

Reports of Independent Auditors and
Financial Statements

Workshops for Warriors, Inc.

December 31, 2024 and 2023



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Report of Independent Auditors

The Board of Directors
Workshops for Warriors, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Workshops for Warriors, Inc., which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Workshops for Warriors, Inc. as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Workshops for Warriors, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Workshops for Warriors, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Workshops for Warriors, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Workshops for Warriors, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Baker Tilly US, LLP

San Diego, California

January 21, 2026

Financial Statements

Workshops for Warriors, Inc.
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,483,651	\$ 7,631,190
Accounts receivable	214,123	19,026
Grants and contributions receivable, net	70,786	135,000
Prepays	304,523	161,333
Total current assets	14,073,083	7,946,549
GRANTS AND CONTRIBUTIONS RECEIVABLE, net	216,233	71,233
PROPERTY AND EQUIPMENT, net	9,941,853	6,693,544
SECURITY DEPOSITS	196,860	163,000
RIGHT-OF-USE ASSETS – OPERATING LEASES	6,857,962	6,969,370
RIGHT-OF-USE ASSETS – FINANCE LEASES	535,095	757,018
Total assets	\$ 31,821,086	\$ 22,600,714
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 977,153	\$ 815,551
Operating leases, current portion	955,580	955,580
Finance leases, current portion	215,646	215,646
Notes payable, current portion	14,573,922	88,797
Total current liabilities	16,722,301	2,075,574
OPERATING LEASES, net of current portion	6,095,417	6,135,366
FINANCE LEASES, net of current portion	328,089	543,617
NOTES PAYABLE, net of current portion	1,844,900	1,937,040
Total liabilities	24,990,707	10,691,597
NET ASSETS		
Net assets without donor restrictions	(294,994)	5,933,466
Net assets with donor restrictions	7,125,373	5,975,651
Total net assets	6,830,379	11,909,117
Total liabilities and net assets	\$ 31,821,086	\$ 22,600,714

See accompanying notes.

Workshops for Warriors, Inc.
Statements of Activities and Changes in Net Assets
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, SUPPORT, AND OTHER INCOME			
Grants and contributions	\$ 1,349,290	\$ 1,711,722	\$ 3,061,012
Tuition income	3,483,680	-	3,483,680
Event revenue	428,038	-	428,038
Donated goods and services	294,196	-	294,196
Rental income	29,839	-	29,839
	<u>5,585,043</u>	<u>1,711,722</u>	<u>7,296,765</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>562,000</u>	<u>(562,000)</u>	<u>-</u>
Total operating revenues, support, and other income	6,147,043	1,149,722	7,296,765
OPERATING EXPENSES			
Program services	10,584,758	-	10,584,758
Management and general	1,789,224	-	1,789,224
Development	611,354	-	611,354
	<u>12,985,336</u>	<u>-</u>	<u>12,985,336</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(6,838,293)</u>	<u>1,149,722</u>	<u>(5,688,571)</u>
NON-OPERATING			
Capital contributions	20,000	-	20,000
Interest income	557,170.00	-	557,170
Other income	32,663.00	-	32,663
	<u>609,833</u>	<u>-</u>	<u>609,833</u>
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>609,833</u>	<u>-</u>	<u>609,833</u>
CHANGE IN NET ASSETS	<u>(6,228,460)</u>	<u>1,149,722</u>	<u>(5,078,738)</u>
NET ASSETS, beginning of year	<u>5,933,466</u>	<u>5,975,651</u>	<u>11,909,117</u>
NET ASSETS, end of year	<u>\$ (294,994)</u>	<u>\$ 7,125,373</u>	<u>\$ 6,830,379</u>

See accompanying notes.

