

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

CHESAPEAKE, VIRGINIA

DECEMBER 31, 2017

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11832 ROCK LANDING DRIVE, SUITE 101
NEWPORT NEWS, VA 23606
INFO@DYSCPA.COM
OFFICE: 757-223-9602
FAX: 757-223-9686

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, 2017 and 2016, 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, 2017 and 2016, 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.

A. Robm, Smith & Company

March 6, 2018

COMBAT WOUNDED COALITION, INC.
 Statements of Financial Position
 December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 156,841	\$ 48,363
Accounts receivable	4,658	4,315
Inventory	<u>36,044</u>	<u>57,374</u>
Total current assets	<u>197,543</u>	<u>110,052</u>
PROPERTY AND EQUIPMENT, net	<u>4,481</u>	<u>8,517</u>
OTHER ASSETS		
Security deposit	<u>18,778</u>	<u>18,778</u>
TOTAL ASSETS	<u><u>\$ 220,802</u></u>	<u><u>\$ 137,347</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	<u>\$ 13,591</u>	<u>\$ 23,555</u>
Total current liabilities	<u>13,591</u>	<u>23,555</u>
NET ASSETS		
Temporarily restricted	69,708	-
Unrestricted	<u>137,503</u>	<u>113,792</u>
Total net assets	<u>207,211</u>	<u>113,792</u>
Total liabilities and net assets	<u><u>\$ 220,802</u></u>	<u><u>\$ 137,347</u></u>

See notes to financial statements.

COMBAT WOUNDED COALITION, INC.
Statements of Activities and Changes in Net Assets
December 31, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
PUBLIC SUPPORT AND REVENUE		
Donations	\$ 154,531	\$ 209,520
Fundraising revenue - net of direct expenses	233,535	116,516
Retail revenue - net of cost of goods sold	<u>(22,999)</u>	<u>(4,849)</u>
Total public support and revenue	<u>365,067</u>	<u>321,187</u>
Net assets released from restrictions:		
Grant funds used	<u>1,692</u>	<u>-</u>
Total unrestricted revenues and support	<u>366,759</u>	<u>321,187</u>
EXPENSES		
Program services	263,323	286,213
Supporting services		
Management and general	33,510	33,046
Fundraising	<u>46,215</u>	<u>47,037</u>
Total expenses	<u>343,048</u>	<u>366,297</u>
Change in unrestricted net assets	<u>23,711</u>	<u>(45,110)</u>
TEMPORARILY RESTRICTED NET ASSETS		
Restricted grants received	71,400	-
Release of restriction on grants	<u>(1,692)</u>	<u>-</u>
Change in temporarily restricted net assets	<u>69,708</u>	<u>-</u>
Change in net assets	<u>93,419</u>	<u>-</u>
UNRESTRICTED NET ASSETS		
Beginning	<u>113,792</u>	<u>158,902</u>
Ending	<u>\$ 207,211</u>	<u>\$ 113,792</u>

See notes to financial statements.

COMBAT WOUNDED COALITION, INC.

Statements of Functional Expenses

Years Ended December 31, 2017 and 2016

	2017				2016			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$136,412	\$ 17,052	\$ 17,052	170,515	\$147,455	\$ 18,432	\$ 18,432	184,319
Rent	41,952	6,454	16,136	64,542	41,887	6,444	16,111	64,442
Professional fees	17,903	2,754	6,886	27,543	9,821	1,511	3,777	15,109
Mission travel/grants	22,648	-	-	22,648	23,768	-	-	23,768
Web services	13,682	-	-	13,682	10,007	-	-	10,007
Utilities	7,873	1,211	3,028	12,112	8,761	1,348	3,370	13,479
Kit distribution costs	9,895	-	-	9,895	18,032	-	-	18,032
Insurance	3,515	541	1,352	5,407	3,534	544	1,359	5,437
Bank charges	-	4,900	418	5,318	-	3,299	677	3,976
Depreciation	4,757	-	-	4,757	5,651	-	-	5,651
Office supplies	2,070	318	796	3,184	3,818	631	1,219	5,668
Marketing	1,426	219	549	2,194	5,442	837	2,093	8,373
Taxes and licenses	542	60	-	602	-	-	-	-
Volunteer expenses	554	-	-	554	7,184	-	-	7,184
Travel - non event	95	-	-	95	852	-	-	852
Total	<u>\$263,323</u>	<u>\$ 33,510</u>	<u>\$ 46,215</u>	<u>\$343,048</u>	<u>\$286,213</u>	<u>\$ 33,046</u>	<u>\$ 47,037</u>	<u>\$366,297</u>

See notes to financial statements.

