



**YELLOW
RIBBON FUND, INC**

Welcoming Our Injured Service Members Home

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 29, 2020



Independent Auditors' Report

The Board of Directors
Yellow Ribbon Fund, Inc.
Bethesda, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Yellow Ribbon Fund, Inc., which comprise the statement of financial position as of February 29, 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider 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.

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The Board of Directors
Yellow Ribbon Fund, Inc.

Report on the Financial Statements (Continued)

Auditors' Responsibility (Continued)

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 Yellow Ribbon Fund, Inc., as of February 29, 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.

Report on Summarized Comparative Information

We have previously audited the 2019 financial statements of Yellow Ribbon Fund, Inc., and our report dated June 21, 2019 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 February 28, 2019, is consistent, in all material respects, with the 2019 audited financial statements from which it has been derived.



Bethesda, Maryland
June 23, 2020

Certified Public Accountants

Yellow Ribbon Fund, Inc.

**Statement of Financial Position
February 29, 2020
With Comparative Totals As Of February 28, 2019**

	2020	2019
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 699,382	\$ 638,016
Accounts Receivable	147,256	12,974
Investments	132,646	50,283
Prepaid Expenses	11	7,000
Other Assets	1,760	480
	981,055	708,753
Property and Equipment - Net	80,642	99,235
Other Assets		
Deposits	15,340	17,612
Total Assets	\$ 1,077,037	\$ 825,600
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 2,484	\$ 99,939
Total Current Liabilities - Total Liabilities	2,484	99,939
Net Assets		
Without Donor Restrictions	1,054,292	671,173
With Donor Restrictions	20,261	54,488
Total Net Assets	1,074,553	725,661
Total Liabilities and Net Assets	\$ 1,077,037	\$ 825,600

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

**Statement of Activities
For The Year Ended February 29, 2020
With Comparative Totals For The Year Ended February 28, 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Support				
Contributions and Grants	\$ 967,305	\$ 182,880	\$ 1,150,185	\$ 1,087,979
Special Events, Net of Expenses of \$261,768	773,642	-	773,642	529,835
Contributed Services and Materials	138,858	-	138,858	270,061
Investment Income	4,694	-	4,694	2,856
Other Income	4,419	-	4,419	11,365
Net Assets released from Donor Restrictions	217,107	(217,107)	-	-
Total Revenues and Support	<u>2,106,025</u>	<u>(34,227)</u>	<u>2,071,798</u>	<u>1,902,096</u>
Expenses				
Program Services	<u>1,400,903</u>	-	<u>1,400,903</u>	<u>1,475,166</u>
Supporting Services				
Management and General	99,356		99,356	75,986
Fundraising	<u>222,647</u>		<u>222,647</u>	<u>152,425</u>
Total Supporting Services	<u>322,003</u>	-	<u>322,003</u>	<u>228,411</u>
Total Expenses	<u>1,722,906</u>	-	<u>1,722,906</u>	<u>1,703,577</u>
Change in Net Assets	383,119	(34,227)	348,892	198,519
Net Assets, Beginning of Year	<u>671,173</u>	<u>54,488</u>	<u>725,661</u>	<u>527,142</u>
Net Assets, End of Year	<u>\$ 1,054,292</u>	<u>\$ 20,261</u>	<u>\$ 1,074,553</u>	<u>\$ 725,661</u>

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

**Statement of Functional Expenses
For The Year Ended February 29, 2020
With Comparative Totals For The Year Ended February 28, 2019**

	2020				2019	
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Direct Assistance	\$ 860,842	\$ -	\$ -	\$ -	\$ 860,842	\$ 878,171
Salaries and Wages	356,557	52,145	109,985	162,130	518,687	499,498
Employee Benefits	32,692	11,774	16,514	28,288	60,980	55,591
Payroll Taxes	31,632	4,626	9,757	14,383	46,015	42,101
Professional Fees	15,241	5,002	17,409	22,411	37,652	67,436
Advertising and Promotion	11,780	-	5,047	5,047	16,827	6,973
Office Expenses	45,932	12,216	44,259	56,475	102,407	86,381
Occupancy	25,932	3,793	7,999	11,792	37,724	39,526
Travel	4,717	4,858	6,156	11,014	15,731	16,328
Depreciation and Amortization	13,417	4,626	4,855	9,481	22,898	8,995
Insurance	2,161	316	666	982	3,143	2,577
Total	\$ 1,400,903	\$ 99,356	\$ 222,647	\$ 322,003	\$1,722,906	\$ 1,703,577

See accompanying Notes to Financial Statements.

