

WORKSHOPS FOR WARRIORS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2020

WORKSHOPS FOR WARRIORS, INC.

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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, 2020, 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.

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, 2020, 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 August 31, 2021, 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 solely 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 the effectiveness of the Workshops for Warriors, Inc.'s 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

August 31, 2021

WORKSHOPS FOR WARRIORS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 804,696
Accounts receivable	522,200
Contributions receivable (note 3)	60,000
Grants receivable (note 3)	568,333
Other current assets	81,862
	81,862

TOTAL CURRENT ASSETS 2,037,091

PROPERTY AND EQUIPMENT (note 4) 3,559,525

OTHER ASSETS

Contributions receivable - long term (note 3)	209,310
Grants receivable - long term (note 3)	180,000
Due from related parties (note 5)	5,167
Security deposits	105,000
	105,000

TOTAL OTHER ASSETS 499,477

TOTAL ASSETS 6,096,093

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	116,645
Deferred revenue	2,500
Due to related party (note 5)	44,202
Line of credit (note 6)	500
Note payable - related party (note 5 and 8)	618,040
Notes payable - current portion (note 7)	64,450
	64,450

TOTAL CURRENT LIABILITIES 846,337

LONG TERM LIABILITIES

Notes payable (note 7)	328,035
	328,035

TOTAL LIABILITIES 1,174,372

NET ASSETS (note 9)

Without donor restrictions	4,322,394
With donor restrictions	599,327
	599,327

TOTAL NET ASSETS 4,921,721

TOTAL LIABILITIES AND NET ASSETS \$ 6,096,093

See accompanying notes to the financial statements

WORKSHOPS FOR WARRIORS, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

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	Without donor restrictions	With donor restrictions	Total
REVENUES			
Contributions	\$ 2,644,294	\$ 1,171,685	\$ 3,815,979
Donated goods and services	143,102	-	143,102
Tuition income (note 11)	1,517,761	-	1,517,761
Equipment rental income	54,541	-	54,541
Government loan forgiveness (note 12)	530,005	-	530,005
Other income	42,699	-	42,699
	4,932,402	1,171,685	6,104,087
SPECIAL EVENTS			
Special event revenue	259,871	-	259,871
Direct benefit to donor	-	-	-
	259,871	-	259,871
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions satisfied by payments	1,006,984	(1,006,984)	-
TOTAL REVENUE	6,199,257	164,701	6,363,958
OPERATING EXPENSES			
Program services	5,722,483	-	5,722,483
Management and general	603,126	-	603,126
Development	260,749	-	260,749
	6,586,358	-	6,586,358
OTHER			
Loss on disposal of property and equipment	17,900	-	17,900
CHANGE IN NET ASSETS	(405,001)	164,701	(240,300)
NET ASSETS, BEGINNING OF YEAR	4,727,395	434,626	5,162,021
NET ASSETS, END OF YEAR	\$ 4,322,394	\$ 599,327	\$ 4,921,721

See accompanying notes to the financial statements

WORKSHOPS FOR WARRIORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Supporting Services			Total supporting services	Total
	Program services	Management and general	Development		
Personnel and benefits	\$ 1,846,515	\$ 366,046	\$ 112,659	\$ 478,705	\$ 2,325,220
Facilities, equipment and maintenance	1,905,073	124,069	43,297	167,366	2,072,439
Equipment rentals	618,040	-	-	-	618,040
Office	163,616	20,978	8,425	29,403	193,019
Professional services	229,502	25,508	47,911	73,419	302,921
Insurance	110,309	5,931	2,372	8,303	118,612
Training and education	103,071	-	-	-	103,071
Tax, license and subscriptions	92,848	4,992	1,997	6,989	99,837
Scholarships	71,619	-	-	-	71,619
Outside services teachers and TAs	57,917	-	-	-	57,917
Supplies	124,423	2,572	15,159	17,731	142,154
Meetings and travel	29,763	1,979	5,506	7,485	37,248
Human resources	1,275	22,837	-	22,837	24,112
Marketing	19,487	7,060	23,423	30,483	49,970
Student recruitment	7,808	-	-	-	7,808
Interest	9,798	-	-	-	9,798
	5,391,064	581,972	260,749	842,721	6,233,785
Depreciation	331,419	21,154	-	21,154	352,573
Total expense included in the expense section of the statement of activities and change in net assets	\$ 5,722,483	\$ 603,126	\$ 260,749	\$ 863,875	\$ 6,586,358

