

**WOUNDED WARRIOR PROJECT, INC.**  
(A NOT-FOR-PROFIT ORGANIZATION)

FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2011

**WOUNDED WARRIOR PROJECT, INC.**

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**LBA CERTIFIED PUBLIC ACCOUNTANTS, PA**

**Report of Independent Certified Public Accountants**

To the Board of Directors of  
Wounded Warrior Project, Inc.  
Jacksonville, Florida

We have audited the accompanying statement of financial position of Wounded Warrior Project, Inc., (a not-for-profit organization) (the "Organization") as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*LBA Certified Public Accountants, P.A.*

January 13, 2012

**THE LBA GROUP**

**WOUNDED WARRIOR PROJECT, INC.**  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2011

**Assets:**

Current assets:

Cash	\$ 4,066,055
Investments	21,205,712
Contributions receivable, net	2,803,056
Inventory	920,884
Prepaid expenses	<u>301,869</u>

Total current assets 29,297,576

Furniture and equipment, net 6,539,321

Deposits 555,692

Total assets \$ 36,392,589

**Liabilities:**

Current liabilities:

Accounts payable	\$ 4,748,314
Accrued expenses	<u>1,286,831</u>

Total current liabilities 6,035,145

**Net assets:**

Unrestricted	29,311,125
Temporarily restricted	46,319
Permanently restricted	<u>1,000,000</u>

Total net assets 30,357,444

Total liabilities and net assets \$ 36,392,589

*See accompanying notes to financial statements.*

**WOUNDED WARRIOR PROJECT, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
<b>Revenue and support:</b>				
Contributions	\$ 67,721,373	\$ -	\$ -	\$ 67,721,373
In-kind contributions	55,325,697	-	-	55,325,697
Interest income and dividends, net of investment fees	559,441	26,960	-	586,401
Net realized and unrealized loss on investments	(277,044)	(37,941)	-	(314,985)
Miscellaneous income, net	550,859	-	-	550,859
Total revenue and support	<u>123,880,326</u>	<u>(10,981)</u>	<u>-</u>	<u>123,869,345</u>
Net assets released from restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
<b>Expenses:</b>				
Program services	89,466,336	-	-	89,466,336
Supporting services:				
Management and general	4,727,106	-	-	4,727,106
Fundraising	13,883,984	-	-	13,883,984
Total expenses	<u>108,077,426</u>	<u>-</u>	<u>-</u>	<u>108,077,426</u>
Change in net assets	15,852,900	(60,981)	-	15,791,919
Net assets, beginning of year	<u>13,458,225</u>	<u>107,300</u>	<u>1,000,000</u>	<u>14,565,525</u>
Net assets, end of year	<u>\$ 29,311,125</u>	<u>\$ 46,319</u>	<u>\$ 1,000,000</u>	<u>\$ 30,357,444</u>