Workshops for Warriors, Inc.
Statements of Activities and Changes in Net Assets
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES, SUPPORT, AND OTHER INCOME			
Grants and contributions	\$ 1,447,482	\$ 819,500	\$ 2,266,982
Tuition income	772,611	-	772,611
Event revenue	341,802	-	341,802
Donated goods and services	655,074	-	655,074
Rental income	20,472	-	20,472
	<u>3,237,441</u>	<u>819,500</u>	<u>4,056,941</u>
NET ASSETS RELEASED FROM RESTRICTION	<u>591,575</u>	<u>(591,575)</u>	<u>-</u>
Total revenues	3,829,016	227,925	4,056,941
OPERATING EXPENSES			
Program services	8,429,703	-	8,429,703
Management and general	749,264	-	749,264
Development	494,851	-	494,851
	<u>9,673,818</u>	<u>-</u>	<u>9,673,818</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(5,844,802)</u>	<u>227,925</u>	<u>(5,616,877)</u>
NON-OPERATING			
Capital contributions	-	1,272,000	1,272,000
Capital contributions – releases from restriction	630,000	(630,000)	-
Interest income	355,363	-	355,363
Other income	13,673	-	13,673
	<u>999,036</u>	<u>642,000</u>	<u>1,641,036</u>
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>999,036</u>	<u>642,000</u>	<u>1,641,036</u>
CHANGE IN NET ASSETS	<u>(4,845,766)</u>	<u>869,925</u>	<u>(3,975,841)</u>
NET ASSETS, beginning of year	<u>10,779,232</u>	<u>5,105,726</u>	<u>15,884,958</u>
NET ASSETS, end of year	<u>\$ 5,933,466</u>	<u>\$ 5,975,651</u>	<u>\$ 11,909,117</u>

See accompanying notes.

Workshops for Warriors, Inc.
Statements of Functional Expenses
Year Ended December 31, 2024

	2024					
	Program Services	Supporting Services			Total Supporting Services	Total
		Management and General	Development			
Salaries and wages	\$ 3,086,325	\$ 1,116,846	\$ 275,555	\$ 1,392,401	\$ 4,478,726	
Lease expense	1,066,136	173,557	-	173,557	1,239,693	
Instructor training	1,075,370	-	-	-	1,075,370	
Repairs and maintenance	709,166	37,325		37,325	746,491	
Employee taxes and benefits	530,872	128,255	46,724	174,979	705,851	
Student stipends, housing, and meals	618,207	-	-	-	618,207	
Depreciation	504,271	32,534	5,422	37,956	542,227	
Classroom and lab maintenance	462,418	-	-	-	462,418	
Interest expense	366,563	68,731	22,910	91,641	458,204	
Recruitment	390,347	-	-	-	390,347	
Office expenses	308,382	31,291	15,098	46,389	354,771	
In-kind expenses	294,196	-	-	-	294,196	
Amortization	148,689	57,700	15,535	73,235	221,924	
Professional fees	186,617	13,405	8,854	22,259	208,876	
Utilities	141,289	35,322	-	35,322	176,611	
Marketing	121,452	24,642	29,923	54,565	176,017	
Taxes, licenses, and fees	161,713	8,870	1,710	10,580	172,293	
Event expenses	-	-	165,840	165,840	165,840	
Equipment and vehicle expenses	112,542	18,164	6,872	25,036	137,578	
Human resources	105,733	12,759	4,092	16,851	122,584	
Dues and membership	55,919	6,990	6,990	13,980	69,899	
Insurance	60,069	5,262	2,315	7,577	67,646	
Uniforms	38,435	-	-	-	38,435	
Accreditation expenses	37,704	-	-	-	37,704	
Meals and entertainment	2,343	17,571	3,514	21,085	23,428	
	<u>\$ 10,584,758</u>	<u>\$ 1,789,224</u>	<u>\$ 611,354</u>	<u>\$ 2,400,578</u>	<u>\$ 12,985,336</u>	

See accompanying notes.

Workshops for Warriors, Inc.
Statements of Functional Expenses
Year Ended December 31, 2023

