

SOLDIERSTRONG, INC.

FINANCIAL STATEMENTS

December 31, 2022

SOLDIERSTRONG, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
SoldierStrong, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SoldierStrong, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 the Organization 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 GAAS 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 GAAS, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercadieu, P.C.
Certified Public Accountants

June 16, 2023

SOLDIERSTRONG, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022

(With Comparative Totals for December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 101,073	\$ 174,664
Contributions receivable	1,044,049	177,544
Investments	64,706	79,891
Prepaid expenses	1,377	1,559
Intangible asset	15,000	15,000
Total Assets	<u>\$ 1,226,205</u>	<u>\$ 448,658</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 74,203	\$ 69,678
Gifts and awards payable	950,000	-
Total Current Liabilities	<u>1,024,203</u>	<u>69,678</u>
Net Assets		
Without donor restrictions	151,557	339,671
With donor restrictions	50,445	39,309
Total Net Assets	<u>202,002</u>	<u>378,980</u>
Total Liabilities and Net Assets	<u>\$ 1,226,205</u>	<u>\$ 448,658</u>

SOLDIERSTRONG, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2022

(With Comparative Totals for Year Ended December 31, 2021)

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions	\$ 716,054	\$ 11,136	\$ 727,190	\$ 822,300
Grants and awards	1,000,000	-	1,000,000	-
Professional fundraising campaign	-	-	-	18,071
Investment (loss) return	(15,185)	-	(15,185)	9,475
Special event revenue	510,075	-	510,075	340,020
Less: direct benefit cost of the special event	(253,627)	-	(253,627)	(40,084)
Contributed nonfinancial assets	-	-	-	11,313
PPP loan forgiveness	-	-	-	15,200
Total support and revenues	<u>1,957,317</u>	<u>11,136</u>	<u>1,968,453</u>	<u>1,176,295</u>
Expenses				
Program services	1,940,687	-	1,940,687	808,750
Management and general	32,912	-	32,912	26,280
Fundraising	171,832	-	171,832	158,588
Total expenses	<u>2,145,431</u>	<u>-</u>	<u>2,145,431</u>	<u>993,618</u>
Change in net assets	(188,114)	11,136	(176,978)	182,677
Net assets, beginning of year	<u>339,671</u>	<u>39,309</u>	<u>378,980</u>	<u>196,303</u>
Net assets, end of year	<u>\$ 151,557</u>	<u>\$ 50,445</u>	<u>\$ 202,002</u>	<u>\$ 378,980</u>

SOLDIERSTRONG, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

(With Comparative Totals for Year Ended December 31, 2021)

	2022			2021	
	Program Services	Management and General	Fundraising	Total	Total
Grants and scholarships	\$ 15,819	\$ -	\$ -	\$ 15,819	\$ 127,554
Exosuits and rehabilitation fees	365,585	-	-	365,585	290,229
StrongMind bundle packages	320,463	-	-	320,463	218,896
Gifts and awards	950,000	-	-	950,000	-
Travel and meetings	5,532	-	20,403	25,935	16,111
Direct mail fundraising fees	-	-	-	-	29,384
Professional fees	75,454	13,346	97,855	186,655	118,148
Advertising and marketing	152,460	-	23,390	175,850	110,461
Office and telephone	9,986	8,320	1,666	19,972	16,722
Grant writing	-	-	20,361	20,361	20,418
Insurance	1,729	1,292	1,292	4,313	4,621
Interest	499	-	-	499	-
Memberships and subscriptions	-	-	-	-	1,168
Postage and printing	3,289	2,631	658	6,578	5,164
Website	20,997	-	2,333	23,330	22,858
Depreciation	-	-	-	-	579
Miscellaneous	3,874	7,323	3,874	15,071	11,305
Bad debt	15,000	-	-	15,000	-
Total	<u>\$ 1,940,687</u>	<u>\$ 32,912</u>	<u>\$ 171,832</u>	<u>\$ 2,145,431</u>	<u>\$ 993,618</u>

SOLDIERSTRONG, INC.

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2022

(With Comparative Totals for Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (176,978)	\$ 182,677
Adjustments to reconcile change in net assets to net cash from operating activities:		
PPP loan forgiveness	-	(15,200)
Donated stock	-	(150,087)
Depreciation	-	579
Net loss (gain) on investments	16,192	(8,749)
Increase (decrease) in cash from		
Contributions receivable	(866,505)	(146,338)
Prepaid expenses	182	50,268
Accounts payable and accrued expenses	4,525	42,902
Gifts and awards payable	950,000	-
Net cash from operating activities	<u>(72,584)</u>	<u>(43,948)</u>
Cash Flows from Investing Activities		
Purchase of intangible assets	-	(15,000)
Purchase of investments	(1,007)	(726)
Proceeds from sale of investments	-	79,749
Net cash from investing activities	<u>(1,007)</u>	<u>64,023</u>
Net change in cash	(73,591)	20,075
Cash, beginning of year	174,664	154,589
Cash, end of year	<u>\$ 101,073</u>	<u>\$ 174,664</u>
Supplemental Disclosure of Cash Flow Information:		
Non cash investing and financing activities		
Forgiveness of PPP loan	\$ -	\$ 15,200
Donated stock	<u>\$ -</u>	<u>\$ 150,087</u>

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

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, BraveMind, 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.

Comparative Financial Statements

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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

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

Contributions Receivable

The Organization considers all contributions receivable 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.

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The estimated useful life of equipment is 5 years.