*See accompanying notes to financial statements.*

**WOUNDED WARRIOR PROJECT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Program Services								
	Benefits Service	Alumni Association	International Support	Peer Mentoring	Combat Stress Recovery	WWP Packs	Physical Health and Rehabilitation	Soldier Ride	Family Support Services
Media ad value	\$ 2,498,528	\$ 8,335,159	\$ 415,691	\$ 416,734	\$ 8,316,593	\$ 835,436	\$ 2,913,606	\$ 8,322,356	\$ 4,992,218
Salaries	1,259,307	2,046,616	180,807	282,469	899,779	225,325	573,595	543,261	603,808
Consulting and outside services	359,538	1,199,402	66,527	72,594	719,540	120,165	268,208	757,515	399,719
Advertising	520,918	1,737,760	86,684	86,899	1,733,841	174,186	607,509	1,736,209	1,040,770
Postage and shipping	155,078	502,781	74,243	31,832	466,965	112,210	214,148	590,683	275,739
Direct mail	130,842	442,007	21,885	22,873	455,964	43,984	203,092	581,245	268,144
Meetings and events	78,457	2,227,349	213,252	57,207	360,699	20,316	144,823	901,759	420,726
Travel	285,163	596,378	57,396	53,711	205,477	38,026	171,890	405,178	175,486
Payroll tax and benefits	341,528	590,721	37,299	62,259	224,464	58,312	156,329	163,359	142,514
Grants	29,978	200,360	570,496	17,418	64,889	19,985	1,213,586	107,128	100,946
Promotional items	42,822	263,435	844,985	9,467	64,135	1,020,926	80,400	226,140	33,099
Occupancy	58,917	138,638	34,808	25,385	50,904	26,572	40,969	34,689	32,509
Depreciation	66,019	157,581	34,657	30,010	57,369	29,760	46,015	44,554	36,615
Office equipment and services	43,520	103,333	22,876	18,751	37,602	19,771	33,010	189,875	24,013
Telephone	39,546	92,984	22,054	17,039	34,168	17,835	27,499	24,663	21,820
Miscellaneous	14,014	41,104	6,670	5,515	14,065	5,895	9,894	11,040	10,613
Supplies	38,471	127,948	16,483	5,651	17,922	83,830	8,823	41,641	10,883
Organizational membership fees	1,044	466,816	292	245	975	279	1,450	888	615
Printing	21,950	51,524	11,512	9,493	18,982	9,885	15,242	12,914	12,141
Professional fees	-	-	-	-	-	-	-	-	57,324
Insurance	7,263	16,297	12,708	3,799	6,434	3,925	5,410	3,591	4,538
Education and development	7,650	14,425	27,151	1,394	7,100	1,535	3,848	3,753	3,259
Utilities	4,104	9,651	2,157	1,768	3,546	1,851	2,854	2,417	2,265
Books and subscriptions	11,366	5,373	814	684	8,936	1,325	1,582	2,647	7,130
Bank service charges	-	-	-	-	-	-	-	-	-
	<u>\$ 6,016,023</u>	<u>\$ 19,367,642</u>	<u>\$ 2,761,447</u>	<u>\$ 1,233,197</u>	<u>\$ 13,770,349</u>	<u>\$ 2,871,334</u>	<u>\$ 6,743,782</u>	<u>\$ 14,707,505</u>	<u>\$ 8,676,894</u>

**WOUNDED WARRIOR PROJECT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Program Services					Supporting Services			Total All Funds
	Warriors to Work	Transition Training Academy	TRACK	Campus Services	Warriors Speak	Total Program Services	Management and General	Fundraising	
Media ad value	\$ 2,082,098	\$ 418,530	\$ 1,251,775	\$ 415,944	\$ 415,690	\$ 41,630,358	\$ -	\$ -	\$ 41,630,358
Salaries	627,071	397,880	747,844	232,007	249,437	8,869,206	1,174,476	1,460,982	11,504,664
Consulting and outside services	259,752	276,655	395,578	58,611	594,525	5,548,329	642,943	2,708,207	8,899,479
Advertising	434,089	87,283	261,006	86,725	86,673	8,680,552	-	82,428	8,762,980
Postage and shipping	121,185	38,283	86,330	27,182	28,027	2,724,686	137,957	3,439,590	6,302,233
Direct mail	109,134	27,914	68,432	21,881	21,885	2,419,282	-	3,449,578	5,868,860
Meetings and events	51,571	19,734	78,110	29,939	37,021	4,640,963	148,196	678,719	5,467,878
Travel	100,074	71,956	124,577	35,432	256,833	2,577,577	222,065	338,506	3,138,148
Payroll tax and benefits	163,652	110,133	196,269	49,543	70,566	2,366,948	298,249	393,224	3,058,421
Grants	27,465	17,460	645,425	17,399	2,496	3,035,031	-	-	3,035,031
Promotional items	19,046	9,487	37,764	6,784	8,374	2,666,864	53,832	188,012	2,908,708
Occupancy	39,073	28,537	272,893	16,058	16,147	816,099	389,717	143,999	1,349,815
Depreciation	43,805	31,943	59,550	17,980	18,081	673,939	435,870	164,351	1,274,160
Office equipment and services	28,862	188,026	57,106	11,861	11,928	790,534	292,190	106,369	1,189,093
Telephone	26,227	19,154	35,700	10,778	10,838	400,305	261,585	96,655	758,545
Miscellaneous	9,028	6,202	12,044	3,542	3,541	153,167	53,160	459,342	665,669
Supplies	10,545	6,642	46,113	2,874	10,759	428,585	60,373	66,577	555,535
Organizational membership fees	940	307	566	194	164	474,775	3,379	3,841	481,995
Printing	14,534	10,615	19,779	5,976	6,003	220,550	144,860	53,643	419,053
Professional fees	-	-	-	-	-	57,324	308,629	-	365,953
Insurance	5,214	4,126	6,672	2,835	1,666	84,478	40,211	14,858	139,547
Education and development	3,174	2,825	10,605	1,074	890	88,683	19,500	16,112	124,295
Utilities	2,722	1,988	30,169	1,119	1,125	67,736	27,150	10,032	104,918
Books and subscriptions	1,320	4,597	3,535	460	596	50,365	9,313	8,959	68,637
Bank service charges	-	-	-	-	-	-	3,451	-	3,451
	<u>\$ 4,180,581</u>	<u>\$ 1,780,277</u>	<u>\$ 4,447,842</u>	<u>\$ 1,056,198</u>	<u>\$ 1,853,265</u>	<u>\$ 89,466,336</u>	<u>\$ 4,727,106</u>	<u>\$ 13,883,984</u>	<u>\$ 108,077,426</u>

