

**WORKSHOPS FOR WARRIORS, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

## WORKSHOPS FOR WARRIORS, INC.

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# CONSIDINE CONSIDINE

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Workshops for Warriors, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Workshops for Warriors, Inc., a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and change in net asset, 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Workshops for Warriors, Inc. as of December 31, 2017, 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.

### **Other Matters**

#### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The composite score is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, on our consideration of Workshops for Warriors, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Workshops for Warriors, Inc.'s internal control over financial reporting and compliance.



CONSIDINE & CONSIDINE  
An accountancy corporation

November 1, 2018

**WORKSHOPS FOR WARRIORS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,958,763
Accounts receivable	17,297
Contributions receivable	71,364
Prepaid expenses	41,437
	41,437

TOTAL CURRENT ASSETS 2,088,861

PROPERTY AND EQUIPMENT (NOTE 3) 1,893,177

OTHER ASSETS

Contributions receivable - long term	115,000
Due from related parties (note 4)	87,356
Other assets	100,750
	100,750

TOTAL OTHER ASSETS 303,106

TOTAL ASSETS 4,285,144

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	31,038
Accrued liabilities	36,788
Due to related party (note 4)	57,769
Deferred revenue	2,500
Note payable - current portion (note 5)	31,545
	31,545

TOTAL CURRENT LIABILITIES 159,640

LONG-TERM LIABILITIES

Note payable (note 5)	76,306
	76,306

TOTAL LIABILITIES 235,946

NET ASSETS (note 6)

Unrestricted	2,814,314
Temporarily restricted	1,234,884
	1,234,884

TOTAL NET ASSETS 4,049,198

TOTAL LIABILITIES AND NET ASSETS \$ 4,285,144

See accompanying notes to financial statements

**WORKSHOPS FOR WARRIORS, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Contributions	\$ 3,083,029	\$ 1,256,248	\$ 4,339,277
Donated goods and services	442,824	-	442,824
Equipment rental income	34,824	-	34,824
Other income	46,387	-	46,387
	<u>3,607,064</u>	<u>1,256,248</u>	<u>4,863,312</u>
<b>SPECIAL EVENTS</b>			
Special event revenue	259,446	-	259,446
Direct benefit to donor	(39,277)	-	(39,277)
	<u>220,169</u>	<u>-</u>	<u>220,169</u>
<b>NET ASSET RESTRICTION TRANSFERS</b>			
Revenue released from restriction	<u>703,589</u>	<u>(703,589)</u>	<u>-</u>
<b>TOTAL REVENUE</b>	<b>4,530,822</b>	<b>552,659</b>	<b>5,083,481</b>
<b>OPERATING EXPENSES</b>			
Program services	2,268,065	-	2,268,065
Management and general	210,727	-	210,727
Development	227,340	-	227,340
	<u>2,706,133</u>	<u>-</u>	<u>2,706,133</u>
<b>OTHER</b>			
Loss on disposal of property and equipment	<u>77,136</u>	<u>-</u>	<u>77,136</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>1,747,553</u></b>	<b><u>552,659</u></b>	<b><u>2,300,212</u></b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>1,066,761</u></b>	<b><u>682,225</u></b>	<b><u>1,748,986</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 2,814,314</u></b>	<b><u>\$ 1,234,884</u></b>	<b><u>\$ 4,049,198</u></b>

