

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

OPERATION HEALING FORCES, INC.

December 31, 2021

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Operation Healing Forces, Inc.

### **Opinion**

We have audited the accompanying financial statements of Operation Healing Forces, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Healing Forces, Inc. as of December 31, 2021 and the changes in its net assets, cash flows and its functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibility 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

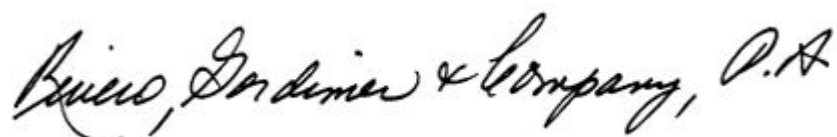
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining,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

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

## **Report on Summarized Comparative Information**

We have previously audited Operation Healing Forces, Inc.'s 2020 financial statements, and our report dated March 11, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tampa, Florida  
March 8, 2022



Operation Healing Forces, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2021  
(With comparative total for 2020)

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (notes A4 and A12)	\$ 2,034,838	\$ 1,973,400
Current portion of pledges receivable (notes A5 and B)	<u>185,000</u>	<u>50,000</u>
Total current assets	2,219,838	2,023,400
Pledges receivable, net (notes A5 and B)	<u>144,989</u>	<u>95,673</u>
Property and equipment, net (notes A6 and C)	<u>5,405</u>	<u>4,227</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,370,232</u></b>	<b><u>\$ 2,123,300</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	<u>\$ 96,539</u>	<u>\$ 35,184</u>
Total current liabilities	<u>96,539</u>	<u>35,184</u>
Total liabilities	<u>96,539</u>	<u>35,184</u>
Net assets (note F)		
Net assets without donor restrictions		
Operating	1,125,068	988,793
Board designated	<u>1,003,636</u>	<u>1,003,650</u>
	2,128,704	1,992,443
Net assets with donor restrictions	<u>144,989</u>	<u>95,673</u>
Total net assets	<u>2,273,693</u>	<u>2,088,116</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,370,232</u></b>	<b><u>\$ 2,123,300</u></b>

The accompanying notes are an integral part of this statement.

Operation Healing Forces, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2021  
(With comparative total for 2020)

	Without donor restrictions	With donor restrictions	Total December 31, 2021	Total December 31, 2020
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public support				
Cash contributions (notes A7 and H)	\$ 2,967,978	\$ 99,316	\$ 3,067,294	\$ 2,124,950
In-kind/noncash contributions (note A8)	917,093	-	917,093	742,112
Total public support	<u>3,885,071</u>	<u>99,316</u>	<u>3,984,387</u>	<u>2,867,062</u>
Other revenue				
Special events, net (note E)	266,157	-	266,157	20,461
Miscellaneous income	316	-	316	2,473
Paycheck protection program loan forgiveness (note D)	-	-	-	103,300
Total other revenue	<u>266,473</u>	<u>-</u>	<u>266,473</u>	<u>126,234</u>
Net assets released from donor restrictions (note F)	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>4,201,544</u>	<u>49,316</u>	<u>4,250,860</u>	<u>2,993,296</u>
<b>EXPENSES</b>				
Program services	<u>3,316,244</u>	<u>-</u>	<u>3,316,244</u>	<u>2,265,593</u>
Supporting services				
Management and general	154,784	-	154,784	145,692
Fundraising and development	594,254	-	594,254	369,883
Total supporting services	<u>749,039</u>	<u>-</u>	<u>749,039</u>	<u>515,575</u>
Total expenses	<u>4,065,283</u>	<u>-</u>	<u>4,065,283</u>	<u>2,781,168</u>
Change in net assets	136,261	49,316	185,577	212,128
Net assets at beginning of year	<u>1,992,443</u>	<u>95,673</u>	<u>2,088,116</u>	<u>1,875,988</u>
Net assets at end of year	<u>\$ 2,128,704</u>	<u>\$ 144,989</u>	<u>\$ 2,273,693</u>	<u>\$ 2,088,116</u>

The accompanying notes are an integral part of this statement.