*See accompanying notes to financial statements.*

**WOUNDED WARRIOR PROJECT, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2011**

**Cash flows from operating activities:**

Change in net assets	\$ 15,791,919
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	1,274,160
Net realized and unrealized loss on investments	314,985
Other	141,283
Net changes in:	
Contributions receivable, net	(2,443,436)
Inventory	(743,558)
Prepaid expenses	(140,562)
Deposits	(410,308)
Accounts payable	2,897,516
Accrued expenses	365,843
Net cash provided by operating activities	17,047,842

**Cash flows from investing activities:**

Purchases of furniture and equipment	(6,507,654)
Purchases of investments	(35,377,459)
Proceeds from sale of investments	24,315,364
Net cash used in investing activities	(17,569,749)

Net decrease in cash	(521,907)
Cash, beginning	4,587,962
Cash, ending	\$ 4,066,055

*See accompanying notes to financial statements.*



**WOUNDED WARRIOR PROJECT, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011

**1. Nature of the Organization**

Wounded Warrior Project, Inc., (the “Organization”) (formerly WWP, Inc.) is a not-for-profit 501(c)(3) corporation organized February 23, 2005, for the purpose of providing vital programs and services to severely wounded service members and veterans in order to support their transition to civilian life as well-adjusted citizens, both physically and mentally. The mission of the Organization is to Honor and Empower Wounded Warriors. Our purpose is threefold: to raise awareness and enlist the public’s aid for the needs of severely injured service men and women; to help severely injured service members aid and assist each other; and to provide unique, direct programs and services to meet their needs. Our vision is to foster the most successful and well-adjusted generation of wounded warriors in our nation’s history.

Contributions are received primarily through individual donations and sponsorships.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and accompanying notes are representations of the Organization’s management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the financial statements.

Use of 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 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.

Basis of Presentation

In accordance with authoritative guidance, 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* – Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

**WOUNDED WARRIOR PROJECT, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011

**2. Summary of Significant Accounting Policies (Continued)**

Investments

Investments are carried at fair value (see Note 4 for fair value measurements). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are reflected in the statement of activities. Interest and dividends are shown net of applicable investment fees that amounted to \$42,179 for the year ended September 30, 2011.

Endowment Investment and Spending Policies

The Organization follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of donor-restricted endowment funds to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA.

The Board of Directors has determined that the majority of the Organization's contributions are subject to the terms of its governing documents. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the Organization.

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a supplementary source of funding for operations, infrastructure redevelopment, and other capital projects for the benefit of the Organization and the programs it supports, while seeking to maintain the purchasing power of these endowment assets over the long-term. The Organization's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified and prudent asset allocation to achieve its long-term return objectives while maintaining portfolio stability and preserving capital.

Contributions Receivable

Contributions receivable are all due within one year. Management evaluates total contributions receivable, and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts at September 30, 2011, was \$80,197.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory consists of undistributed backpacks, transition care packs, and promotional items.

**WOUNDED WARRIOR PROJECT, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011

**2. Summary of Significant Accounting Policies (Continued)**

Furniture and Equipment

Furniture and equipment are recorded at cost, or if donated, at their estimated fair market value. Donations of property and equipment are recorded as contributions at their estimated fair market value. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or otherwise disposed of, the assets and related accumulated depreciation accounts are eliminated, and any gain or loss is included in operations.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are depreciated over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the depreciation period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonably assured), generally three to seven years. Asset lives for financial statement reporting of depreciation are:

Furniture and fixtures	8 years
Computers	3 years
Program equipment	3 years
Vehicles	7 years
Website and software	3 years

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. 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 assets are reclassified to unrestricted net assets.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation.