	Supporting Services				Total
	Program Services	Management and General	Development	Total Supporting Services	
Salaries and wages	\$ 2,621,623	\$ 314,445	\$ 199,912	\$ 514,357	\$ 3,135,980
Instructor training	1,135,244	-	-	-	1,135,244
Lease expense	687,525	111,922	-	111,922	799,447
Repairs and maintenance	622,652	32,771	-	32,771	655,423
Depreciation	455,665	50,629	-	50,629	506,294
Classroom and lab maintenance	371,386	-	-	-	371,386
Student stipends, housing, and meals	355,794	-	-	-	355,794
Employee benefits and taxes	288,974	30,995	23,694	54,689	343,663
Office expenses	263,759	29,989	16,307	46,296	310,055
Recruitment	270,080	-	-	-	270,080
Amortization	194,147	21,572	-	21,572	215,719
Professional fees	155,217	17,328	21,710	39,038	194,255
In-kind expenses	186,091	-	-	-	186,091
Insurance	147,794	23,504	14,628	38,132	185,926
Event expenses	-	-	181,321	181,321	181,321
Human resources	134,186	21,338	5,329	26,667	160,853
Utilities	114,307	28,576	-	28,576	142,883
Equipment and vehicle expenses	88,819	25,518	5,498	31,016	119,835
Marketing	69,170	14,034	17,042	31,076	100,246
Taxes, licenses, and fees	78,717	5,214	799	6,013	84,730
Interest expense	79,269	-	-	-	79,269
Dues and membership	43,247	5,406	5,406	10,812	54,059
Accreditation expenses	39,721	-	-	-	39,721
Uniforms	24,180	-	-	-	24,180
Meals and entertainment	2,136	16,023	3,205	19,228	21,364
	<u>\$ 8,429,703</u>	<u>\$ 749,264</u>	<u>\$ 494,851</u>	<u>\$ 1,244,115</u>	<u>\$ 9,673,818</u>

See accompanying notes.

Workshops for Warriors, Inc.
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,078,738)	\$ (3,975,841)
Adjustments to reconcile change in net assets to cash from operating activities		
Amortization	221,924	254,348
Non-cash lease costs	1,074,637	843,741
Imputed interest	(828,000)	-
Accretion of imputed interest	310,500	-
Depreciation	542,227	506,294
Loss on disposal of an asset	-	1,350
(Increase) decrease in assets		
Accounts receivable	(195,097)	24,404
Grants and contracts receivable, net	(80,786)	391,300
Prepays	(143,190)	(14,371)
Due from related party	-	8,814
Security deposits	(33,860)	(60,000)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	161,602	381,219
Change in lease liability	(1,218,707)	(1,039,138)
Net cash from operating activities	(5,267,488)	(2,677,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	1,300
Purchase of property and equipment	(3,790,536)	(2,151,224)
Net cash flows from investing activities	(3,790,536)	(2,149,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	15,000,000	-
Repayments of notes payable	(89,515)	(86,944)
Net cash from financing activities	14,910,485	(86,944)
NET CHANGE IN CASH	5,852,461	(4,914,748)
CASH BALANCE, beginning of year	7,631,190	12,545,938
CASH BALANCE, end of year	\$ 13,483,651	\$ 7,631,190
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 147,704	\$ 79,269
Leases acquired in exchange for liabilities	\$ 963,230	\$ 3,240,018
Costs of construction in progress within accounts payable	\$ 188,655	\$ -

See accompanying notes.

Workshops for Warriors, Inc.

Notes to Financial Statements

Note 1 – The School

Workshops for Warriors, Inc. (the School), is a California nonprofit organization that was incorporated in 2008. Located in San Diego, California, the School'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 School's support comes primarily from contributions, including donated goods.

To achieve its mission, the School'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 – Net assets are classified as net assets without donor restrictions and net assets with donor restrictions based upon the following criteria:

- Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions.
- Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions which are contingent upon a specific performance of a future event or a specific passage of time before the School may spend the funds. Net assets with donor restrictions may also be subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity, primarily for generating investment income, net of investment expenses to fund current operations. There were no net assets restricted in perpetuity as of December 31, 2024 and 2023.

Workshops for Warriors, Inc. Notes to Financial Statements

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

The School maintains its cash accounts in three commercial banks. The School has an insurance policy which covers the entire balance of its cash deposits 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 credit losses as determined by management based on historical experience. All accounts receivable are considered collectible as of December 31, 2024 and 2023. Interest is not charged on outstanding balances and the School does not obtain collateral.

Grants and contributions receivable – Contributions receivable consist of donor promises to give. It is the School'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 grants and contributions receivable are considered collectible as of December 31, 2024.

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 expense as incurred; major renewals and betterments are capitalized. It is the School'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 School 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. Based on an evaluation of existing long-lived and intangible assets, the School determined that no impairments occurred for the years ended December 31, 2024 and 2023.

Debt issuance costs – The School follows guidance issued by the Financial Accounting Standards Board (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 and amortizes the cost over the life of the debt.

Workshops for Warriors, Inc.

