

WOUNDED WEAR, INC.

CHESAPEAKE, VIRGINIA

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wounded Wear, Inc.
Chesapeake, Virginia

We have audited the accompanying financial statements of Wounded Wear, Inc. which comprise the statements of financial position as of December 31, 2015 and 2014, 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.

Auditor's 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 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 Wounded Wear, Inc. as of December 31, 2015 and 2014, 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.

Corbin & Company, P.C.

April 12, 2016

WOUNDED WEAR, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31

2015

2014

ASSETS

Current assets:

Cash	\$ 61,894	\$ 99,056
Accounts receivable	5,954	-
Prepaid expenses	1,750	-
Inventory	89,056	90,293

Total current assets	<u>158,654</u>	<u>189,349</u>
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Property and equipment - net of accumulated depreciation

	<u>13,016</u>	<u>20,228</u>
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Other assets:

Security deposit	<u>18,778</u>	<u>18,778</u>
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TOTAL ASSETS	<u>\$ 190,448</u>	<u>\$ 228,355</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 31,546	\$ 7,605
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Net assets:

Unrestricted	<u>158,902</u>	<u>220,750</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 190,448</u>	<u>\$ 228,355</u>
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See notes to financial statements.

WOUNDED WEAR, INC.

STATEMENTS OF ACTIVITIES

DECEMBER 31

2015

2014

UNRESTRICTED NET ASSETS

Revenue:

Donations	\$ 342,495	\$ 298,044
Fundraising revenue - net of direct expenses	72,460	109,172
Retail revenue - net of cost of goods sold	21,933	33,071
Contributed goods and services	1,774	3,100

Total unrestricted revenue 438,662 443,387

Expenses:

Program services	401,629	341,468
Support services:		
Management and general	42,934	30,131
Fundraising	55,947	59,103

Total expenses 500,510 430,701

Change in net assets (61,848) 12,686

Net assets - beginning of year 220,750 208,064

Net assets - end of year \$ 158,902 \$ 220,750

See notes to financial statements.

WOUNDED WEAR, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel	\$ 161,197	\$ 20,150	\$ 20,150	\$ 201,496	\$ 101,303	\$ 15,585	\$ 38,963	\$ 155,850
Kit distribution costs	58,018	-	-	58,018	102,334	-	-	102,334
Rent	31,960	4,499	11,248	47,707	9,750	1,500	3,750	15,000
Wounded warrior travel	47,023	-	-	47,023	-	-	-	-
Professional fees	21,371	3,288	8,220	32,879	7,371	1,134	2,835	11,340
Marketing	17,640	2,714	6,785	27,139	7,948	1,223	3,057	12,228
Utilities	9,394	1,445	3,613	14,453	8,289	1,275	3,188	12,752
Web services	13,756	-	-	13,756	7,911	-	-	7,911
Office supplies	8,721	1,342	3,354	13,417	7,392	1,137	2,843	11,373
Wounded warrior service grant	12,594	-	-	12,594	54,880	-	-	54,880
Depreciation	8,736	-	-	8,736	7,563	-	-	7,563
Computer costs	4,933	759	1,897	7,589	8,553	1,316	3,290	13,158
Travel - non event	-	5,965	-	5,965	-	2,625	-	2,625
Volunteer expenses	3,952	-	-	3,952	13,251	-	-	13,251
Insurance	1,769	272	680	2,721	3,061	471	1,177	4,709
Bank charges	-	1,548	-	1,548	-	1,830	-	1,830
Postage	-	952	-	952	-	1,600	-	1,600
Miscellaneous	565	-	-	565	1,862	435	-	2,297
Total	<u>\$ 401,629</u>	<u>\$ 42,934</u>	<u>\$ 55,947</u>	<u>\$ 500,510</u>	<u>\$ 341,468</u>	<u>\$ 30,131</u>	<u>\$ 59,103</u>	<u>\$ 430,701</u>

See notes to financial statements.

WOUNDED WEAR, INC.