COMBAT WOUNDED COALITION, INC.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 23,711	\$ (45,110)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,757	5,651
Contributed property	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(343)	1,639
Prepaid expenses	-	1,750
Inventory	21,330	31,682
Accounts payable	(9,964)	(7,991)
Net cash used in operating activities	<u>39,491</u>	<u>(12,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment	<u>(721)</u>	<u>(1,152)</u>
Net decrease in cash	38,770	(13,531)
CASH		
Beginning	<u>48,363</u>	<u>61,894</u>
Ending	<u>\$ 87,133</u>	<u>\$ 48,363</u>

See notes to financial statements.

COMBAT WOUNDED COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business:

Combat Wounded Coalition, Inc. (formerly Wounded Wear, Inc.) is a non-profit organization that inspires combat wounded veteran to overcome. This is accomplished through direct programs and connection to other properly vetted organizations. The Organization has a four-pillar support structure of pride, power, purpose and peace to assist wounded veterans. The Organization provides clothing and clothing modifications to combat wounded warriors, recognizing them for the sacrifice they made for the country. The Organization takes injured warriors and care givers skydiving, which encourages them to see the power within, to step out of their comfort zone and understand that life did not end despite loss or injury and a fulfilling and exciting life can still be enjoyed if they have faith and a willingness to take the step forward. The Organization also assists warriors discover purpose in their new lives through housing support, education support and/or employment support. The Organization wants each wounded warrior to find peace within themselves, their families and society, so the organization helps connect wounded warrior to organizations that provide alternative, non-pharmacological treatment of traumatic brain injuries and post-traumatic stress injuries directly related to combat operations. Combat Wounded Coalition plans to launch its newest program, the Overcome Academy in early 2018. The Overcome Academy will provide an intensive, two-week curriculum-based program teaching task, purpose, mission, leadership and resiliency. The Overcome Academy will teach wounded warriors how to speak in public, dress, present themselves, interact with civilian companies and help each warrior understand that they are leaders within their families, the workplace and their communities. Combat Wounded Coalition expects to hold two of these new classes in 2018 with 25 graduates.

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.

COMBAT WOUNDED COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they are filed.

Advertising:

Advertising costs are expensed as incurred.

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.

COMBAT WOUNDED COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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>2017</u>	<u>2016</u>
Office equipment	\$ 33,669	\$ 32,948
Trailer	12,254	12,254
Total property and equipment	<u>45,923</u>	<u>45,202</u>
Less accumulated depreciation	41,442	36,685
Property and equipment, net	<u>\$ 4,481</u>	<u>\$ 8,517</u>

Depreciation expense was \$4,757 and \$5,651 for the years ended December 31, 2017 and 2016, respectively.

NOTE 3 - INVENTORY:

Prior to 2016 the Organization was 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 \$21,247 in 2017 and \$12,000 in 2016 resulting in a net loss on retail revenue of \$22,999 and \$4,849, in 2017 and 2016, respectively.

COMBAT WOUNDED COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 4 - 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	\$	64,542
2018		64,542
2019		<u>37,256</u>
	\$	<u>101,798</u>

NOTE 5 - DONATED FACILITIES AND GOODS:

The estimated fair value of donated goods included in property and equipment in the financial statements is approximately \$4,800.

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, 2017 and 2016, based upon an analysis of volunteer hours.

NOTE 6 - RELATED PARTY TRANSACTIONS:

During 2017 and 2016 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 March 6, 2018, the date that the financial statements were available to be issued.