Notes to Financial Statements

Leases – The School evaluates whether its contractual arrangements contain leases at the inception of such arrangements. Specifically, the School considers whether it can control the underlying asset and have the right to obtain substantially all of the economic benefits or outputs from the asset. The School has elected not to recognize a right-of-use (ROU) asset and lease liability for leases with terms of 12 months or less. The ROU lease asset represents the right to use an underlying asset for the lease term, and lease liability represents the obligation to make lease payments. All leases are assessed for classification as either operating or financing leases, based on the terms and conditions of the arrangement.

Both the ROU lease asset and liability are recognized as of the lease commencement date or adoption of the standard, whichever is later, at the present value of the lease payments over the lease term. Most of the School's leases do not provide an implicit rate that can readily be determined. Therefore, the School uses the risk-free rate as per the practical expedient.

The School may enter into lease agreements that include options to extend the lease term or terminate it early. Impacts related to options to extend or terminate leases are included in the ROU lease asset and liability only when it is reasonably certain these options will be exercised. Lease expense is recognized on a straight-line basis over the lease term and is included in operating expenses on the accompanying statements of activities and changes in net assets. The leases do not contain non-lease components or variable leases.

Revenue recognition

Contributions – Contributions, including cash, other assets, and unconditional promises to give, are recognized as revenues in the period received. Contributions whose restrictions are met in the same period they are received are recorded as revenue in net assets with donor restrictions and as net assets released from restrictions. Unconditional pledges with terms greater than one year are initially recorded at fair value based on their estimated future cash flows. Pledges are discounted to present value using a discount rate commensurate with the risk involved. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Gifts of assets other than cash are recorded at their estimated fair value.

Grants – Individual governmental and private grant arrangements are evaluated and determined whether they are nonreciprocal, meaning the granting entity has not received a direct benefit of commensurate value in exchange for the resources provided. When determined to be nonreciprocal, revenue is recognized like a conditional contribution, when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. For the individual governmental and private grant arrangements that are reciprocal, revenue is recognized as services are provided, which is generally as allowable expenditures are incurred. Certain grant contracts require compliance with federal or grantor compliance requirements in order to continually receive funding for the duration of the contract. Certain grant contracts also allow the grantor to perform site visits, audits, and other monitoring visits, which may result in disallowed costs or disciplinary actions if disallowed costs are identified, or compliance requirements are not followed. As of and for the years ended December 31, 2024 and 2023, there have not been any disciplinary action nor disallowed costs.

Workshops for Warriors, Inc.

Notes to Financial Statements

Tuition – The School uses the output measure for revenue recognition of tuition revenue, which means the revenue is recognized pro rata over each instructional course as performance obligations associated with the delivery of educational services are provided. A contract is entered into with a student and covers a course. The School determined there are no costs that are capitalized to obtain or fulfill these contracts with a student. Revenue recognition begins once a student starts attending a course. Fees that do not relate to instruction are recognized when no longer refundable. Students are able to obtain a full refund if they withdraw by the first day of class or seven days after enrollment, whichever is later. After that, students are eligible to obtain a pro rata refund if withdrawn prior to completing 60% of the course as measured by time completed.

Donated goods – The School records donated goods with a fair value of \$300 or more. If donated goods are unable to be used by the School, they are monetized using a third-party auction house. If a donor stipulates the length of an asset's use, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of donated goods are recorded as without donor restrictions support. Donated goods are recorded at fair value on the date of donation.

Donated goods of approximately \$294,000 and \$655,000 were recognized for the years ended December 31, 2024 and 2023, respectively, including welding and metalworking supplies and consumables, none of which contained donor restrictions. Donated goods received during the years ended December 31, 2024 and 2023, were utilized in the School's academic programs. All fair values were estimated through research of identical or similar products for sale in local markets.

Donated services – The School 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 nonfinancial assets or require specialized skills. Volunteers have contributed significant amounts of their time to activities of the School; however, only the services that meet the above requirements are recorded in the financial statements. The School did not have any donated services for the years ended December 31, 2024 and 2023.

Functional allocation of expenses – The School 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. All other expenses are allocated on the basis of estimated usage.

Advertising – Advertising expenses are charged to expense as incurred.

Operating activities – Operating revenue and expenses consist of those items attributed to the School's academic programs and student services.

Concentrations of credit risk – Grants and contributions receivable are exposed to various credit risks such as creditworthiness of the donor. As of December 31, 2024 and 2023, approximately 100% and 100%, respectively, of grants and contributions receivable are due from two donors, respectively.

For the years ended December 31, 2024 and 2023, contributions from two and three donors represented 100% and 64%, respectively, of the School's grants and contributions.