Statement of Cash Flows
For The Year Ended February 29, 2020
With Comparative Totals For The Year Ended February 28, 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ 348,892	\$ 198,519
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	22,898	8,995
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(134,282)	(11,365)
Prepaid Expenses	6,989	25,970
Other Assets	(1,280)	10,132
Deposits	2,272	(5,396)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	(97,455)	12,416
Pass - Thru Payables	-	(40,000)
Net Cash Provided by (Used in) Operating Activities	148,034	199,271
Cash Flows from Investing Activities		
Purchases of Investments	(82,363)	(272)
Purchases of Furniture and Equipment	(4,305)	(107,281)
Net Cash Provided by (Used in) Investing Activities	(86,668)	(107,553)
Net Increase (Decrease) in Cash and Cash Equivalents	61,366	91,718
Cash and Cash Equivalents, Beginning of Year	638,016	546,298
Cash and Cash Equivalents, End of Year	\$ 699,382	\$ 638,016

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 29, 2020

1. ORGANIZATION

Organization

The Yellow Ribbon Fund, Inc. (the Fund) is a 501(c)(3) nonprofit organization incorporated in the State of Maryland in 2005. Its employer identification number is 36-4567583. The Fund's mission is to assist post-9/11 wounded, ill, and injured service members undergoing lengthy medical treatment and rehabilitation at the Walter Reed National Military Medical Center in Bethesda, Maryland. The Fund provides support to their families and military caregivers to help them cope with these life-changing medical events.

The Fund's programs are described below:

Crossroads Program: Provides transportation and lodging assistance not covered by Department of Defense to service members and their families. Transportation assistance includes rental cars which the Fund receives from a local car dealer at a deeply-discounted rate and other transportation aid to qualifying individuals. Lodging assistance includes cost-free furnished apartments or long-term hotel rooms for families temporarily relocating to the Washington, DC area to be with their beloved service member and short-term hotel stays for visiting family members.

Keystone Program: Formerly known as the Fund's Family Caregiver Program, this program provides unique support to military caregivers who often give up career and education plans to help their service member cope with day-to-day living. The program provides caregivers with sanctuary, confidence, and stability through monthly respite and networking social events, and educational and life skills training.

Engagement: The Fund engages patients recovering at the Walter Reed and Fort Belvoir hospitals through on-base and off-base events that help them escape from the monotonous grind of rehabilitation. The Fund staff and its volunteers host holiday parties, social gatherings, and off-base activities such as cultural and sporting events in the Washington, DC area. Reported amounts do not include the time and unreimbursed expenses of volunteers. Tickets to cultural and sporting events are reported as in-kind donations at fair market value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of the Fund have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Fund to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Fund. These net assets may be used at the discretion of management and the Board of Directors.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 29, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Fund or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Adopted Accounting Pronouncements

During fiscal 2019, the Fund adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, the Fund applied the requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

The adoption of ASU 2018-08 did not have a material impact on the Fund's accounting for contributions or federal grants.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, the Fund adopted ASU 2014-09, using the modified retrospective approach. Fund applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires Fund to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as the Fund satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by the Fund in the financial statements.

Use of Estimates

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 29, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

The Fund considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at their outstanding balances.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Fund's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions.

Investments

Investments are recorded at their readily determinable fair value. Interest and dividends realized and unrealized gains and losses are included in investment income in the Statement of Activities.

Property and Equipment

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment is depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

There were no unrecognized conditional contributions as of February 29, 2020.

Contributed services and materials consist of free use of apartments, free room nights at hotels, free meals, airline vouchers, and tickets to sporting events, cultural and other events. Contributed services and materials are recorded at their fair market value as of the date of the gift.

In addition, volunteers have donated significant amounts of their time to the Fund. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Advertising

The Fund expenses advertising costs as incurred. Advertising expense totaled \$16,827 for the year ended February 29, 2020.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 29, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services benefits allocated on the basis of employee time and effort.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended February 28, 2019, from which the summarized information was derived.

Income Tax Status

The Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Fund is not a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Fund and various positions related to the potential sources of unrelated business taxable income (UBIT).

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2020.

The Fund's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during fiscal year 2020.

The Fund's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed as of February 29, 2020, for the years ended February 28, 2019, February 28, 2018, and February 29, 2017, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 29, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2021.