See accompanying notes to the financial statements

WORKSHOPS FOR WARRIORS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

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CASH FLOWS USED BY OPERATING ACTIVITIES	
Change in net assets	\$ (240,300)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Depreciation	352,573
Amortization of debt issuance costs	3,674
Loss on disposal of property and equipment	17,900
Changes in operating assets and liabilities:	
Accounts receivable	(419,012)
Contributions and grants receivable	(239,733)
Other current assets	27,236
Due from related parties	(4,264)
Other assets	44
Accounts payable and accrued liabilities	(24,155)
Due to related party	(82,123)
Deferred revenue	(7,500)
	(615,660)
NET CASH USED BY OPERATING ACTIVITIES	
CASH FLOWS USED BY INVESTING ACTIVITIES	
Cash paid for purchases of property and equipment	(279,547)
CASH FLOWS USED BY FINANCING ACTIVITIES	
Payments on line of credit	(100)
Proceeds from related party note payable	618,040
Proceeds from note payable	154,983
Principal payments on note payable	(37,083)
	735,840
NET INCREASE IN CASH	(159,367)
CASH AT BEGINNING OF YEAR	964,063
CASH AT END OF YEAR	\$ 804,696
SUPPLEMENTAL DISCLOSURES:	
Interest paid	\$ 802
Noncash investing and financing transactions	
Equipment acquired through note payable	\$ 218,800

See accompanying notes to the financial statements

WORKSHOPS FOR WARRIORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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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.

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 without donor restrictions or with donor restrictions.

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 two commercial banks. At various times, cash balances may exceed federally insured deposit limits. The Organization's accounts exceeded this limit by approximately \$545,000 at December 31, 2020. 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. Subsequent to year end the Organization updated their cash accounts to being fully insured.

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, 2020.

WORKSHOPS FOR WARRIORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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 if material. All contributions receivable are considered collectible as of December 31, 2020.

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. 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. Estimated useful lives are listed below:

Computers and related equipment	5 years
Office furniture	5 years
Equipment	10 years
Building and building improvements	40 years

Impairment of long-lived assets - The Organization reviews its long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets held for sale are reported at the lower of the carrying amount or the fair value less costs to sell. Based on an evaluation of existing long-lived and intangible assets, the Organization determined that no impairments occurred for the year ended December 31, 2020.

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:

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NOTES TO THE FINANCIAL STATEMENTS
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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 revenues with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to without donor restrictions unless specifically restricted by the donor or subject to other legal restrictions.

Donor-imposed restrictions – All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions, increasing those net asset classes. The Organization reports all donor-restricted contributions as increases in net assets with restrictions. When a restriction expires, amounts are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

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.

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 without donor restrictions support. Donated goods of \$121,744 were recognized for the year ending December 31, 2020.

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 \$21,358 were required to be recognized for the year ended December 31, 2020. 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).

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NOTES TO THE FINANCIAL STATEMENTS
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The Organization follows Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as FASB Accounting Standards Codification (“ASC”) Topic 606 (“ASC 606”) *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. This ASC’s core principle requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the company expects to be entitled in exchange for those goods or services.

The Organization follows ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU includes clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions. The Organization does not make significant contributions and the impact of ASU 2018-08 related to contributions made is not material to the financial statements or disclosures.

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. There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. Personnel and professional services are allocated on the basis of estimated time spent. Facilities are allocated on the basis of square footage. Insurance, meetings and travel, office, marketing, supplies, tax, licenses, subscriptions, interest and depreciation are allocated on the basis of estimated usage.

