interest or penalties on uncertain tax positions in the accompanying statements of financial position as of December 31, 2019 or 2018, or in the accompanying statements of activities for the years then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

**Functional Expense Allocation**

Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses. There are various funding sources providing support towards the Organization's programs and some of the expenses charged to the programs represent direct expenses related to program operations and objectives. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas.

**Subsequent Events**

Management has evaluated events for potential recognition and disclosure that occurred after December 31, 2019, and through May 28, 2020, the date the financial statements were available to be issued. Management determined the following items required disclosure:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

# SOLDIERSTRONG, INC.

## NOTES TO FINANCIAL STATEMENTS

### B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Recently Adopted Accounting Pronouncements

The Organization adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as of and for the year ended December 31, 2019. The Organization elected to use the modified retrospective transition method. The modified retrospective method requires the cumulative effect of applying the new guidance to all contracts with customers that were not completed as of December 31, 2018, to be recorded as an adjustment to retained earnings as of the adoption date. The Organization did not record a cumulative effect adjustment to retained earnings as a result of the adoption of ASC 606 because the timing and measurement of revenue for the Organization's contracts with customers was not impacted by the adoption of ASU 2014-09 (Topic 606).

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments assist entities in 1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance, and 2) determining whether a contribution is conditional. The Organization adopted ASU 2018-08 for the year ended December 31, 2019. The adoption of ASU 2018-08 did not have a material impact on the financial statements or related disclosures.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. The reclassifications have no effect on the change in net assets.

### C. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at December 31, 2019 and 2018:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 177,901	\$ 70,755
Contributions receivable	40,178	32,961
Bequest receivable	-	311,987
Investments	<u>61,018</u>	<u>-</u>
Total financial assets available within one year	279,097	415,703
Less net assets with purpose restrictions to be met in less than twelve months	<u>42,571</u>	<u>82,272</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 236,526</u>	<u>\$ 333,431</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**SOLDIERSTRONG, INC.**

## NOTES TO FINANCIAL STATEMENTS

**D. NET ASSETS****With Donor Restrictions**

Net assets with donor restrictions are available for the following purpose:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
SoldierRecovery Program	<u>\$ 42,571</u>	<u>\$ 82,272</u>

Net assets were released from donor restrictions as follows:

	<u>Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Purpose restriction accomplished:		
Expense incurred to satisfy donor restrictions	<u>\$ 39,701</u>	<u>\$ -</u>

**E. INVESTMENTS**

Investments at December 31, 2019, are as follows:

	<u>2019</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Mutual Funds	\$ 53,903	\$ 56,871	\$ 2,968
Money Market Fund	4,147	4,147	-
Total	<u>\$ 58,050</u>	<u>\$ 61,018</u>	<u>\$ 2,968</u>

The following schedule summarizes the investment return and its classification in the statements of activities:

	<u>2019</u>
Interest income	\$ 2,826
Realized gains on sale of investments	2,823
Unrealized gain	<u>2,968</u>
Total investment return	<u>\$ 8,617</u>

**F. FAIR VALUE MEASUREMENT**

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. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

## SOLDIERSTRONG, INC.

### NOTES TO FINANCIAL STATEMENTS

#### F. FAIR VALUE MEASUREMENT (CONTINUED)

Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets.

Level 2 - Observable inputs other than level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following is a description of the valuation methodologies used for instruments measured at fair value:

*Mutual Funds* - The fair value of mutual funds is the net asset value ("NAV") of shares held by the organization at the measurement date.

During the year ended December 31, 2019, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or changes in net assets.

Assets measured at fair value on a recurring basis as of December 31, 2019, are summarized as follows:

	December 31, 2019			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 56,871	\$ -	\$ -	\$ 56,871
Cash	4,147	-	-	4,147
Total	<u>\$ 61,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,018</u>

#### G. CONCENTRATION OF RISK AND UNCERTAINTIES

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents and mutual funds. The Organization places its financial instruments in high credit quality financial institutions. At times, the account balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such funds

**SOLDIERSTRONG, INC.**

NOTES TO FINANCIAL STATEMENTS

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**H. ADVERTISING**

The Organization uses advertising to promote its programs among the audiences it serves. Advertising expense was \$35,102 and \$60,513 for the years ended December 31, 2019 and 2018, respectively.