Subsequent Events

Management has evaluated subsequent events through June 23, 2020 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

2. CONCENTRATION OF CREDIT RISK

The Fund maintains its cash accounts in banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Funds held by these banks in excess of the FDIC limits were approximately \$495,000 as of February 29, 2020. Management does not feel this poses a risk to the Fund.

3. INVESTMENTS

Financial assets measured using Level 1, if any, inputs are based on unadjusted quoted market prices in active markets for identical assets.

Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from observable market data.

Level 3 inputs, if any, are obtained from the entity's own assumptions.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 29, 2020

3. INVESTMENTS (CONTINUED)

As of February 29, 2020, the Fund's investments and their fair values consisted of the following:

	<u>Fair Value</u>	<u>Level 2 Inputs</u>
Certificates of Deposit	\$ 132,646	\$ 132,646

None of the Fund's investments are valued using Level 1 or Level 3 inputs.

Investment income of \$4,694 consisted of interest income for the year ended February 29, 2020.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at February 29, 2020:

Furniture and Equipment	\$ 17,451
Software	10,766
Website	49,991
Video	56,353
	<u>134,561</u>
Accumulated Depreciation and Amortization	<u>(53,919)</u>
Property and Equipment	<u>\$ 80,642</u>

Depreciation expense for the year ended February 29, 2020 was \$22,898.

5. NET ASSETS

Net assets with donor restrictions as of February 29, 2020 were as follows:

<u>Program</u>	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Net Assets Released</u>	<u>End of Year</u>
Lodging Assistance	\$ 23,137	\$ 121,000	\$ (144,137)	\$ -
Caregiver	28,851	61,880	(70,470)	20,261
Other	2,500	-	(2,500)	-
Total	<u>\$ 54,488</u>	<u>\$ 182,880</u>	<u>\$ (217,107)</u>	<u>\$ 20,261</u>

Net assets without donor restrictions as of February 29, 2020 were undesignated.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 29, 2020

6. CONTRIBUTED SERVICES AND MATERIALS

During the year ended February 29, 2020, the Fund was the beneficiary of donated goods and services, which allowed the Fund to provide greater resources toward its Crossroads, Keystone and Engagement programs. Contributed services and materials are recorded at their fair market value as of the date of the gift.

To properly reflect total program expenses, the following donations have been included in revenue and Direct Assistance expense for the year ended February 29, 2020:

For the Years Ending February 28,

Sports Tickets	\$	11,048
Hotel Rooms		6,295
Meals		7,727
Cultural Event Tickets		140
Gift Cards		5,840
Occupancy		48,000
Other		3,847
Transportation		53,254
Gala Items		190
Clothing		2,517
Total	\$	<u>138,858</u>

7. LEASE COMMITMENTS

Prior to July 2018, the Fund leased office space under a two-year agreement that expired. This lease was not renewed.

The Fund's current office space is provided free of charge, and the value of the free rent is included as revenue with an offsetting expense in the statement of activities.

The Fund also leases apartments for its injured soldiers and/or families. The apartments have monthly rental payments up to \$4,050 per month and expire between May 2020 and May 2021.

Future minimum lease commitments under all leasing arrangements are as follows:

For the Years Ending February 28,

2021	\$	240,554
2022		<u>8,573</u>
Total Future Minimum Lease Payments	\$	<u>249,127</u>

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 29, 2020

7. LEASE COMMITMENTS (CONTINUED)

Rent expense for the year ended February 29, 2020 totaled \$86,936, which is included in the Statement of Functional Expenses in Occupancy amounting to \$37,724 and in Direct Assistance amounting to \$49,212.

8. AVAILABILITY AND LIQUIDITY

The following represents the Fund's financial assets at February 29, 2020:

Financial Assets at Year End:

Cash and Cash Equivalents	\$	699,382
Accounts Receivable		147,256
Investments		<u>132,646</u>
Total Financial Assets		979,284
Less Amounts Not Available To Be Used Within One Year:		
Net Assets With Donor Restrictions		(20,261)
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		<u>20,261</u>
		<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	\$	<u>979,284</u>

As part of the Fund's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.

9. SUBSEQUENT EVENTS

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The Fund is closely monitoring its liquidity and is actively working to minimize the impact of the health crisis. The Fund received funding from the Paycheck Protection Program under the CARES act. The funding has been structured to comply with the forgiveness provisions at the end of the covered period.

The Fund's financial statements do not include adjustments that have resulted from the economic declines and uncertainty.