

**COMBAT WOUNDED COALITION, INC.**  
**(Formerly Wounded Wear, Inc.)**

**CHESAPEAKE, VIRGINIA**

**DECEMBER 31, 2016**

## **TABLE OF CONTENTS**

<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Combat Wounded Coalition, Inc.  
Chesapeake, Virginia

We have audited the accompanying financial statements of Combat Wounded Coalition, Inc, (formerly Wounded Wear, Inc.) which comprise the statements of financial position as of December 31, 2016 and 2015, 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 Combat Wounded Coalition, Inc. as of December 31, 2016 and 2015, 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.

**Prior Period Financial Statements**

The financial statements of Combat Wounded Coalition, Inc. as of December 31, 2015, were audited by other auditors whose reported dated April 12, 2016, expressed an unmodified opinion on those statements.

*A. Rohm, Smith & Company*

April 21, 2017

**COMBAT WOUNDED COALITION, INC.**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 48,363	\$ 61,894
Accounts receivable	4,315	5,954
Prepaid expenses		1,750
Inventory	57,374	89,056
Total current assets	<b>110,052</b>	<b>158,654</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>8,517</b>	<b>13,016</b>
<b>OTHER ASSETS</b>		
Security deposit	18,778	18,778
<b>TOTAL ASSETS</b>	<b>\$ 137,347</b>	<b>\$ 190,448</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 23,555	\$ 31,546
Total current liabilities	<b>23,555</b>	<b>31,546</b>
<b>NET ASSETS</b>		
Unrestricted	113,792	158,902
Total net assets	<b>113,792</b>	<b>158,902</b>
<b>Total liabilities and net assets</b>	<b>\$ 137,347</b>	<b>\$ 190,448</b>

See notes to financial statements.

**COMBAT WOUNDED COALITION, INC.**  
**Statements of Activities and Changes in Net Assets**  
**December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>PUBLIC SUPPORT AND REVENUE</b>		
Donations	\$ 209,520	\$ 342,495
Fundraising revenue - net of direct expenses	116,516	72,460
Retail revenue - net of cost of goods sold	(4,849)	21,933
Contributed goods and services	-	1,774
	<b>321,187</b>	438,662
<b>EXPENSES</b>		
Program services	286,213	401,629
Supporting services		
Management and general	33,046	42,934
Fundraising	47,037	55,947
	<b>80,084</b>	98,881
Total supporting services		
Total expenses	<b>366,297</b>	500,510
Changes in unrestricted net assets	<b>(45,110)</b>	(61,848)
<b>UNRESTRICTED NET ASSETS</b>		
Beginning	<b>158,902</b>	220,750
Ending	<b>\$ 113,792</b>	\$ 158,902

*See notes to financial statements.*

**COMBAT WOUNDED COALITION, INC.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2016 and 2015**

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Personnel	\$ 147,455	\$ 18,432	\$ 18,432	184,319	\$ 161,197	\$ 20,150	\$ 20,150	\$ 201,496
Rent	41,887	6,444	16,111	64,442	31,960	4,499	11,248	47,707
Mission travel/grants	23,768	-	-	23,768	59,617	-	-	59,617
Kit distribution costs	18,032	-	-	18,032	58,018	-	-	58,018
Professional fees	9,821	1,511	3,777	15,109	21,371	3,288	8,220	32,879
Utilities	8,761	1,348	3,370	13,479	9,394	1,445	3,613	14,453
Web services	10,007	-	-	10,007	13,756	-	-	13,756
Marketing	5,442	837	2,093	8,373	1,390	2,714	6,785	10,889
Volunteer expenses	7,184	-	-	7,184	3,952	-	-	3,952
Depreciation	5,651	-	-	5,651	8,736	-	-	8,736
Office supplies	3,818	587	1,219	5,624	9,286	1,342	3,354	13,982
Insurance	3,534	544	1,359	5,437	1,769	272	680	2,721
Bank charges	-	3,299	677	3,976	-	1,548	-	1,548
Travel - non event	852	-	-	852	-	5,965	-	5,965
Postage	-	44	-	44	-	952	-	952
Video production costs	-	-	-	-	16,250	-	-	16,250
Computer costs	-	-	-	-	4,933	759	1,897	7,589
Total	<b><u>\$ 286,213</u></b>	<b><u>\$ 33,046</u></b>	<b><u>\$ 47,037</u></b>	<b><u>\$ 366,297</u></b>	<b><u>\$ 401,629</u></b>	<b><u>\$ 42,934</u></b>	<b><u>\$ 55,947</u></b>	<b><u>\$ 500,510</u></b>

*See notes to financial statements.*

**COMBAT WOUNDED COALITION, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (45,110)	\$ (61,848)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,651	8,737
Contributed property	-	(1,525)
Changes in operating assets and liabilities:		
Accounts receivable	1,639	(5,954)
Prepaid expenses	1,750	(1,750)
Inventory	31,682	1,237
Accounts payable	(7,991)	23,941
Net cash used in operating activities	<b>(12,379)</b>	<b>(37,162)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of property and equipment	<b>(1,152)</b>	-
Net decrease in cash	<b>(13,531)</b>	<b>(37,162)</b>
<b>CASH</b>		
Beginning	<b>61,894</b>	99,056
Ending	<b>\$ 48,363</b>	<b>\$ 61,894</b>

*See notes to financial statements.*



# COMBAT WOUNDED COALITION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### **Nature of Business:**

Combat Wounded Coalition, Inc. (formerly Wounded Wear, Inc.) 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.

##### **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.

# COMBAT WOUNDED COALITION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### 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.

#### **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.

#### **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.

# COMBAT WOUNDED COALITION, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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### NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at December 31:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 32,948	\$ 31,795
Trailer	12,254	12,254
Total property and equipment	<u>45,202</u>	<u>44,049</u>
Less accumulated depreciation	36,685	31,033
Property and equipment, net	<u>\$ 8,517</u>	<u>\$ 13,016</u>

Depreciation expense was \$5,651 and \$8,737 for the years ended December 31, 2016 and 2015, respectively.

### 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:

2017	\$ 55,883
2018	55,883
2019	<u>37,256</u>
	<u>\$ 149,022</u>

### NOTE 4 - INVENTORY:

During 2016 the Organization changed its name to the Combat Wounded Coalition, Inc.. It was formerly known as Wounded Wear, Inc. The Organization held promotional items for resale in its inventory that became obsolete upon the name change. This resulted in a write down of inventory of approximately \$12,000 resulting in a net loss on retail revenue of \$4,849.

# **COMBAT WOUNDED COALITION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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### **NOTE 5 - 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.

### **NOTE 6 - RELATED PARTY TRANSACTIONS:**

During 2016 and 2015 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 7 - SUBSEQUENT EVENTS:**

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 21, 2017, the date that the financial statements were available to be issued.