Operation Healing Forces, Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2021  
(With comparative total for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 185,577	\$ 212,128
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	1,397	1,140
Increase in pledges receivable	(184,316)	(91,761)
Increase (decrease) in accounts payable and accrued expenses	61,355	(29,665)
Total adjustments	<u>(121,564)</u>	<u>(120,286)</u>
Net cash provided by operating activities	<u>64,013</u>	<u>91,842</u>
Cash flows from investing activities		
Cash payments for purchase of equipment	<u>(2,575)</u>	<u>-</u>
Net cash used by investing activities	<u>(2,575)</u>	<u>-</u>
Net increase in cash and cash equivalents	61,438	91,842
Cash and cash equivalents at beginning of year	<u>1,973,400</u>	<u>1,881,558</u>
Cash and cash equivalents at end of year	<u>\$ 2,034,838</u>	<u>\$ 1,973,400</u>
Supplemental disclosures of cash flow information		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Operation Healing Forces, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2021  
(With comparative total for 2020)

	Supporting Services			Total December 31, 2021	Total December 31, 2020	
	Program Services	Management and General	Fundraising and Development			Total Supporting Services
Salaries	\$ 698,540	\$ 71,908	\$ 256,816	\$ 328,724	\$ 1,027,264	\$ 842,094
Payroll taxes and benefits	58,139	5,985	21,375	27,360	85,499	70,555
Total salaries and related expenses	756,679	77,893	278,191	356,084	1,112,763	912,649
Retreat expenses	1,664,863	81	25,211	25,291	1,690,154	1,192,431
SOAR program expenses	695,191	-	-	-	695,191	352,206
Travel and lodging	89,521	5,566	43,923	49,489	139,010	78,396
Printing and copying	49,622	977	77,235	78,212	127,834	62,808
Professional fees	-	18,191	110,198	128,389	128,389	24,816
Website	15,155	2,098	6,062	8,160	23,315	29,366
Occupancy	-	13,284	-	13,284	13,284	13,284
Supplies and equipment	11,793	1,448	6,024	7,472	19,265	28,213
Donor recognition	4,943	-	30,366	30,366	35,309	12,419
Telephone	-	1,569	-	1,569	1,569	1,375
Postage	4,797	123	7,380	7,503	12,300	7,132
Insurance	-	7,634	-	7,634	7,634	7,636
Conferences and meetings	8,138	7,698	1,416	9,114	17,252	32,008
Miscellaneous	4,057	11,711	7,099	18,811	22,867	25,289
Total expenses before depreciation and other	3,304,756	148,274	593,105	741,380	4,046,136	2,780,028
Depreciation	838	475	84	559	1,397	1,140
Pledge allowance adjustment	10,650	6,035	1,065	7,100	17,750	-
Total expenses	\$ 3,316,244	\$ 154,784	\$ 594,254	\$ 749,039	\$ 4,065,283	\$ 2,781,168

The accompanying notes are an integral part of this statement.



Operation Healing Forces, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization and Activities

Operation Healing Forces, Inc., formerly Operation Cruise, Inc. (the "Organization") is a not-for-profit, tax-exempt corporation formed in 2011. The mission of the Organization is to serve the needs of active-duty and recent-veteran wounded, ill, and injured Special Operations Forces ("SOF") and their families by starting or continuing the process of mentally, physically and emotionally healing in preparation to return to the fight or transition successfully into civilian life.

Through therapeutic retreats, the Organization's purpose is to enable these war-torn men, women and families to break through the silence to openly discuss their battlefield and personal hardships. A safe, protected environment allows our participants to let their guard down and share. Realizing they are not alone, participants discover it is appropriate - and not a stigma - to seek help, support, and guidance when needed from fellow SOF professionals and their families. The retreat environment combined with peer-to-peer counseling and recreational therapies enable sincere bonding between couples, with other spouses going through similar hardships, and among fellow SOF service members.

