



YELLOW RIBBON FUND, INC

Welcoming Our Injured Service Members Home

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2021



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 28, 2021, 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 28, 2021, 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 2020 financial statements of Yellow Ribbon Fund, Inc., and our report dated June 23, 2020 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 29, 2020, is consistent, in all material respects, with the 2020 audited financial statements from which it has been derived.



Bethesda, Maryland
May 26, 2021

Certified Public Accountants

Yellow Ribbon Fund, Inc.

**Statement of Financial Position
February 28, 2021
With Comparative Totals As Of February 29, 2020**

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 978,294	\$ 699,382
Accounts Receivable	148,729	147,256
Investments	105,337	132,646
Prepaid Expenses	48	11
Other Assets	-	1,760
Total Current Assets	<u>1,232,408</u>	<u>981,055</u>
Property and Equipment - Net	58,474	80,642
Other Assets		
Deposits	<u>38,856</u>	<u>15,340</u>
Total Assets	<u>\$ 1,329,738</u>	<u>\$ 1,077,037</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 3,922	\$ 2,484
Forgivable Loan - PPP	<u>102,065</u>	<u>-</u>
Total Current Liabilities - Total Liabilities	<u>105,987</u>	<u>2,484</u>
Net Assets		
Without Donor Restrictions	1,208,089	1,054,292
With Donor Restrictions	<u>15,662</u>	<u>20,261</u>
Total Net Assets	<u>1,223,751</u>	<u>1,074,553</u>
Total Liabilities and Net Assets	<u>\$ 1,329,738</u>	<u>\$ 1,077,037</u>

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

**Statement of Activities
For The Year Ended February 28, 2021
With Comparative Totals For The Year Ended February 29, 2020**

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues and Support				
Contributions and Grants	\$ 1,581,363	\$ 37,000	\$ 1,618,363	\$ 1,150,185
Special Events, Net of Expenses of \$261,768	248,023	-	248,023	773,642
Contributed Services and Materials	458,984	-	458,984	138,858
Interest and Dividends	2,852	-	2,852	4,694
Other Income	5,979	-	5,979	4,419
Net Assets released from Donor Restrictions	41,599	(41,599)	-	-
Total Revenues and Support	<u>2,338,800</u>	<u>(4,599)</u>	<u>2,334,201</u>	<u>2,071,798</u>
Expenses				
Program Services	<u>1,931,293</u>	<u>-</u>	<u>1,931,293</u>	<u>1,400,903</u>
Supporting Services				
Management and General	85,388		85,388	99,356
Fundraising	168,322		168,322	222,647
Total Supporting Services	<u>253,710</u>	<u>-</u>	<u>253,710</u>	<u>322,003</u>
Total Expenses	<u>2,185,003</u>	<u>-</u>	<u>2,185,003</u>	<u>1,722,906</u>
Change in Net Assets	153,797	(4,599)	149,198	348,892
Net Assets, Beginning of Year	1,054,292	20,261	1,074,553	725,661
Net Assets, End of Year	<u>\$ 1,208,089</u>	<u>\$ 15,662</u>	<u>\$ 1,223,751</u>	<u>\$ 1,074,553</u>

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

**Statement of Functional Expenses
For The Year Ended February 28, 2021
With Comparative Totals For The Year Ended February 29, 2020**

	2021				2020	
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Direct Assistance	\$ 1,376,608	\$ -	\$ -	\$ -	\$1,376,608	\$ 860,842
Salaries and Wages	401,169	61,087	92,674	153,761	554,930	518,687
Employee Benefits	8,954	733	565	1,298	10,252	60,980
Payroll Taxes	33,754	5,139	7,797	12,936	46,690	46,015
Professional Fees	32,425	4,937	19,139	24,076	56,501	37,652
Advertising and Promotion	2,463	-	1,055	1,055	3,518	16,827
Office Expenses	26,020	8,298	33,185	41,483	67,503	102,407
Occupancy	27,288	4,155	6,304	10,459	37,747	37,724
Travel	679	699	3,137	3,836	4,515	15,731
Depreciation and Amortization	19,702	-	3,950	3,950	23,652	22,898
Insurance	2,231	340	516	856	3,087	3,143
Total	\$ 1,931,293	\$ 85,388	\$ 168,322	\$ 253,710	\$2,185,003	\$ 1,722,906

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

**Statement of Cash Flows
For The Year Ended February 28, 2021
With Comparative Totals For The Year Ended February 29, 2020**

