

OPERATION WARD 57

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2015

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# LUBY & THOMSON, PLLC

C e r t i f i e d P u b l i c A c c o u n t a n t s

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Operation Ward 57  
Seattle, WA

We have audited the accompanying financial statements of Operation Ward 57 (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—cash basis as of December 31, 2015, and the related statements of revenue and expenses—cash basis and cash flows—cash basis 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 the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's 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 auditor's 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.

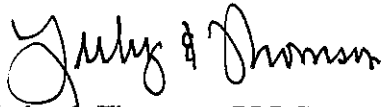
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Operation Ward 57 as of December 31, 2015, and its revenue and expenses and cash flows for the year then ended in accordance with the cash basis of accounting as described in Note 2.

## **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



Luby & Thomson, PLLC  
Certified Public Accountants  
Seattle, WA  
January 28, 2017

OPERATION WARD 57

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STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS  
DECEMBER 31, 2015

ASSETS

Current assets	
Cash and cash equivalents	\$ 128,807
Inventory	<u>8,039</u>
Total current assets	136,846
Property and equipment	61,474
Less accumulated depreciation	<u>(11,427)</u>
Net fixed assets	<u>50,047</u>
 TOTAL ASSETS	 \$ <u><u>186,893</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accrued expense	\$ <u>515</u>
Total current liabilities	515
Net assets	
Unrestricted	186,378
Temporarily restricted	<u>-</u>
Total net assets	<u>186,378</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>186,893</u></u>

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF REVENUE AND EXPENSES - CASH BASIS  
FOR THE YEAR ENDED  
DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue			
Contributions	\$ 107,175	\$ -	\$ 107,175
Bequest	150,000	-	150,000
Program revenue	5,981	-	5,981
In-kind donations	82,447	-	82,447
Total revenue	345,603	-	345,603
Expenses			
Program services	176,514	-	176,514
Management and general	26,759	-	26,759
Fundraising	31,629	-	31,629
Total expenses	234,902	-	234,902
Change in net assets	110,701	-	110,701
Net assets at beginning of year	75,677	-	75,677
Net assets at end of year	\$ 186,378	\$ -	\$ 186,378

The accompanying notes are an integral part of these financial statements

OPERATION WARD 57

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STATEMENT OF CASH FLOWS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2015

Change in net assets	\$	110,701
Depreciation		5,962
Changes in operating assets and liabilities:		
(Increase) decrease in inventory		5,822
Increase (decrease) in accrued expense		232
		<hr/>
Net cash provided/(used) by operating activities		122,717
		<hr/>
Changes in investing assets and liabilities:		
Acquisition of equipment		(1,854)
		<hr/>
Net cash provided/(used) by investing activities		(1,854)
		<hr/>
Net increase (decrease) in cash		120,863
Cash, at beginning of period		7,944
		<hr/>
Cash, at end of period	\$	<u>128,807</u>

SUPPLEMENTAL DISCLOSURE

Cash paid for:

Interest	\$	-
Income taxes	\$	-

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR END DECEMBER 31, 2015

**NOTE 1. ORGANIZATION**

The mission of Operation Ward 57 is to support wounded, injured and ill service members, veterans, their caregivers and those that aid in their recovery by providing assistance and outreach in their recovery; comfort and morale; and through advocacy, education and promotion of their circumstances.

The longstanding wars in Iraq and Afghanistan have created an unprecedented number of severely wounded American Service Members. Ward 57 was the Amputee Ward at Walter Reed Army Medical Center; now Deck 4 at Walter Reed National Military Medical center in Bethesda, Maryland. This hospital ward sees some of the most critically wounded service members at a transformational time in their lives. Operation Ward 57 directly serves those recovering at Walter Reed and provides services nationwide to all military branches including members that are still active duty, retired or Veterans of OIF/OEF/OND. Caregivers and some medical staff also qualify for services. Programs include comfort, hygiene & morale items, patient visits in the hospital, children & family room supplies, holiday cheer events, small emergency grants, case management, wounded hero mentorship, morale boosting events and more.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Accounting

Financial transactions are recorded on the cash basis of accounting whereby revenues and the related assets are recognized when received rather than when the obligation is incurred. Similarly, expenses are recognized when paid, rather than when the liability is incurred. This is a comprehensive basis of accounting other than generally accepted accounting principles.

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. These classes of net assets are further described as follows:

*Unrestricted Net Assets* – Support received without donor restriction is considered unrestricted.

*Temporarily Restricted Net Assets* – Support received subject to donor-imposed time restrictions or stipulations for a particular purpose is considered temporarily restricted. When donor time restrictions expire or when donor program restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR END DECEMBER 31, 2015

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

*Permanently Restricted Net Assets* – Support received in the form of endowment or sustaining funds is considered permanently restricted. The principal of permanently restricted contributions is restricted in perpetuity and the income is utilized for the purposes specified by the donor. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents includes highly liquid investments with an initial maturity of three months or less.

Equipment

It is the capitalization policy of the Organization to expense purchases of equipment under \$750. Equipment is recorded at cost and depreciated on a straight-line basis over ten years. Depreciation expense during the year ended December 31, 2015 was \$5,962.

In-Kind Contributions of Good and Services

The Organization recognizes contribution revenue for goods received at the fair value of these goods at the date of the donation. These activities are reported with the program expenses.

Volunteers have made significant contributions of time to the Organization's program, fundraising, and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services under accounting principles generally accepted in the United States of America, and, accordingly, is not reflected in the accompanying financial statements.

Advertising Costs

Advertising costs to promote the Organization totaled \$66,208, including \$59,100 of in-kind advertising. Such costs are expensed as incurred and are allocated between program, management, and fundraising expenses in the statement of activities.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for federal income taxes has been made in the accompanying financial statements. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR END DECEMBER 31, 2015

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):**

Income Tax Status (continued)

The Organization files information and tax returns in the U.S. federal jurisdiction, and state and local jurisdictions. The Organization is subjected to U.S. federal, state and local examinations by tax authorities for the current year and certain prior years based on applicable laws and regulations.

Functional Allocation of Expenses

Expenses are classified in the accompanying financial statements according to whether they relate to program services, management and general, or fundraising. Expenses have been allocated among these classifications on the basis of estimates made by the Organization's management.

Use of Estimates

The preparation of financial statements in conformity the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Inventory

Inventory is stated at the lower of cost or market determined by the first-in, first-out method.

**NOTE 3. CONCENTRATIONS**

100% of bequest revenue was from one estate during the year ended December 31, 2015.

**NOTE 4. UNINSURED CASH BALANCES**

The Organization may have amounts deposited with financial institutions in excess of federally insured limits during the year. At December 31, 2015, this limit was not exceeded.

**NOTE 5. SUBSEQUENT EVENTS**

Management of the Organization has evaluated events and transactions occurring through the date these financial statements were available to be issued on January 28, 2017.