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.

Recently issued accounting standards - In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires balance sheet presentation of lease assets and lease liabilities for those leases classified as operating leases. For nonpublic entities, the standard is effective retrospectively for fiscal years beginning after December 15, 2021, however, early application is permitted. Management will evaluate the application of these standards to determine future impact on the Organization’s financial statements.

WORKSHOPS FOR WARRIORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 3 CONTRIBUTIONS RECEIVABLE

Long-term contributions receivable are shown at present value using discount rates ranging from 0.13% to 0.65%. Contributions receivable consist of the following at December 31:

Gross contributions receivable	\$ 275,000
Gross grants receivable	748,333
	1,023,333
Less: discount to net present value	(5,690)
Net contributions and grants receivable	\$ 1,017,643
Amounts due in:	
One year or less	\$ 628,333
Between one and five years	320,000
More than five years	75,000
	\$ 1,023,333

NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

Building and structures	\$ 1,248,983
Leasehold improvements	1,233,153
Shop equipment	1,163,565
Computers and software	575,754
Furniture and office equipment	147,331
Tooling and fixtures	105,693
Kitchen equipment	22,649
Vehicles	22,500
	4,519,628
Accumulated depreciation	(1,730,297)
	2,789,331
Construction in progress	770,194
	\$ 3,559,525

For the year ended December 31, 2020, the depreciation expense was \$352,573.

At December 31, 2020, a majority of the construction in progress relates to the Organization's expansion plan project. The project is estimated to cost \$148,000,000 and is expected to start in December 2022. The expansion project is set to build a manufacturing training facility.

WORKSHOPS FOR WARRIORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 RELATED PARTY TRANSACTIONS

The Organization has board approved arm's length, market valued related party transactions with the CEO and two LLC entities, Zorgon, LLC and VetPowered, LLC, owned by the CEO.

The Organization shares certain operational expenses, which include equipment and various shared services. 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 net amount paid by the Organization to VetPowered, LLC was \$1,415,217 for the year ended December 31, 2020.

The board engaged and utilized a qualified appraiser to research and report fair value lease rates for the facilities used in current and prior years. The final negotiated and approved lease agreements were set at the mid-point range. The Organization has the option to purchase the properties with written notice not less than six months prior to the end of the 120 month lease term. The option purchase price shall be the average of three independent certified appraisals or broker's opinion of value and shall not be less than the original purchase price of the property plus associated expenses.

The Organization has a number of triple net leases with Zorgon, LLC for approximately 49,000 sq. ft. of buildings and land and paid rents and property taxes totaling \$760,897 for the year ended December 31, 2020.

At December 31, 2020 the following balances were outstanding in regards to the related parties:

Due to VetPowered, LLC	\$ 39,035
Due to Zorgon, LLC	\$ -
Rental security deposit held by Zorgon, LLC	\$ 100,000

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

The Organization has a note payable agreement with VetPowered, LLC. See note 8 for further information.

NOTE 6 LINE OF CREDIT

The Organization has a line of credit with Endeavor bank for \$500,000. The line had an outstanding balance of \$500 at December 31, 2020. The line of credit matures August 21, 2021 and is secured by all inventory, chattel paper, accounts, equipment and general intangibles. The line of credit bears variable interest at the Endeavor Bank Base Reference Rate with a minimum of 4.25%. The interest rate at December 31, 2020 was 4.25%.

WORKSHOPS FOR WARRIORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7 NOTES PAYABLE

The Organization has a note payable with a national bank to finance the acquisition of equipment. The outstanding balance on the note was \$28,916 at December 31, 2020. 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.

The Organization has a note payable with a national bank to finance the acquisition of equipment. The outstanding balance on the note was \$213,263 at December 31, 2020. The note has an interest rate of 3.15%. The note requires monthly payments of \$3,339 and matures October 2026.

