

**WORKSHOPS FOR WARRIORS, INC.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

## WORKSHOPS FOR WARRIORS, INC.

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**INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
Workshops for Warriors, Inc.

We have audited the accompanying financial statements of Workshops for Warriors, Inc., a nonprofit organization, which comprise of the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

Earning Your Trust Since 1946

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workshops for Warriors, Inc., a nonprofit organization, as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE  
An Accountancy Corporation

September 14, 2015

**WORKSHOPS FOR WARRIORS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

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**ASSETS**

**CURRENT ASSETS**

Cash	\$ 170,606
Contributions Receivable	138,000
	<hr/>
	308,606

**PROPERTY AND EQUIPMENT (Note 3)**

578,381

**TOTAL ASSETS**

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886,987

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	3,078
Accrued Liabilities	15,293
Due to Related Parties (Note 4)	114,073
	<hr/>

**TOTAL LIABILITIES**

132,444

**NET ASSETS (Note 5)**

Unrestricted	637,543
Temporarily Restricted	117,000
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	754,543

**TOTAL LIABILITIES AND NET ASSETS**

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\$ 886,987

See Accompanying Notes to the Financial Statements

**WORKSHOPS FOR WARRIORS, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>REVENUE</b>			
Contributions	\$ 1,684,205	\$ 117,000	\$ 1,801,205
Donated Goods and Services	239,985	-	239,985
	<u>1,924,190</u>	<u>117,000</u>	<u>2,041,190</u>
Net Assets Released from Temporary Restrictions	30,000	(30,000)	-
	<u>1,954,190</u>	<u>87,000</u>	<u>2,041,190</u>
<b>EXPENSES</b>			
Program	1,363,312	-	1,363,312
Management and General Development	130,984 66,626	- -	130,984 66,626
	<u>1,560,922</u>	<u>-</u>	<u>1,560,922</u>
<b>INCREASE IN NET ASSETS</b>	393,268	87,000	480,268
<b>NET ASSETS - BEGINNING OF YEAR</b>	244,275	30,000	274,275
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 637,543</u>	<u>\$ 117,000</u>	<u>\$ 754,543</u>

See Accompanying Notes to the Financial Statements

**WORKSHOPS FOR WARRIORS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
<b>EXPENSES</b>				
Personnel and Benefits	\$ 609,320	\$ 71,685	\$ 35,842	\$ 716,847
Facilities, Equipment and Maintenance	339,957	39,995	19,998	399,950
Training and Education	150,834	-	-	150,834
Scholarships	104,138	-	-	104,138
Insurance	43,124	5,073	2,537	50,734
Professional Services	24,815	3,102	3,102	31,019
Travel and Meetings	6,076	760	760	7,596
Office	6,150	724	362	7,236
Tax, License and Subscriptions	5,420	638	319	6,377
Marketing	3,879	-	431	4,310
	<u>1,293,714</u>	<u>121,977</u>	<u>63,351</u>	<u>1,479,042</u>
Depreciation	69,598	9,007	3,275	81,880
	<u>\$ 1,363,312</u>	<u>\$ 130,984</u>	<u>\$ 66,626</u>	<u>\$ 1,560,922</u>

See Accompanying Notes to the Financial Statements

**WORKSHOPS FOR WARRIORS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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**CASH FLOWS PROVIDED BY OPERATING ACTIVITIES**

Increase in Net Assets \$ 480,268

**ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Depreciation	81,880
Donated Goods Capitalized as Property and Equipment	(97,446)
Changes in Operating Assets and Liabilities:	
Contributions Receivable	(138,000)
Employee Advance	2,500
Accounts Payable	(23,160)
Accrued Liabilities	15,293
Due to Related Parties	(250,259)
	(409,192)

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

71,076

**CASH FLOWS USED BY INVESTING ACTIVITIES**

Purchase of Property and Equipment	(4,065)
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**NET INCREASE IN CASH**

67,011

**CASH, BEGINNING OF YEAR**

103,595

**CASH, END OF YEAR**

\$ 170,606

**SUPPLEMENTAL DISCLOSURES**

Noncash Investing Transactions:

Donated Property and Equipment	\$ 97,446
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**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE 1 THE ORGANIZATION**

Workshops for Warriors, Inc. (the "Organization"), is a California non-profit Organization that was incorporated in 2008. Located in San Diego, California, the Organization's mission is to provide quality training, educational programs, and opportunities to earn third party nationally recognized credentials to enable veterans, transitioning service members, and other students to be successfully trained and placed in their chosen advanced manufacturing career field. The Organization's support comes primarily from contributions, including donated goods. Program participants do not pay educational fees or service fees.

To achieve its mission, the Organization's objectives are to provide:

- Compressed academic instruction in a classroom setting.
- Extensive hands-on training using state-of-the-art equipment.
- Opportunities to earn nationally recognized credentials in advanced manufacturing.
- Programs that are relevant to employer needs.
- Assistance to graduates to gain employment in their chosen field through effective placement preparation and job placement assistance programs.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting** - The accompanying financial statements are prepared using the accrual method in conformity with accounting principles generally accepted ("GAAP") in the United States of America.

**Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**Basis of Presentation** - Under accounting standards on Financial Statements of Not-for-profit Organizations, the Organization is required to report 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.

**Unrestricted Net Assets** - Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of contributed amounts subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the amounts. There were \$117,000 of temporarily restricted net assets as of December 31, 2014.

Permanently Restricted Net Assets - Permanently restricted amounts are those which are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization. There were no permanently restricted net assets as of December 31, 2014.

Cash - The Organization considers highly liquid financial instruments with an original fixed maturity date of less than three months to be cash equivalents.

The Organization maintains its cash in one commercial bank. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization had no funds in excess of the FDIC limit at December 31, 2014.

Contributions Receivable - Contributions receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. All contributions receivable are expected to be received within one year and therefore, no present value discounting was recorded. All contributions receivable are considered collectible as of December 31, 2014.

Property and Equipment - Property and equipment are carried at cost if purchased, or at fair value at date of gift if donated, less depreciation. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of five to thirty-nine years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. It is the Organization's policy to capitalize all property and equipment costs in excess of a cost or fair value of \$500. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014**

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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fair Value Measurement - The Organization follows accounting standards which define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements for all financial statement elements.

Fair value is based on 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 order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical financial statement elements. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar financial statement elements; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Revenue Recognition - Revenue is recognized when earned, which may be when cash is received, unconditional promises are made, ownership of assets are transferred or services rendered. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Functional Allocation of Expenses - The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Donor-Imposed Restrictions - All contributions are considered to be unrestricted unless specifically restricted by the donor. Amounts received designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted, increasing those net asset classes. However, if a restriction is fulfilled in the same fiscal period in which the contribution is received, the support is reported as unrestricted.

Donated Goods - The Organization records donated goods with a fair value of \$300 or more. The fair value of donated goods has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). If donors stipulate the length of an asset's use, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of donated goods are recorded as unrestricted support. Donated goods of \$173,585 were recognized for the year ending December 31, 2014, which included equipment, facilities, tools, supplies and storage space.

Donated Services - The Organization follows standards relating to contributions received and contributions made as consistent with FASB codification. These standards require recording the value of donated services that create or enhance non-financial assets or require specialized skills. Volunteers have contributed significant amounts of their time to activities of the Organization; however, only the services that meet the above requirements are recorded in the financial statements. Donated services of \$66,400 were required to be recognized for the year ended December 31, 2014. The fair value of donated services has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). Donated services for the year ended December 31, 2014 include managerial and repair services.

Marketing - Marketing expenses are charged to expense as incurred.

Income Taxes - As a nonprofit organization, Workshops for Warriors, Inc. has obtained exempt status under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. Accordingly, the Organization has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California. The Organization is no longer subject to U.S. and California examination by tax authorities for 2011 and 2010, respectively.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 PROPERTY AND EQUIPMENT**

Major categories of property and equipment are summarized as follows:

Shop Equipment	\$ 458,990
Furniture and Fixtures	121,998
Equipment	97,446
	<hr/> 678,434
Accumulated Depreciation	(100,053)
	<hr/> <u>\$ 578,381</u>

Depreciation expense for the year ended December 31, 2014 is \$81,880.

**NOTE 4 DUE TO RELATED PARTIES**

The Organization owes amounts to related parties for non-profit expenses paid by individuals personally and for amounts lent to the Organization by the individuals. Due to Related Parties includes amounts owed to the founder and board president totaling \$50,029 as of December 31, 2014. The founder and board president also contribute managerial services to the Organization totaling \$62,400 for the year ended December 31, 2014. Also included in Due to Related Parties are amounts due to two other board members totaling \$36,689 and \$13,497, respectively, as of December 31, 2014.

In addition, Due to Related Parties includes amounts due to a related party corporation owned by the founder and Board President. The related party and the Organization share some operational expenses, which include utilities, equipment, payroll costs and insurance. These shared expenses are allocated to the entities either on a percentage basis or based on actual usage. For the year ended December 31, 2014 the Organization paid \$154,058 of expenses for the related party. For the year ended December 31, 2014 the related party paid \$809,042 of expenses for the Organization. In addition, the related party donated the use of storage in the amount of \$38,588. The related party has also lent amounts to the Organization in support of its general operations. The total amount due to this related party as of December 31, 2014 is \$13,858.

These advances do not accrue interest and are due on demand.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 5 NET ASSETS**

Net assets consist of the following at December 31, 2014:

Unrestricted Net Assets	\$ 637,543
Temporarily Restricted Net Assets:	
Equipment Additions	67,000
Training Classes	50,000
	<u>117,000</u>
	<u>\$ 754,543</u>

**NOTE 6 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 14, 2015, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.