See accompanying notes to financial statements

**WORKSHOPS FOR WARRIORS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program services	Supporting Services		Total supporting services	Total
		Management and general	Development		
Personnel and benefits	\$ 746,554	\$ 97,135	127,836	\$ 224,971	\$ 971,525
Facilities, equipment and maintenance	692,930	53,895	30,382	84,276	777,206
Professional services	121,110	7,124	76,140	83,264	204,374
Training and education	135,887	-	-	-	135,887
Office	92,261	10,854	6,079	16,933	109,194
Insurance	63,989	7,528	3,764	11,292	75,281
Meetings and travel	46,486	5,811	6,460	12,270	58,756
Scholarships	49,436	-	-	-	49,436
Tax, license and subscriptions	30,602	3,518	1,055	4,573	35,175
Marketing	15,372	4,045	5,979	10,024	25,396
Interest	3,607	281	120	401	4,008
Student recruitment	3,562	-	-	-	3,562
Supplies	2,216	-	-	-	2,216
	<u>2,004,011</u>	<u>190,190</u>	<u>257,815</u>	<u>448,005</u>	<u>2,452,016</u>
Depreciation	<u>264,055</u>	<u>20,538</u>	<u>8,802</u>	<u>29,339</u>	<u>293,394</u>
	<u>2,268,065</u>	<u>210,727</u>	<u>266,617</u>	<u>477,344</u>	<u>2,745,410</u>
Less: Direct benefits to donors at special events included in revenue	<u>-</u>	<u>-</u>	<u>(39,277)</u>	<u>(39,277)</u>	<u>(39,277)</u>
Total expense included in the expense section of the statement of activities and change in net assets	<u>\$ 2,268,065</u>	<u>\$ 210,727</u>	<u>\$ 227,340</u>	<u>\$ 438,067</u>	<u>\$ 2,706,133</u>

See accompanying notes to financial statements

**WORKSHOPS FOR WARRIORS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	2,300,212
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense		293,394
Amortization of debt issuance cost		4,008
Loss on disposal of property and equipment		77,136
Donated goods capitalized as property and equipment		(302,735)
Donated property held for sale		126,568
Changes in operating assets and liabilities:		
Accounts receivable		(17,297)
Contributions receivable		(84,318)
Prepaid expenses		(27,039)
Due from related parties		(26,402)
Other assets		(79,892)
Accounts payable		14,162
Accrued liabilities		9,312
Due to related party		54,746
Deferred revenue		2,500

CASH PROVIDED BY OPERATING ACTIVITIES		2,344,355
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CASH FLOWS USED BY INVESTING ACTIVITIES

Cash paid for purchases of property and equipment		(698,702)
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CASH FLOWS USED BY FINANCING ACTIVITIES

Principal payments on note payable		(31,346)
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NET INCREASE IN CASH		1,614,307
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CASH AT BEGINNING OF YEAR		344,456
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CASH AT END OF YEAR	\$	<u>1,958,763</u>
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SUPPLEMENTAL DISCLOSURES:

Interest paid	\$	2,216
Taxes paid	\$	-

NONCASH INVESTING AND FINANCING TRANSACTIONS:

Donated property and equipment	\$	302,735
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See accompanying notes to financial statements.



**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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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.

**Financial statement presentation** – The Organization follows the Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which requires that net assets, support, revenue and gains, expenses and losses be classified as unrestricted, temporarily restricted and permanently restricted.

**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 accounts in three commercial banks. At various times, cash balances may exceed federally insured deposit limits. The Organization's accounts exceeded this limit by approximately \$1,766,000 at December 31, 2017. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**Accounts receivable** – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. It is the Organization's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. All accounts receivable are considered collectible as of December 31, 2017.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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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. Contributions receivable that are expected to be received in excess of one year are reported at present value and a discount is recorded. All contributions receivable are considered collectible as of December 31, 2017.

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 three 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 cost or fair value of \$1,000. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

Debt issuance costs – The Organization follows guidance issued by the FASB on accounting and disclosure requirements related to debt issuance costs. The guidance nets costs associated with acquiring debt with the principal of the debt acquired.

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.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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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.

Grants – Grants are recognized initially as revenue when there is reasonable assurance that they will be received and the Organization will comply with the conditions associated with the grant, and are then recognized on the statement of activities and change in net assets.

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.

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 (level2 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 \$437,969 were recognized for the year ending December 31, 2017, which included capitalized equipment of \$302,735.

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 \$4,855 were required to be recognized for the year ended December 31, 2017. 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).

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.

