DASZKALBOLTON
accountants & advisors

Connected Warriors, Inc.

Financial Statements

December 31, 2017

Table of Contents

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Independent Auditors' Report

To the Board of Directors
Connected Warriors, Inc.
Boca Raton, Florida

We have audited the accompanying financial statements of Connected Warriors, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Continued from previous page

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connected Warriors, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Daszkal Bolton LLP

Boca Raton, Florida
December 4, 2018

Connected Warriors, Inc.
Statement of Financial Position
December 31, 2017

ASSETS

Current assets:		
Cash	$	7,041
Inventory		10,332
Investments, at fair value		146,767
Prepaid expenses		5,100
Website development costs		20,890
Total assets	$	190,130

LIABILITIES AND NET ASSETS

Commitments and contingencies		
Liabilities:		
Accrued expenses	$	5,458
Total liabilities		5,458
Net assets:		
Unrestricted		73,996
Temporarily restricted		110,676
Total net assets		184,672
Total liabilities and net assets	$	190,130

See accompanying notes to financial statements.

Connected Warriors, Inc.
Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Event revenues	$ 219,772	$ -	$ 219,772
In-kind donations	14,500	-	14,500
Contributions	145,597	-	145,597
Foundations and grants	39,760	-	39,760
Other income	3,477	-	3,477
Investment loss	(45,159)	-	(45,159)
Net assets released from restrictions	81,250	(81,250)	-
Total revenues and support	459,197	(81,250)	377,947
Expenses:			
Program services	324,888	-	324,888
Supporting services:			
Fundraising and marketing	40,611	-	40,611
Management and general	85,735	-	85,735
Total expenses	451,234	-	451,234
Change in net assets	7,963	(81,250)	(73,287)
Net assets, beginning of year (as restated)	66,033	191,926	257,959
Net assets, end of year	$ 73,996	$ 110,676	$ 184,672

See accompanying notes to financial statements.

Connected Warriors, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2017

Cash flows from operating activities:		
Changes in net assets	$	(73,287)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donated stock		-
Unrealized loss		45,159
Changes in operating assets and liabilities:		
Accounts receivable		37,280
Inventory		(6,154)
Prepaid expenses		(5,100)
Accrued expenses		273
Other payables		(12,690)
Net cash used in operating activities		(14,519)
Cash flows from investing activities:		
Website development costs		(17,890)
Net cash used in investing activities		(17,890)
Cash flows from financing activities		-
Net decrease in cash		(32,409)
Cash, beginning of year		39,450
Cash, end of year	$	7,041

See accompanying notes to financial statements.

Note 1 – Organization and Description of Business

Connected Warriors, Inc. (the "Organization") was founded on August 30, 2011, as a not-for-profit corporation under the laws of the State of Florida. The Organization's purpose is to provide free evidence based trauma-conscious yoga therapy to service members, veterans and their families in the United States and abroad through a national network of yoga teachers. The Organization's support comes primarily from contributions from individual donors and revenues from annual events.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Organization's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

> **Unrestricted Net Assets** – not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by the actions of the Board of Directors.
>
> **Temporarily Restricted Net Assets** – subject to donor-imposed stipulations that may be fulfilled by the actions of the Board of Directors or become unrestricted at the date specified by the donor.
>
> **Permanently Restricted Net Assets** – subject to donor-imposed stipulations that are to be maintained permanently. The Organization has no permanently restricted net assets at December 31, 2017.

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP 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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three (3) months or less to be cash equivalents. There were no cash equivalents at December 31, 2017.

Inventory

Inventory, which consists of promotional items, is stated at the lower of average cost method (first-in, first-out) or market.

Note 2 – Summary of Significant Accounting Policies, continued

Investments
The Organization carries investments in restricted securities at their fair value in the statement of financial position. Quoted market prices are used to determine fair values. Unrealized gains (losses) are included in the accompanying statement of activities under the caption “Other income”. See “Fair Value Measurements” Note.

Website Development
Website development costs are capitalized and amortized over their estimated useful lives. Costs related to the maintenance of the website are expensed as incurred.

Contributions
Contributions received are recorded as unrestricted, temporarily unrestricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services
Contributed services are recognized if the services received create or enhance non-financial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During 2017, a number of volunteers donated substantial hours and space to the Organization's programs and events. However, these donated services are not reflected in the accompanying financial statements.