Through the Special Operations Additional Resources ("SOAR" or "Immediate Needs") program, the Organization provides crisis support to SOF service members, spouses, and their families. The program covers travel and expenses related to medical emergencies for service members, Veterans, and their families, medical and adaptive equipment not covered by government means, funeral and memorials costs not covered by government means including family travel, relief or respite care for full-time caregivers, one-time financial assistance related to transition or employment opportunities including travel, and other as needed crisis support for families including emergency financial support.

Additional programs the Organization provides include: SOF Caregiver and Spouse Retreats, Financial Planning, Legal Assistance, and Employment Services.

Operation Healing Forces' vision is that all returning SOF are able to reclaim happy, productive, and fulfilling lives.

2. Basis of Accounting

The accompanying financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

3. Liquidity

Assets and liabilities are presented in the accompanying statement of financial position according to their nearness of conversion to cash and, their maturity and resulting use of cash, respectively. See note G for more information on liquidity and availability of assets.

Operation Healing Forces, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with original maturity of three months or less to be cash equivalents.

5. Pledges Receivable

Pledges receivable represent unconditional promises to give by donors that are expected to be collected within one year and are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded as pledges receivable at the present value of estimated future cash flows after an allowance for estimated uncollectible contributions is provided. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. The allowance for uncollectible pledges was approximately \$18,000 at December 31, 2021.

6. Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets ranging from three to seven years. The Organization capitalizes all purchases that exceed \$2,500.

7. Contributions

Contributions, including unconditional promises to give, are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

8. Contributed Services, Materials, and Supplies

Material in-kind items used in the program (e.g., equipment, supplies, etc.) are recorded as income and expense at the time the items are placed into service or distributed.

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets; the services would have been purchased if not provided by contribution; and the service requires specialized skills.

In addition, the Organization received significant contributions of time from its Directors and unpaid volunteers for fundraising activities and other services to the Organization. The value of this contributed time is not reflected in these statements since no objective basis is available to measure the value of these services.

Operation Healing Forces, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Expenses that benefit multiple functional areas have been allocated across programs, general and administrative, and fundraising expenses based on the proportion of employee time involved.

10. Income Tax Status

The Organization has received a determination of tax exempt status under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Organization is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after 2017 remain subject to examination by federal and state taxing authorities.

11. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

12. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk are primarily cash and money market funds. The Organization's cash deposits are placed in financial institutions which at times may exceed the Federal Deposit Insurance Corporation (FDIC) coverage. The Organization has not experienced any losses in its cash deposits and does not believe it is exposed to any significant credit risks related to uninsured amounts. The Organization had cash in excess of FDIC insurance coverage of approximately \$1,535,000 at December 31, 2021.

Operation Healing Forces, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

NOTE B - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give by donors. Pledges that are expected to be collected after one year have been discounted using a rate of 2% and are reflected in the financial statements at their net present value. Pledges receivable consist of the following at December 31, 2021:

Total unconditional pledges	\$ 355,000
Less discount for present value (2%)	(7,261)
Less allowance for uncollectible pledges	<u>(17,750)</u>
Total pledges receivable, net	<u><u>\$ 329,989</u></u>

The expected collection of pledges receivable consists of the following:

Less than one year	\$ 185,000
One to five years	<u>170,000</u>
	355,000
Less allowance for uncollectible pledges	(17,750)
Less discount for present value	<u>(7,261)</u>
	<u><u>\$ 329,989</u></u>

NOTE C - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2021 is as follows:

Computer equipment	<u>\$ 8,274</u>
	8,274
Less accumulated depreciation	<u>(2,869)</u>
Total property and equipment	<u><u>\$ 5,405</u></u>

Operation Healing Forces, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE D - PAYCHECK PROTECTION PROGRAM

In April 2020, the Organization received loan proceeds in the amount of \$103,300 under the Paycheck Protection Program ("PPP"). The Organization applied for and was granted full loan forgiveness in 2020. The forgiveness has been recognized as revenue in the statement of activities and changes in net assets for the year ending December 31, 2020.