Recent accounting pronouncement – In August 2016, FASB issued ASU 2016-14, Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASI 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

**NOTE 3    PROPERTY AND EQUIPMENT**

Major categories of property and equipment are summarized as follows:

Shop equipment	\$ 1,262,888
Tent	287,476
Computer equipment	256,113
Furniture and fixtures	230,044
Leasehold improvements	75,069
Vehicle donation	23,039
	<hr/>
	2,134,629
Accumulated depreciation	(695,793)
	<hr/>
	1,438,836
Construction in progress	454,341
	<hr/>
	<u>\$ 1,893,177</u>

For the years ended December 31, 2017, the depreciation expense was \$293,394.

At December 31, 2017, construction in progress relates to the Organization's expansion plan project. The project is estimated to cost \$10,000,000 with estimated completion in the year ending December 31, 2020. The expansion project is set to build a manufacturing training facility.

**NOTE 4    RELATED PARTY TRANSACTIONS**

Related parties to the Organization consist of the following:

Zorgon, LLC (owned by founder and President)  
VetPowered, LL (owned by founder and President)  
Transactions with President

The Organization shares certain operational expenses, which include utilities, equipment, payroll costs and insurance with VetPowered, LLC. These shared expenses are allocated to the entities either on a percentage basis or based on actual usage, depending on the type of expense. Some of these expenses are also paid by the Organization and billed to VetPowered, LLC for reimbursement.

The Organization pays VetPowered, LLC for services provided and purchase of equipment.

The Organization has two leases with VetPowered, LLC under which it pays rent. One lease is a standard flat rate lease and the other is a triple net lease.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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The Organization has a lease for facilities with Zorgon, LLC and pays rent under a triple net lease for facilities.

The Organization has a lease directly with the President for a rental unit for students and pays rent under a triple net lease for this property.

The Organization has paid for expenses on behalf of the founder and Board President.

The following amounts were billed during the year ended December 31, 2017 to and from the related parties:

- VetPowered, LLC billed the Organization for shared operating expenses totaling \$205,339.
- VetPowered, LLC billed the Organization for services provided and purchase of equipment totaling \$674,252.
- VetPowered, LLC billed the Organization for rent of facility and equipment totaling \$543,640.
- The Organization billed VetPowered, LLC for shared operating expenses totaling \$501,529.
- The Organization billed VetPowered, LLC for rental of equipment totaling \$34,824.
- Zorgon, LLC billed the Organization for rent totaling \$12,580. In addition, the Organization paid a \$100,000 security deposit under the lease.
- The President billed the Organization for rent totaling \$15,500.
- The Organization paid \$201 of expenses on behalf of the President.

At December 31, 2017 the following balances were outstanding in regards to the related parties:

Due to VetPowered, LLC	\$	57,769
Due from VetPowered, LLC	\$	87,356
Due to Zorgon, LLC	\$	-
Due from President	\$	-
Due to President	\$	-

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

**NOTE 5      NOTE PAYABLE**

The Organization has a note payable with a national bank to finance the acquisition of equipment. The outstanding balance on the note was \$155,224 at December 31, 2017. The note requires monthly payments of \$2,629 and matures November 2021. The note has a zero interest rate due to the financing fee of \$20,041 being incurred and added to the loan balance and amortized over the life of the loan.

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

Note payable consists of the following at December 31, 2017:

	Principal	Unamortized Debt Issuance Cost	Net Balance
Note payable	\$ 123,550	\$ (15,699)	\$ 107,851

Interest expense included \$4,008 of amortization relating to debt issuance cost for the year ended December 31, 2017.