The Organization has a SBA Economic Injury Disaster Loan. The outstanding balance on the note was \$154,983 at December 31, 2020. The note has an interest rate of 2.75%. The note requires payments of \$641 starting July 2022 and matures June 2051.

Note payable consists of the following at December 31, 2020:

	Principal	Unamortized Debt Issuance Cost	Net Balance
Notes payable	\$ 397,162	\$ (4,677)	\$ 392,485

Interest expense included \$3,674 of amortization relating to debt issuance cost for the year ended December 31, 2020.

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

	2021	\$	64,428
	2022		38,337
	2023		39,549
	2024		40,798
	2025		42,087
	Thereafter		171,963
		\$	397,162

WORKSHOPS FOR WARRIORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 RELATED PARTY NOTE PAYABLE

The Organization has a note payable with VetPowered, LLC. The outstanding balance on the note was \$618,040 at December 31, 2020. The note has an interest rate of 1.10% per annum. The note required monthly payments of \$10,591 and matured January 1, 2026. This loan was paid off in March 2021.

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

	2021	\$	618,040
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NOTE 9 NET ASSETS

Net assets consist of the following at December 31, 2020:

Without donor restrictions	\$	4,322,394
With donor restrictions		
Advanced manufacturing for veterans		375,000
Robotics instructor and equipment		85,194
Machining program scholarships		40,000
CNC Machining II		37,633
Machining operating expenses		35,000
Meals for students		19,746
New building construction		5,000
Capital campaign		1,504
AWS student memberships		250
		599,327
Total net assets	\$	4,921,721

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Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by donors during the year ended December 31, 2020 are as follows:

Capital expenditures	\$	57,895
Purpose restriction accomplished:		
Advanced manufacturing for veterans		375,000
Property acquisition		112,203
Advanced manufacturing staff and students		93,017
Classroom equipment costs		90,000
Classroom expansion and training costs		49,120
Accreditation expenses and lab consumables		46,659
Welding classroom equipment		25,254
Women in manufacturing		24,477
Machining program scholarships		22,205
Machining personnel and scholarships		20,000
Machining for Warriors program operating expenses		20,000
CNC Machining II		12,367
Rent/mortgage		10,000
Student scholarships		10,000
Capital campaign		9,131
Robotics instructor and equipment		7,376
Kitchen equipment		6,767
Salary for administrative director of education programs		6,000
Meals for students		4,849
Machining classroom		3,414
Fitness equipment		1,000
AWS student memberships		250
		949,089
	\$	1,006,984

WORKSHOPS FOR WARRIORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10 LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end:	
Cash and cash equivalents	\$ 804,696
Accounts receivable	522,200
Contributions receivable	269,310
Due from related parties	5,167
	<u>\$ 1,601,373</u>
Less:	
Donor imposed restrictions making financial assets unavailable for general expenditure	<u>599,327</u>
Financial assets available to meet general expenditure within one year	<u>\$ 1,002,046</u>

The Organization is partially supported by restricted contributions. Due to donor restrictions requiring 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, the Organization sets aside cash in excess of daily requirements in its savings account. In the event of an unanticipated liquidity need, the Organization also could draw upon the funds set aside in the Organization's savings account or its line of credit.

NOTE 11 TUITION INCOME

Tuition income consists of the following:

Tuition and fees	\$ 2,978,691
Less: tuition discounts and financial aid	<u>(1,460,930)</u>
Net tuition and fees	<u>\$ 1,517,761</u>

NOTE 12 GOVERNMENT LOAN FORGIVENESS

On April 20, 2020, the Organization entered into a note payable agreement with Endeavor Bank for \$520,005, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note matures two years from the disbursement date and bears interest at a rate of 1.00% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing six months after the disbursement date and may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans

WORKSHOPS FOR WARRIORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

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granted under the PPP. The note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (qualifying expenses), pursuant to the terms and limitations of the PPP. The Organization received notice in November 2020 that \$510,005 net of the \$10,000 Economic Injury Disaster Loan (“EIDL”) Advance. On December 27, 2020 the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act removed the EIDL Advance deduction and in February 2021 a reconciliation payment was made to Endeavor Bank by the SBA for the additional \$10,000. The Organization has recognized the full amount of \$530,005 for both the PPP and the EIDL Advance as other income in the statement of activities and change in net assets for the year ended December 31, 2020.