STATEMENTS OF CASH FLOWS

DECEMBER 31

2015 2014

Cash flows from operating activities:

Change in net assets	\$ (61,848)	\$ 12,686
Adjustments to reconcile change in net assets to net cash from by operating activities:		
Depreciation	8,737	7,563
Contributed property	(1,525)	(3,100)
(Increase) decrease in:		
Accounts receivable	(5,954)	8,500
Prepaid expenses	(1,750)	-
Inventory	1,237	11,751
Security deposit	-	(15,262)
Increase (decrease) in:		
Accounts payable	23,941	(4,970)
Net cash provided (used) by operating activities	<u>(37,162)</u>	<u>17,168</u>

Cash flows from investing activities:

Acquisitions of property and equipment	<u>-</u>	<u>(6,595)</u>
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Net change in cash (37,162) 10,573

Cash - beginning of year 99,056 88,483

Cash - end of year \$ 61,894 \$ 99,056

See notes to financial statements.

WOUNDED WEAR, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business:

Wounded Wear, Inc. (trading as Combat Wounded Coalition) is a non-profit organization that assists combat wounded veterans re-discover the hero within through pride, power, purpose and peace. The Organization provides clothing and clothing modifications to combat wounded warriors. The Organization takes injured warriors and care givers skydiving, which encourages them to understand that life did not end despite loss or injury. The Organization also assists warriors discover purpose in their new lives through housing support, education support and/or employment support.

Summary of Significant Accounting Policies:

Method of Accounting:

The Organization uses the accrual method of accounting and as such recognizes revenues when earned and expenses when incurred.

Revenues and Receivables:

Revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any restrictions imposed by the payer. Revenues are comprised primarily donations. There are currently no temporarily or permanently restricted revenues.

Inventory:

Inventory of clothing for wounded warriors and promotional clothing held for resale is valued at the lower of cost or market using the first-in, first-out method.

WOUNDED WEAR, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment:

Property and equipment purchases are capitalized at cost and depreciated using the straight-line method over estimated useful lives of 3 to 10 years.

Income Taxes:

The Organization has a non-profit status granted by the Internal Revenue Service under Section 501(c)(3), and therefore is not subject to federal or state income taxes. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they are filed.

Advertising:

Advertising costs are expensed as incurred.

Contributed Facilities, Goods, and Services:

Donated non-cash items are recorded at their fair market values in the period received. Donated services that create or enhance non-financial 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.

Concentration of Credit Risk:

The Organization maintains its cash in bank deposit accounts and financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At times, account balances may exceed federally insured limits. The Organization has not experienced any losses on such accounts.

WOUNDED WEAR, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Financial Statement Presentation:

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no temporarily or permanently restricted net assets.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at December 31:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 31,795	\$ 30,271
Trailer	<u>12,254</u>	<u>12,254</u>
Total property and equipment	44,049	42,525
Less - accumulated depreciation	<u>31,033</u>	<u>22,297</u>
Property and equipment - net	<u>\$ 13,016</u>	<u>\$ 20,228</u>

Depreciation expense was \$8,737 and \$7,563 for the years ended December 31, 2015 and 2014, respectively.

WOUNDED WEAR, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 3 - LEASE COMMITMENTS:

The lease of the Organization's Chesapeake location began September 1, 2014. The lease expires August 31, 2019. Monthly rent is stated at \$5,088 with months one through six, thirty-seven and thirty-eight abated. Therefore, the average monthly rent over the term of sixty months is \$4,657.

The Organization has an option to terminate the lease as of August 2017 if notice is given in writing prior to February 2017. At this time the Board of Directors does not have the intention of terminating the lease.

Minimum future annual rent commitments under this agreement is as follows:

2016	\$	55,883
2017		55,883
2018		55,883
2019		<u>37,256</u>
	\$	<u>204,905</u>

NOTE 4 - DONATED FACILITIES AND GOODS:

The estimated fair value of donated goods included in property and equipment in the financial statements for the years ended December 31, 2015 and 2014 is \$1,774 and \$3,100, respectively

Numerous volunteers have donated significant amounts of time to the Organization's administration, fund-raising and program services. Although no amounts have been reflected in the financial statements, management estimated the fair value of those services to be approximately \$700,000 for the years ended December 31, 2015 and 2014, based upon an analysis of volunteer hours.

WOUNDED WEAR, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 5 - RELATED PARTY TRANSACTIONS:

During 2015 and 2014, the Founder and Executive Director of the Organization leased an office from the Organization for \$500 per month. This office was to perform duties related to his other business entities. No formal payment terms are in place.

NOTE 6 - SUBSEQUENT EVENTS:

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 12, 2015, the date that the financial statements were available to be issued.