The future principal payments required under the note payable for the years ended December 31 are as follows:

2018	\$	31,545
2019		31,545
2020		31,545
2021		28,915
	\$	123,550

**NOTE 6 NET ASSETS**

Net assets consist of the following at December 31, 2017:

Unrestricted net assets	\$ 2,814,314
Temporarily restricted net assets	
Property acquisition	1,198,521
Scholarships	20,000
Training for female veterans	16,363
	1,234,884
Total net assets	\$ 4,049,198

**NOTE 7 RETIREMENT BENEFIT PLAN**

The Organization sponsors a 401(k) and profit sharing plan for all eligible employees which allow employees to contribute 100% of their annual salary to a maximum of \$18,000 to the plan for 2017. The Organization has the option to make annual discretionary matching and profit sharing contributions to the plan. Total retirement plan contribution expense for the year ended December 31, 2017 was \$0.

**NOTE 8 COMMITMENTS**

The Organization has four operating lease agreements with a related party (see note 4) for office, lot, warehouse space, and residential space. The leases expire at various dates in 2026 and 2027. Rent is

**WORKSHOPS FOR WARRIORS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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subject to an annual adjustment of a 3% increase. Minimum future rental and lease contract payments under non-cancelable operating leases and contracts, in aggregate, having remaining terms in excess of one year for the years ended December 31 are as follows:

2018	\$	384,613
2019		394,856
2020		405,405
2021		416,271
2022		427,463
Thereafter		<u>1,902,649</u>
	\$	<u><u>3,931,258</u></u>

Rent expense for the year ended December 31, 2017 was approximately \$181,000.

**NOTE 9    SUBSEQUENT EVENTS**

Subsequent to year end the Organization purchased property as part of its expansion plan for \$900,000. The purchase was done in cash and no additional debt was taken out.

Management has evaluated subsequent events through November 1, 2018, the date the financial statements were available to be issued.

**WORKSHOPS FOR WARRIORS, INC.**  
**SUPPLEMENTARY INFORMATION – COMPOSITE SCORE**  
**DECEMBER 31, 2017**

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The Department of Education evaluates that institutions are maintaining the standards of financial responsibility necessary to participate in Title IV programs. One of the many standards used is a composite of three ratios derived from an institution's audited financial statements. The three ratios are a primary reserve ratio, an equity ratio, and a net income ratio. A composite score greater than or equal to 1.5 indicates the institution is considered financially responsible.

Primary Reserve Ratio	0.78
Equity Ratio	0.94
Net Income Ratio	0.39

Ratio Strength Factors

Primary Reserve Strength Factor Score (10 x Primary Reserve Ratio)	7.8
Equity Strength Factor Score (6 x Equity Ratio)	5.7
Net Income Ratio Strength Factor Score (1 + (50 x Net Income Ratio))	20.3

Weighted Score

Primary Reserve Weighted Score (40% x Primary Reserve Strength Factor Score)	3.1
Equity Weighted Score (40% x Equity Strength Factor Score)	2.3
Net Income Weighted Score (20% x Net Income Strength Factor Score)	4.1
Composite Score is the sum of the weighted scores	9.4



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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Workshops for Warriors, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Workshops for Warriors, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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, and have issued our report thereon dated November 1, 2018.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Workshops for Warriors, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Workshops for Warriors, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Workshops for Warriors, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. Findings numbered 2017-002 and 2017-003.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. Finding numbered 2017-001.

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## Compliance and Other Matters

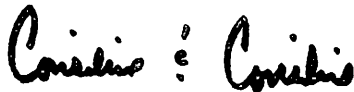
As part of obtaining reasonable assurance about whether Workshops for Warriors, Inc.'s financial statements are free from material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Workshops for Warriors, Inc.'s Response to Findings

Workshops for Warriors, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Workshops for Warriors, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CONSIDINE & CONSIDINE  
An Accountancy Corporation

November 1, 2018

**WORKSHOPS FOR WARRIORS, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**A. Summary of Auditor’s Results**

***Financial Statements***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiencies identified that are Not considered to be material weaknesses?  Yes  No
- Non-compliance material to financial statements noted  Yes  No

**B. Financial Statement Findings**

2017-001 Not following written accounting policies

*Condition:* The Organization is not following its written accounting policies manual for the cash disbursement cycle. During our testing there were three items noted that no support was able to be located showing approval of purchase.