Workshops for Warriors, Inc. Notes to Financial Statements

Income taxes – As a nonprofit organization, the School has obtained exempt status under Section 501(c)(3) of the Internal Revenue Code (the 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 School has not accrued interest or penalties related to uncertain tax positions. The School files tax returns in the U.S. federal jurisdiction and the State of California.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The School recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including any estimates inherent in the process of preparing the financial statements. The School's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the financial position but arose after the financial position date and before the financial statements are available to be issued.

The School has evaluated subsequent events through January 21, 2026, which is the date the financial statements are available to be issued.

Note 3 – Contributions Receivable

Long-term contributions receivable are shown at present value using discount rates ranging from 3.84% to 4.23%. Contributions receivable consisted of the following at December 31:

	2024	2023
Gross contributions receivable	\$ 300,786	\$ 95,000
Gross grants receivable	-	125,000
	300,786	220,000
Less discount to net present value	(13,767)	(13,767)
	\$ 287,019	\$ 206,233
Amounts due in		
One year or less	\$ 70,000	\$ 135,000
Between one and five years	230,000	55,000
More than five years	-	30,000
	\$ 300,000	\$ 220,000

Workshops for Warriors, Inc. Notes to Financial Statements

Note 4 – Property and Equipment

As of December 31, 2024 and 2023, property and equipment consisted of:

	2024	2023
Building and structures	\$ 1,545,326	\$ 1,545,326
Leasehold improvements	1,264,412	1,264,412
Machinery and equipment	3,781,681	3,621,280
Computers and software	962,119	955,115
Furniture and office equipment	212,215	212,215
Tooling and fixtures	256,402	256,402
Kitchen equipment	22,649	22,649
Construction in progress	5,405,026	1,781,895
	13,449,830	9,659,294
Less accumulated depreciation	(3,507,977)	(2,965,750)
	\$ 9,941,853	\$ 6,693,544

At December 31, 2024, a majority of the construction in progress is related to the School's expansion plan projects. The expansion projects are building a purpose-built manufacturing training facility and performing tenant improvements on a welding training facility. Tenant improvements on the welding facility will be paused until additional funding is established. Construction on the manufacturing facility was completed in fall of 2025. As of December 31, 2024, the remaining commitment on the construction agreement for 3030 Main Street was \$13,183,246.

Note 5 – Related-Party Transactions

The School has Board-approved related-party transactions with the CEO and two limited liability company (LLC) entities, Zorgon, LLC and VetPowered, LLC, owned by the CEO, that benefit the School. All related-party transactions are approved by the Board of Directors (the Board). Any Board of Director member who has a potential conflict of interest recuses themselves from voting. A third party handles the bid process for contract agreements and leases with related parties. Three bids are required for capital assets or services in excess of \$50,000. The third party provides recommendations to the CEO and Board. Board approval is not required if capital purchases are made to meet specific expenditure restrictions from a grant or donor who is funding the asset purchases.

VetPowered, LLC provides project management, facilities management, machinery repair and maintenance, facilities repairs and maintenance, and training services to the School as per Board-approved contracts between the two entities. Some expenses are paid by the School and billed to VetPowered, LLC for reimbursement. The net amount paid by the School to VetPowered, LLC was approximately \$2,399,000 and \$2,169,000 for the years ended December 31, 2024 and 2023, respectively. The School had accounts payable to VetPowered, LLC of approximately \$153,000 and \$145,000 for the years ended December 31, 2024 and 2023, respectively.

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In addition, the School rents equipment and vehicles from VetPowered, LLC at or below market value. The net amount paid by the School to VetPowered, LLC for rents was approximately \$230,000 and \$246,000 for the years ended December 31, 2024 and 2023, respectively.

In 2023, 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 School 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 School has a number of triple net leases at fair value with Zorgon, LLC for approximately 49,000 sq. ft. of buildings and land, paid rents, and property taxes totaling approximately \$1,390,000 and \$905,000 for the years ended December 31, 2024 and 2023, respectively. The School and Zorgon, LLC had reimbursed expenses between each other that netted to approximately \$0 and \$415,000 net paid to Zorgon, LLC for the years ended December 31, 2024 and 2023, respectively.

Outstanding balances in regard to the related parties consisted of rental security deposits of \$196,860 and \$163,000 were held by Zorgon, LLC as of December 31, 2024 and 2023, respectively.