NOTE E - SPECIAL EVENTS

The Organization conducts special events for the purpose of raising money for annual operations. Special event revenue for the year ended December 31, 2021 was as follows:

Direct special event revenue	\$ 314,552
Contributions derived from special events	146,969
	<u>461,521</u>
Less direct expenses	<u>(195,364)</u>
Total special event revenue, net	<u>\$ 266,157</u>

NOTE F - NET ASSETS

1. Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. These net assets are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time the board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Organization's net assets without donor restrictions consists of the following at December 31, 2021:

Undesignated	\$ 1,125,068
Board designated	<u>1,003,636</u>
Total net assets without donor restrictions	<u>\$ 2,128,704</u>

Operation Healing Forces, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE F - NET ASSETS - Continued

2. Net Assets With Donor Restrictions

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations, that may become undesignated by the passage of time, or that require net assets to be permanently maintained, thereby restricting the use of principal. Once donor-imposed restrictions are satisfied, the net assets are then released and reclassified to net assets without donor restrictions. The Organization's net assets with donor restrictions consists of the following at December 31, 2021.

Net assets subject to the passage of time	<u>\$ 144,989</u>
Total net assets with donor restrictions	<u><u>\$ 144,989</u></u>

3. Net Assets Released from Donor Restrictions

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The Organization released \$50,000 of net assets with donor restrictions during the year ended December 31, 2021 due to the passage of time.

NOTE G - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the date of the financial statements of financial position for general expenditure are as follows:

Cash and cash equivalents	\$ 2,034,838
Current portion of pledges receivable	<u>185,000</u>
Total financial assets available within one year	<u>2,219,838</u>
Amounts unavailable to management without Board's approval:	
Board designated:	<u>1,003,636</u>
Total amounts unavailable to management without Board's approval	<u>1,003,636</u>
Total financial assets available to management for expenditure within one year	<u><u>\$ 1,216,202</u></u>

Operation Healing Forces, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021

NOTE G - LIQUIDITY AND AVAILABILITY OF RESOURCES - Continued

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The organization has financial assets available to management in an amount that is close to current year expenses, indicating that the organization has the ability to meet its expected expenditures within one year.

The Organization's Board of Directors has the ability to designate net assets without donor restrictions that could be made available for current operations if necessary.

In the event that the Organization experiences a lack of funds to be able to meet its general expenditures, liabilities, or other obligations, two members of the Board have offered to provide sufficient support to enable the Organization to continue its mission. In addition, the Organization may opt to cut back on select programs and events to alleviate financial burden while still maintaining the best support it can provide the special operations community.

NOTE H - RELATED PARTY TRANSACTIONS

The Organization received approximately \$410,000 of cash contributions and approximately \$30,000 of noncash contributions from two members of the Board of Directors during the year ended December 31, 2021.

The Organization subleases office space from a related party on a month to month basis. Rent expense related to this sublease was approximately \$13,000 for the year ended December 31, 2021.

NOTE I - RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in China and has since spread to other countries, including the United States of America. In March 2020, COVID-19 was declared a pandemic by the World Health Organization. In addition, the United States of America and the State of Florida have declared a state of emergency in response to the pandemic. The Organization's fundraising and programs have been impacted due to the cancellation of special events, social distancing initiatives, and financial impact on the community. It is expected that these impacts may continue for some time, and the full financial impact cannot be reasonably estimated at this time.

NOTE J - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions occurring subsequent to December 31, 2021 as of March 8, 2022 which is the date the financial statements were available to be issued.