*Criteria:* The Organization should ensure that they are following their accounting policies manual and keeping documentation to support expenses.

*Cause:* The Organization couldn’t locate supporting documentation for three items selected.

*Effect:* Without written approval and supporting documentation of transactions misappropriation of assets could occur.

*Recommendation:* Procedures should be implemented to ensure supporting documentation is kept to show proper authorization of purchase/expense.

*Views of responsible officials and planned corrective action:* There was staff turnover that caused some irregularities in procurement. Training has been implemented to onboard and new employees to orient them properly to standard procedures.

2017-002 Limited segregation of duties in cash disbursement cycle

*Condition:* Due to the limited number of personnel in the Organization, there are inherent limitations to segregation of duties among the Organization’s personnel. Presently the Organization has limited segregation of duties related to the cash disbursement cycle. The CEO and COO are the only individuals approving expenses and signing checks. In addition there is no review of credit card transactions outside of the CEO and COO.

*Criteria:* The Organization should implement alternative controls to compensate for the lack of segregation of duties and identify additional controls in regards to related party transactions.

**WORKSHOPS FOR WARRIORS, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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*Cause:* The Organization is a small organization with limited personnel to perform duties.

*Effect:* Without proper segregation of duties misappropriation of assets could occur and may not be detected.

*Recommendation:* The Organization should either hire additional employees, which may not be a feasible option due to cost-benefit analysis, or have specific board members become more involved by providing additional oversight needed.

*Views of responsible officials and planned corrective action:* Internally a staff member has been promoted up to take on additional approval responsibilities. She has authority to approve purchases and to sign checks. An external accountant reviews credit card transactions as well.

2017-003 Lack of complete and accurate financial reporting

*Condition:* The key employees for compiling the internal financial statements do not have adequate technical knowledge to prepare the financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Although board members with GAAP knowledge review the internal financials periodically they are not significantly involved in the Organization and would not know what transactions could potentially be missing or incorrect.

*Criteria:* The Organization should implement alternate controls to compensate for the lack of GAAP knowledge in the preparation of internal financial statements.

*Cause:* The Organization is a small organization with limited personnel and limited resources for hiring accountants with high level of GAAP knowledge.

*Effect:* Without proper knowledge of GAAP the internal financial statements submitted to us for audit have significant number of errors noted. Some of the errors were immaterial but in total become material to the financials. Some errors were material in nature individually.

*Recommendation:* The Organization should dedicate the necessary staff resources, technical training and oversight to ensure that the internal financial statements are accurately prepared in accordance with GAAP. An individual knowledgeable in financial reporting requirements and independent of the financial statement preparation process should perform a thorough review of the financial statements and supporting schedules to ensure they are accurate, complete and presented in accordance with GAAP.

*Views of responsible officials and planned corrective action:* The Organization has hired an outside accountant to provide advice, establish procedures, and do reconciliations.

**WORKSHOPS FOR WARRIORS, INC.**  
**PRIOR YEAR SCHEDULE OF FINDINGS**  
**DECEMBER 31, 2017**

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Finding: 2016-001

Status: The Organization now uses an employee information form to document changes and authorization of pay rate.

Finding: 2016-002

Status: The Organization now reviews the accounting policy manual regularly to make any necessary modifications to match procedures being performed. Some items tested during the 2017 audit were unable to provide supporting documentation showing authorization. See finding 2017-001.

Finding: 2016-003

Status: Still a finding in 2017. See finding 2017-002.

Corrective action: Internally a staff member has been promoted up to take on additional approval responsibilities. She has authority to approve purchases and to sign checks. An external accountant reviews credit card transactions as well.

Finding: 2016-004

Status: Still a finding in 2017. See finding 2017-003.

Corrective action: In 2018, the Organization hired an outside accountant to perform monthly reconciliations and assist in preparing the monthly financial statements on GAAP basis.