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

Intangible Assets

Intangible assets consists of a trademark. The trademark was recorded at cost. The Organization reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Public Support and Revenue Recognition

Revenue Recognition - Contributions

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

Special events revenue is recognized when the event occurs.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Nonfinancial Assets

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, 2022 and 2021.

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, 2022 and 2021, 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, 2022, and through June 16, 2023, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncement

The Organization has adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of and for the year ended December 31, 2022. The ASU, issued in September 2020, requires an entity to present contributed nonfinancial assets as a separate line item in the statement of activities by category that depicts the type of contributed nonfinancial assets. As the contributed nonfinancial assets are already presented as a separate line item on the statement of activities and detailed disclosures about the fair value techniques and other required qualitative information are disclosed, the ASU did not have a material impact on the Organization's financial statements for the year ended December 31, 2022.

C. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at December 31, 2022, and 2021:

	December 31,	
	2022	2021
Financial assets at year end:		
Cash	\$ 101,073	\$ 174,664
Contributions receivable	1,044,049	177,544
Investments	64,706	79,891
Total financial assets available within one year	1,209,828	432,099
Less gifts and awards payable	950,000	-
Less net assets with purpose restrictions to be met	50,445	39,309
Financial assets available to meet general expenditures over the next twelve months	\$ 209,383	\$ 392,790

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. 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. In addition, to help manage unanticipated liquidity needs, the Organization would leverage its banking relationships to establish a credit facility.

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

D. NET ASSETS**With Donor Restrictions**

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

	December 31,	
	2022	2021
SoldierRecovery Program	\$ 50,445	\$ 39,309

Net assets were released from donor restrictions as follows:

	Years Ended December 31 ,	
	2022	2021
Expense incurred to satisfy donor restrictions	\$ -	\$ 18,350

E. INVESTMENTS

Investments at December 31, 2022, and 2021, are as follows:

	December 31, 2022		
	Cost	Fair Value	Unrealized Depreciation
Mutual Funds	\$ 70,338	\$ 63,212	\$ (7,126)
Money Market Fund	1,494	1,494	-
Total	<u>\$ 71,832</u>	<u>\$ 64,706</u>	<u>\$ (7,126)</u>

	December 31, 2021		
	Cost	Fair Value	Unrealized Appreciation
Mutual Funds	\$ 70,338	\$ 79,405	\$ 9,067
Money Market Fund	486	486	-
Total	<u>\$ 70,824</u>	<u>\$ 79,891</u>	<u>\$ 9,067</u>

Investment (loss) return consists of the following:

	Year Ended December 31,	
	2022	2021
Interest income	\$ 1,007	\$ 726
Realized gains on sale of investments	-	554
Unrealized (loss) gain	(16,192)	8,195
Total investment (loss) return	<u>\$ (15,185)</u>	<u>\$ 9,475</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.

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 of shares held by the organization at the measurement date.

During the years ended December 31, 2022 and 2021, 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.

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

F. FAIR VALUE MEASUREMENT (CONTINUED)

Assets measured at fair value on a recurring basis as of December 31, 2022 and 2021, are summarized as follows:

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 63,212	\$ -	\$ -	\$ 63,212
Cash	1,494	-	-	1,494
Total	<u>\$ 64,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,706</u>

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 79,405	\$ -	\$ -	\$ 79,405
Cash	486	-	-	486
Total	<u>\$ 79,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,891</u>

G. PAYCHECK PROTECTION PROGRAM LOAN

On May 7, 2020, the Organization entered into a term note agreement as part of the United States Small Business Administration's (the "SBA") Paycheck Protection Program. The funds were used to retain employees during the COVID-19 pandemic. The loan was for the principal sum of \$15,200, and bore interest at a rate of 1% per annum payable over a two-year period after a six-month interest and principal deferral period. In April 2021, the Organization met the forgiveness criteria and received formal notification from the SBA that the loan was fully forgiven. During the year ended December 31, 2021, the Organization recorded \$15,200 as PPP loan forgiveness revenue on the statements of activities.

H. CONCENTRATION OF RISK AND UNCERTAINTIES

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash 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.

I. COMMITMENTS AND CONTINGENCIES

During the year ended December 31, 2022, the Organization entered a contest designed by the United States Department of Veterans Affairs. Participants were asked to develop suicide prevention solutions for veterans. The Organization signed a memorandum of understanding with the University of Southern California ("USC") for their help designing a solution to present during the contest. As part of the understanding, 95% of contest awards would be gifted by the Organization to USC. On November 30, 2022, the Organization was notified that it was a winner of a \$1,000,000 prize to be paid in January 2023, which was recognized as gifts and awards revenue in the statement of activities for the year ended December 31, 2022. The Organization recorded the \$1,000,000 as contributions receivable at December 31, 2022. Gifts and awards expenses payable of \$950,000 were recognized on both the statement of financial position and the statement of activities as of and for the year ended December 31, 2022.

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

J. ADVERTISING

The Organization uses advertising to promote its programs among the audiences it serves. Advertising expense was \$175,850 and \$110,461 for the years ended December 31, 2022 and 2021, respectively.

K. RELATED PARTY TRANSACTIONS

The Organization has established a relationship with Soldier Strong Access, a 501(c)(4) organization that advocates for improvement in public policies to provide access to life changing tools and technologies and educational opportunities for all of America's brave servicemen and women. Soldier Strong Access paid \$11,313 of fundraising expenses on the Organization's behalf during the year ended December 31, 2021, which were recognized as contributed nonfinancial assets on the statement of activities.