NOTE 13 RETIREMENT BENEFIT PLAN

The Organization sponsors a 401(k) profit sharing plan for all eligible employees which allow employees to contribute 100% of their annual salary to a maximum of \$19,000 to the plan for 2020. 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, 2020 was \$15,725.

NOTE 14 COMMITMENTS

The Organization has four operating fair value lease agreements with a related party (see note 5) for office, parking lot, warehouse space, and residential space under triple net leases. The leases expire December 31, 2028. Rent is 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:

2021	\$	724,827
2022		746,572
2023		768,969
2024		792,038
2025		815,799
Thereafter		<u>2,597,201</u>
	\$	<u>6,445,406</u>

Rent expense for the year ended December 31, 2020 was approximately \$622,000.

NOTE 15 SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2021, the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements, except noted below.

In January 2021, the Organization entered into a second note payable agreement for \$437,173, pursuant to the PPP second draw. The Organization used the proceeds for purposes consistent with the PPP and the loan was forgiven on August 12, 2021.

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DECEMBER 31, 2020

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In February 2021, the Organization entered into a note payable agreement with VetPowered, LLC in the amount of \$408,547 with an interest rate of 1.10%. The loan requires monthly payments of \$7,001 with a maturity date of January 1, 2026. This loan was paid off in March 2021.

In February 2021, the Organization entered into a vehicle rental agreement with VetPowered, LLC. The agreement commences on January 1, 2021 and ends January 1, 2026 with monthly installment payments of \$2,519.

In March 2021, the Organization entered into an equipment rental agreement with VetPowered, LLC. The agreement commences on February 1, 2021 and terminates on February 1, 2026 but may be terminated early if notice is received 90 days prior. The agreement has monthly rent payments of \$11,901, unless modified due to itemized changes to the equipment rental list. The agreement has a purchase option that the equipment can be purchased for fair market value at the end or during the term of agreement.

The Organization continues to monitor the effects of the COVID-19 pandemic and the effects on their financial statements and, as needed, adjusts its operations based on the health orders issued by governmental authorities. The future financial impact of the pandemic cannot be reasonably estimated at this time.

WORKSHOPS FOR WARRIORS, INC.
SUPPLEMENTARY INFORMATION – COMPOSITE SCORE
DECEMBER 31, 2020

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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	0.36
Equity Ratio	0.81
Net Income Ratio	(0.07)

Ratio Strength Factors

Primary Reserve Strength Factor Score (10 x Primary Reserve Ratio)	3.6
Equity Strength Factor Score (6 x Equity Ratio)	4.8
Net Income Ratio Strength Factor Score (1 + (50 x Net Income Ratio))	-

Weighted Score

Primary Reserve Weighted Score (40% x Primary Reserve Strength Factor Score)	1.4
Equity Weighted Score (40% x Equity Strength Factor Score)	1.9
Net Income Weighted Score (20% x Net Income Strength Factor Score)	-
Composite Score is the sum of the weighted scores	3.4



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, 2020, 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 August 31, 2021.

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.

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. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

A handwritten signature in cursive script that reads "Considine & Considine". The signature is written in black ink and is positioned above the printed name of the firm.

CONSIDINE & CONSIDINE
An Accountancy Corporation

August 31, 2021

**WORKSHOPS FOR WARRIORS, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- | | | |
|---|------------------------------|--|
| • Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| • Significant deficiencies identified that are
Not considered to be material weaknesses? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| • Non-compliance material to financial
statements noted | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

B. Financial Statement Findings

None

**WORKSHOPS FOR WARRIORS, INC.
PRIOR YEAR SCHEDULE OF FINDINGS
DECEMBER 31, 2020**

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No findings were noted during the prior year audit.