Advertising
Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2017 was $1,019, which was charged to consulting and contracted services in the statement of functional expenses.

Income Taxes
The Organization has been recognized by the Internal Revenue Services (“IRS”) as an organization that is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Furthermore, it has been determined that the Organization is not a private foundation.

No provision has been made for income taxes in the financial statements. Furthermore, the Organization believes that is has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions. The IRS Form 990 and other tax returns subsequent to 2014 remain subject to examination by the taxing authorities.

Fair Value of Financial Instruments
The fair value of the Organization’s cash, accounts receivable, inventory, investments, and accrued expenses approximates their carrying amounts due to the relatively short maturity of these items.

Note 2 – Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14 Not-For-Profit ("NFP") Entities (Topic 958), *Presentation of Financial Statements of Not-For-Profit Entities*. Under the new guidance, not-for-profit entities are required to: (1) present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than the currently required three classes. That is, an NFP will report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets; (2) present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes; (3) continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method reconciliation if using the direct method; (4) provide enhanced disclosure on (a) governing board designations, appropriation, and similar actions that result in self-imposed limits on use of resources without donor-imposed restrictions as of the end of the period; (b) composition of net assets with donor restrictions at the end of the period; (c) qualitative information that communicates how the Organization manages its liquid resources to meet cash needs for general expenditures within one year of the balance sheet date; (d) qualitative information that communicates availability of the Organization's financial asset at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date; (e) amount of expenses by both their natural and functional classification; (f) methods used to allocate costs among programs and support functions; (g) additional disclosures on underwater endowment funds. The new reporting guidance is effective for fiscal years beginning after December 15, 2017. Management is evaluating the potential impact of this new guidance on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the classification of restricted cash in the statement of cash flows. ASU No. 2016-18 is effective for our fiscal year beginning January 1, 2018. Early adoption is permitted. We do not expect the adoption of ASU No. 2016-18 to have a material effect on our financial statements and disclosures.

Date of Management's Review

Management has evaluated subsequent events through December 4, 2018, the date on which the financial statements were available to be issued.

Note 3 – Fair Value Measurements

Certain assets are recorded at fair value. Fair value is defined as the price that would be received to sell an asset between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset with the greatest volume and level of activity for the asset is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset with the price that maximizes the amount that would be received. Fair value is based on assumptions market participants would make in pricing the asset. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

Note 3 – Fair Value Measurements, continued

The Organization's assets recorded at fair value are categorized based on the priority of the inputs used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

> **Level 1** - Inputs are based upon quoted prices for identical instruments traded in active markets.
>
> **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.
>
> **Level 3** - Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the Organization uses to measure its assets at fair value.

- Restricted common stock – restricted common stock is valued at the quoted net asset value of shares reported in the active market in which the stock is traded.

Fair Value on a Non-Recurring Basis

Investments measured at fair value on a recurring basis are summarized below:

	As of December 31, 2017			
	Investments Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Restricted common stock	$ 146,767	$ 146,767	$ -	$ -

Note 4 – Website Development Costs

Website development costs totaled $20,890 at December 31, 2017. Amortization expense for the year ended December 31, 2017 was $0. Amortization will begin upon completion of the website development when the website is fully operational.

Note 5 – Leases

The Organization's office location was donated by a third party at $1,000 per month for none (9) months during 2017. Accordingly, the costs of this space is recorded as in-kind donations in the accompanying statement of activities. Total in-kind rent contribution for the year ended December 31, 2017 was $9,000.

Note 6 – Related Parties

In 2017, the Organization received advances from three (3) individuals, consisting of two (2) related parties, which totaled approximately $105,000. The advances were fully repaid by the Organization during 2017.

Note 7 – Subsequent Events

In March 2018, the Organization entered into a promissory note with a board member for $25,000. The promissory note accrues interest at 1.5% per annum and is due on December 1, 2018.

In April 2018, the Organization entered into a promissory note with a board member for $50,000. The promissory note accrues interest at 1.5% per annum and is due on December 23, 2018.

In June 2018, the Organization entered into a promissory note with a board member for $50,000. The promissory note accrues interest at 1.5% per annum and is due on December 21, 2018.