

SOLDIERSTRONG, INC.

FINANCIAL STATEMENTS

December 31, 2023

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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercadieu, P.C.
Certified Public Accountants

October 23, 2024

SOLDIERSTRONG, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2023

(With Comparative Totals for December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 156,588	\$ 101,073
Contributions receivable	19,639	1,044,049
Investments	81,360	64,706
Prepaid expenses	357	1,377
Intangible asset	15,000	15,000
Total Assets	<u>\$ 272,944</u>	<u>\$ 1,226,205</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 169,406	\$ 74,203
Gifts and awards payable	-	950,000
Total Current Liabilities	<u>169,406</u>	<u>1,024,203</u>
Net Assets		
Without donor restrictions	36,468	151,557
With donor restrictions	67,070	50,445
Total Net Assets	<u>103,538</u>	<u>202,002</u>
Total Liabilities and Net Assets	<u>\$ 272,944</u>	<u>\$ 1,226,205</u>

SOLDIERSTRONG, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2023

(With Comparative Totals for Year Ended December 31, 2022)

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions	\$ 394,988	\$ 16,625	\$ 411,613	\$ 727,190
Grants and awards	7,500	-	7,500	1,000,000
Investment return (loss)	16,654	-	16,654	(15,185)
Special event revenue	280,621	-	280,621	510,075
Less: direct benefit cost of the special event	(107,718)	-	(107,718)	(253,627)
Total support and revenues	<u>592,045</u>	<u>16,625</u>	<u>608,670</u>	<u>1,968,453</u>
Expenses				
Program services	586,210	-	586,210	1,940,687
Management and general	39,146	-	39,146	32,912
Fundraising	81,778	-	81,778	171,832
Total expenses	<u>707,134</u>	<u>-</u>	<u>707,134</u>	<u>2,145,431</u>
Change in net assets	(115,089)	16,625	(98,464)	(176,978)
Net assets, beginning of year	<u>151,557</u>	<u>50,445</u>	<u>202,002</u>	<u>378,980</u>
Net assets, end of year	<u>\$ 36,468</u>	<u>\$ 67,070</u>	<u>\$ 103,538</u>	<u>\$ 202,002</u>

See notes to financial statements.

SOLDIERSTRONG, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

(With Comparative Totals for Year Ended December 31, 2022)

	2023			2022	
	Program Services	Management and General	Fundraising	Total	Total
Grants and scholarships	\$ 86,100	\$ -	\$ -	\$ 86,100	\$ 15,819
Exosuits and rehabilitation fees	118,729	-	-	118,729	365,585
StrongMind bundle packages	175,063	-	-	175,063	320,463
Gifts and awards	-	-	-	-	950,000
Travel and meetings	1,048	-	2,993	4,041	25,935
Professional fees	53,170	19,457	7,482	80,109	186,655
Advertising and marketing	126,305	-	24,579	150,884	175,850
Office and telephone	14,068	13,008	8,408	35,484	19,972
Grant writing	-	-	33,713	33,713	20,361
Insurance	851	527	527	1,905	4,313
Interest	245	-	-	245	499
Postage and printing	4,081	3,265	816	8,162	6,578
Website	3,699	-	411	4,110	23,330
Miscellaneous	2,851	2,889	2,849	8,589	15,071
Bad debt	-	-	-	-	15,000
Total	<u>\$ 586,210</u>	<u>\$ 39,146</u>	<u>\$ 81,778</u>	<u>\$ 707,134</u>	<u>\$ 2,145,431</u>

SOLDIERSTRONG, INC.

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2023

(With Comparative Totals for Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (98,464)	\$ (176,978)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net (gain) loss on investments	(15,523)	16,192
Increase (decrease) in cash from		
Contributions receivable	1,024,410	(866,505)
Prepaid expenses	1,020	182
Accounts payable and accrued expenses	95,203	4,525
Gifts and awards payable	(950,000)	950,000
Net cash from operating activities	<u>56,646</u>	<u>(72,584)</u>
Cash Flows from Investing Activities		
Purchase of investments	<u>(1,131)</u>	<u>(1,007)</u>
Net cash from investing activities	<u>(1,131)</u>	<u>(1,007)</u>
Net change in cash	55,515	(73,591)
Cash, beginning of year	101,073	174,664
Cash, end of year	<u>\$ 156,588</u>	<u>\$ 101,073</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, 2022, 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.

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2023 and 2022.

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, 2023 and 2022, 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, 2023, and through October 23, 2024, the date the financial statements were available to be issued. No items were determined by management to require disclosure.

C. LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at December 31, 2023, and 2022:

	December 31,	
	2023	2022
Financial assets at year end:		
Cash	\$ 156,588	\$ 101,073
Contributions receivable	19,639	1,044,049
Investments	81,360	64,706
Total financial assets available within one year	257,587	1,209,828
Less gifts and awards payable	-	950,000
Less net assets with purpose restrictions to be met	67,070	50,445
Financial assets available to meet general expenditures over the next twelve months	\$ 190,517	\$ 209,383

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

C. LIQUIDITY AND AVAILABILITY (CONTINUED)

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.

D. NET ASSETS**With Donor Restrictions**

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

	December 31,	
	2023	2022
SoldierRecovery Program	\$ 67,070	\$ 50,445

E. INVESTMENTS

Investments at December 31, 2023, and 2022, are as follows:

	December 31, 2023		
	Cost	Fair Value	Unrealized Appreciation
Mutual Funds	\$ 70,338	\$ 78,735	\$ 8,397
Money Market Fund	2,625	2,625	-
Total	\$ 72,963	\$ 81,360	\$ 8,397

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

Investment return (loss) consists of the following:

	Year Ended December 31,	
	2023	2022
Interest income	\$ 1,131	\$ 1,007
Unrealized gain (loss)	15,523	(16,192)
Total investment return (loss)	\$ 16,654	\$ (15,185)

SOLDIERSTRONG, INC.

NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022, 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, 2023 and 2022, are summarized as follows:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 78,735	\$ -	\$ -	\$ 78,735
Cash	2,625	-	-	2,625
Total	<u>\$ 81,360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,360</u>

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

G. 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.

H. 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. During the year ended December 31, 2023, the Organization received the \$1,000,000 prize payment and paid out the \$950,000 gift.

I. ADVERTISING

The Organization uses advertising to promote its programs among the audiences it serves. Advertising expense was \$150,884 and \$175,850 for the years ended December 31, 2023 and 2022, respectively.