	2021	2020
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ 149,198	\$ 348,892
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	23,652	22,898
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(1,473)	(134,282)
Prepaid Expenses	(37)	6,989
Other Assets	1,760	(1,280)
Deposits	(23,516)	2,272
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	1,438	(97,455)
Forgivable Loan - PPP	102,065	-
Net Cash Provided by (Used in) Operating Activities	253,087	148,034
Cash Flows from Investing Activities		
Purchases of Investments	-	(82,363)
Sales of Investments	27,309	-
Purchases of Furniture and Equipment	(1,484)	(4,305)
Net Cash Provided by (Used in) Investing Activities	25,825	(86,668)
Net Increase (Decrease) in Cash and Cash Equivalents	278,912	61,366
Cash and Cash Equivalents, Beginning of Year	699,382	638,016
Cash and Cash Equivalents, End of Year	\$ 978,294	\$ 699,382

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2021

1. 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.

The coronavirus (COVID-19) outbreak in the United States commenced prior to the Fund's fiscal year-end and has directly impacted its operations since early spring 2020. The COVID-19 pandemic caused a broad and negative impact on commerce and financial markets around the world including travel restrictions and limits on in-person gatherings.

Accordingly, the extent to which COVID-19 may impact the Fund's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

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.

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.

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.

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.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

During the year ended February 28, 2021, the Fund received a \$102,065 forgivable loan from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The forgivable loan is a conditional contribution that can be recognized as revenue when the underlying conditions are met. The Fund has elected to treat the payment the legal forgiveness as the condition. As of February 28, 2021, the Fund has \$102,065 reported as a forgivable loan liability that will be recognized in fiscal year 2022 when legal forgiveness is expected.

Other than the PPP forgivable loan, there were no unrecognized conditional contributions as of February 28, 2021.

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 \$3,518 for the year ended February 28, 2021.

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.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 29, 2020, 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 2021.

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 2021.

The Fund's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed as of February 28, 2021, for the years ended February 28, 2020, February 28, 2019, and February 29, 2018, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

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 2022.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through May 26, 2021 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.

3. 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 \$710,000 as of February 28, 2021. Management does not feel this poses a risk to the Fund.

4. 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.

As of February 28, 2021, the Fund's investments and their fair values consisted of the following:

	<u>Fair Value</u>	<u>Level 2 Inputs</u>
Certificates of Deposit	\$ 105,337	\$ 105,337

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

Interest income for the year ended February 28, 2021 was \$2,993.

Yellow Ribbon Fund, Inc.

**Notes to Financial Statements
February 28, 2021**

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at February 28, 2021:

Furniture and Equipment	\$	188
Software and Hardware		22,583
Website		49,991
Video		56,353
		<hr/>
		129,115
Accumulated Depreciation and Amortization		(70,641)
		<hr/>
Property and Equipment	\$	58,474

Depreciation expense for the year ended February 28, 2021 was \$23,652.

6. NET ASSETS

Net assets with donor restrictions as of February 28, 2021 were as follows:

<u>Program</u>	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Net Assets Released</u>	<u>End of Year</u>
Keystone Program	\$ 20,261	\$ 37,000	\$ (41,599)	\$ 15,662

Net assets without donor restrictions as of February 28, 2021 were undesignated.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2021

7. CONTRIBUTED SERVICES AND MATERIALS

During the year ended February 28, 2021, 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 28, 2021:

For the Year Ending February 28,

Hotel Rooms	\$	331,839
Meals		2,212
Cultural Event Tickets		840
Auction Items		750
Occupancy		37,050
Other		2,240
Transportation		84,053
Total	\$	<u>458,984</u>

8. LEASE COMMITMENTS

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 \$3,264 per month and expire between February 2022 and May 2022.

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

For the Years Ending February 28,

2022	\$	267,267
2023		<u>12,808</u>
Total Future Minimum Lease Payments	\$	<u>280,075</u>

Lodging expense for injured soldiers and/or families for the year ended February 28, 2021 was \$551,126 which is included in the Statement of Functional Expenses as Direct Assistance. Of this expense, \$331,839 represented donated space.

Rent expense for office space serving as the administrative headquarters of the Fund was \$37,747 for the year ended February 28, 2021. Of this expense, \$36,000 represented donated space.

Yellow Ribbon Fund, Inc.

**Notes to Financial Statements
February 28, 2021**

9. AVAILABILITY AND LIQUIDITY

The following represents the Fund's financial assets at February 28, 2021:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 978,294
Accounts Receivable	148,729
Investments	<u>105,337</u>
Total Financial Assets	1,232,360
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	(15,662)
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	<u>15,662</u>
	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,232,360</u>

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