See Note 7 for disclosure of a loan made with Zorgon, LLC subsequent to year end.

Note 6 – Operating and Finance Leases

The School has ten triple net lease agreements at fair value for office space, parking lot, warehouse space, and residential space. Monthly payments range from \$3,241 to \$24,810 and are subject to periodic adjustment. Six of the leases expire in December of 2028, and the other three expire in December of 2033. These leases contain an option to purchase the property at the fair value as determined at the conclusion of the leases as well as options to extend which are not included in the right-of-use assets and lease liabilities. These lease agreements are classified as operating leases.

The School has 13 vehicle leases at or below market value with monthly payments ranging from \$1,038 to \$2,418 that expire between August of 2026 and July of 2028. These lease agreements are classified as finance leases.

The School has one lease for a copy machine with monthly payments of \$237 that expires in February 2027. This lease agreement is classified as a finance lease.

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During the years ended December 31, 2024 and 2023, the School recognized lease expense in relation to the leases described above as follows:

	<u>2024</u>	<u>2023</u>
Lease cost		
Finance lease cost		
Amortization of right-of-use assets	\$ 221,924	\$ 211,144
Interest on lease liabilities	21,171	21,744
Operating lease cost	<u>1,239,693</u>	<u>863,806</u>
Total lease cost	<u><u>\$ 1,482,788</u></u>	<u><u>\$ 1,096,694</u></u>

The School has elected to exercise the practical expedient permitting the use of the risk-free rate as the discount rate for its leases. The weighted-average remaining lease terms and weighted-average discount rates for operating and finance leases are as follows at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
	<u>Operating</u>	<u>Operating</u>
Weighted-average remaining lease term	5.49 years	7.73 years
Weighted-average discount rate	2.67%	2.98%

Future payments due under operating and finance leases as of December 31, 2024, are as follows:

	<u>Operating</u>	<u>Finance</u>
2025	\$ 1,268,761	\$ 233,278
2026	1,293,235	218,459
2027	1,369,042	98,218
2028	1,397,961	13,373
2029	506,520	-
Thereafter	<u>2,153,977</u>	<u>-</u>
Total minimum lease payments	7,989,496	563,328
Less effects of discounting	<u>(938,499)</u>	<u>(19,593)</u>
Total lease liabilities	7,050,997	543,735
Less current liabilities under leases	<u>(955,580)</u>	<u>(215,646)</u>
Long-term lease liabilities	<u><u>\$ 6,095,417</u></u>	<u><u>\$ 328,089</u></u>

Workshops for Warriors, Inc. Notes to Financial Statements

Note 7 – Notes Payable

The School has a note payable with a national bank to finance the acquisition of equipment. The outstanding balance on the note was \$71,293 and \$108,476 at December 31, 2024 and 2023, respectively. The note has an interest rate of 3.15%. The note requires monthly payments of \$3,339 and matures October 2026. The note is secured by the equipment purchased using the note payable.

The School has a Small Business Administration Economic Injury Disaster Loan. The outstanding balance on the note was \$1,865,029 and \$1,917,361 at December 31, 2024 and 2023, respectively. The note has an interest rate of 2.75%. The note requires payments of \$8,641 starting January 2023 and matures January 2052. The note is secured by real estate owned.

The School received a program related investment (PRI) from the A. James and Alice B. Clark Foundation (Clark Foundation) in the form of a note payable. The outstanding balance on the note was \$15,000,000 and \$0 at December 31, 2024 and 2023, respectively. The note has an interest rate of 1.00%. The note required interest-only payments of \$75,000 per quarter starting September 30, 2024 and matured September 2025. The note is not secured, there are no personal or corporate guarantees, the Clark Foundation has no successor, and cannot be assigned by either party to the agreement. As of December 31, 2025, the Clark Foundation ceased operations and closed in accordance with their 10-year planned life from 2016–2025.

The future principal payments required under notes payable are as follows:

Years Ending December 31,	
2025	\$ 15,091,422
2026	87,447
2027	56,045
2028	57,606
2029	59,210
Thereafter	<u>1,584,592</u>
Less: Imputed Interest	<u>(517,500)</u>
Total	<u><u>\$ 16,418,822</u></u>

On December 31, 2025, the School entered into a note payable with Zorgon, LLC, a related party, for the purpose of providing additional cash flow for operating activities, as needed. The total proceeds from the note are \$6,000,000, with an interest rate of 15%, which is a direct pass-through of Zorgon LLC's actual cost, and payments of \$79,007 for principal and interest due monthly through December 31, 2045. The note is secured by certain fixed assets owned by the School.

Workshops for Warriors, Inc.
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Note 8 – Net Assets

Net assets consisted of the following at December 31:

	2024	2023
Net assets without donor restriction		
Board-designated net assets for real estate development	\$ -	\$ 2,000,000
Net assets without Board designations	(294,994)	3,933,466
Total net assets without donor restrictions	(294,994)	5,933,466
Net assets with donor restrictions		
Real estate development	5,825,651	5,805,651
Time restriction – imputed interest	517,500	
Time restriction – other	300,786	-
Purchase of equipment	281,436	-
Train the Trainer grant	200,000	100,000
Advanced manufacturing for veterans	-	40,000
Scholarships	-	30,000
Total net assets with donor restrictions	7,125,373	5,975,651
Total net assets	\$ 6,830,379	\$ 11,909,117

The School completed construction of a building on August 15, 2025; accordingly, the net assets restricted for real estate development will be released during the year ending December 31, 2025.

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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 years ended December 31, 2024 and 2023, are as follows:

	2024	2023
Capital expenditure restrictions satisfied		
Purchase of manufacturing equipment	\$ -	\$ 630,000
Total capital expenditures restrictions satisfied	-	630,000
Purpose restriction accomplished		
Train the Trainer grant	100,000	100,000
Time restriction elapsed – imputed interest	310,500	
Time restriction elapsed – other	70,000	-
Student computers – machining	40,000	274,500
Scholarships	30,000	75,000
Community programs	11,500	-
Advanced manufacturing for veterans	-	70,000
Scholarships and outreach to improve diversity and inclusion	-	41,300
Scholarship and student team competition	-	30,000
Meals for students	-	775
Total purpose restriction accomplished	562,000	591,575
	\$ 562,000	\$ 1,221,575

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Notes to Financial Statements

Note 9 – Liquidity and Availability of Resources

The following reflects the School'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.

	2024	2023
Financial assets at year end		
Cash and cash equivalents	\$ 13,483,651	\$ 7,631,190
Accounts receivable	214,123	19,026
Grants and contributions receivable	70,786	135,000
Total financial assets at year end	13,768,560	7,785,216
Less those unavailable for general expenditures within one year		
Remaining proceeds from loan for construction of building	(12,117,910)	-
Net assets restricted for real estate development	(5,825,651)	(5,805,651)
Financial assets available to meet the cash needs for general expenditures within one year	\$ (4,175,001)	\$ 1,979,565

The School 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 School 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 School'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 School sets aside cash in excess of daily requirements in its savings account

Note 10 – Tuition Income

Tuition income consisted of the following at December 31:

	2024	2023
Tuition and fees	\$ 5,448,050	\$ 2,842,236
Less tuition discounts and financial aid	(1,964,370)	(2,069,625)
Net tuition and fees	\$ 3,483,680	\$ 772,611

Note 11 – Retirement Benefit Plan

The School 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 \$23,000 and \$22,500 to the plan for 2024 and 2023, respectively. The School has the option to make annual discretionary matching and profit sharing contributions to the plan. Total retirement plan contribution expense for the years ended December 31, 2024 and 2023, was \$143,152 and \$17,857, respectively.

Workshops for Warriors, Inc.

Notes to Financial Statements

Note 12 – Line of Credit

The School had a line of credit with Endeavor bank for \$500,000. The line had an outstanding balance of \$0 at December 31, 2024 and 2023. The line of credit matured in December of 2024.

Note 13 – Subsequent Events

The School's understanding from the onset of receiving the PRI was that it would eventually be forgiven. The Clark Foundation was scheduled to cease operations on December 31, 2025, by design of its founders and has announced their cessation of operations as of that date. The Clark Foundation officially forgave \$2,000,000 of the principal amount on June 2, 2025; however, the remaining PRI does not have recourse, there are no corporate or personal guarantees, is unsecured, and cannot be assigned to any other party for collection.

On December 31, 2025, the School signed a \$6,000,000 note payable with a related party for operating cash, as described in Note 7.

On December 15, 2025, the School received accreditation from Accrediting Council for Continuing Education and Training.

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