Contribution of Services

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization. No amounts have been reflected in the statements for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills. When professional services are provided, in-kind values are recorded as contributions.

**WOUNDED WARRIOR PROJECT, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011

**2. Summary of Significant Accounting Policies (Continued)**

Income Taxes

The Organization has received a tax determination letter from the Internal Revenue Service and is exempt from federal and state income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. As such, only unrelated business income is subject to income tax. The Organization is not classified as a private foundation.

The Organization follows authoritative guidance which requires the Organization to evaluate its tax positions for any uncertainties based on the technical merits of the position taken. The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities.

Advertising

Advertising is expensed as incurred. For the year ended September 30, 2011, advertising expense was \$50,393,338. Of this amount, \$41,630,358 was donated in-kind contributions of public service announcements, \$8,411,122 was donated in-kind advertising for public awareness campaigns, and \$351,858 was actual advertising costs incurred.

Concentration of Credit Risk

The Organization places its temporary cash investments with FDIC insured financial institutions. At times, the account balances may exceed the FDIC insured limits. The Organization does not believe it is exposed to any significant credit risk with respect to cash.

Functional Expense Allocation

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefitted based on how employees spent their time and purpose of services.

Subsequent Events

The Organization has evaluated events through the date of the report of independent certified public accountants, the date the financial statements were available to be issued.

**3. Investments**

Investments are managed under a diversified investment strategy. Investments are comprised of the following at September 30, 2011:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$ 4,409,272	\$ 4,476,983
Common stocks	4,003,149	3,722,793
Fixed income securities	<u>12,642,233</u>	<u>13,005,936</u>
Total investments	<u>\$ 21,054,654</u>	<u>\$ 21,205,712</u>

**WOUNDED WARRIOR PROJECT, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011

**4. Fair Value Measurements**

Authoritative guidance provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at September 30, 2011. Following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds:* Valued at the net asset value of the units reported on the active market on which the individual investments are traded.

*Common stocks:* Valued at the closing price reported on the active market on which the individual investments are traded.

*Fixed income securities:* Valued using matrix pricing. Matrix pricing is a mathematical technique used without relying exclusively on quoted prices for the specific investments, but rather on the investments' relationship to other benchmark quoted investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**WOUNDED WARRIOR PROJECT, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011

**4. Fair Value Measurements (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at September 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Bond Funds	\$ 3,211,277	\$ -	\$ -	\$ 3,211,277
Money market funds	<u>1,265,706</u>	<u>-</u>	<u>-</u>	<u>1,265,706</u>
Total mutual funds	<u>4,476,983</u>	<u>-</u>	<u>-</u>	<u>4,476,983</u>
Common stocks:				
Consumer discretionary	485,817	-	-	485,817
Consumer staples	500,254	-	-	500,254
Energy	329,883	-	-	329,883
Financials	394,036	-	-	394,036
Healthcare	537,314	-	-	537,314
Industrials	366,547	-	-	366,547
IT	684,973	-	-	684,973
Materials	175,103	-	-	175,103
Telecommunications	129,073	-	-	129,073
Utilities	<u>119,793</u>	<u>-</u>	<u>-</u>	<u>119,793</u>
Total common stocks	<u>3,722,793</u>	<u>-</u>	<u>-</u>	<u>3,722,793</u>
Fixed income securities:				
US Treasury notes & bonds	-	4,781,475	-	4,781,475
Mortgage backed securities	-	5,796,224	-	5,796,224
Corporate debentures	<u>-</u>	<u>2,428,237</u>	<u>-</u>	<u>2,428,237</u>
Total fixed income securities	<u>-</u>	<u>13,005,936</u>	<u>-</u>	<u>13,005,936</u>
Total assets at fair value	<u>\$ 8,199,776</u>	<u>\$ 13,005,936</u>	<u>\$ -</u>	<u>\$ 21,205,712</u>

**5. Endowment Net Assets**

As of September 30, 2011, the Organization has one donor restricted endowment, which is classified as permanently restricted. Under the terms of the governing documents related to this endowment, investment income and gains and losses are to be added to the balance of the endowment. Annually, up to five percent of the fair value of the endowment may be appropriated for expenditure. However, appropriations may not reduce the fair value of the assets to an amount less than the original endowment of \$1,000,000. Changes in endowment net assets for the year ended September 30, 2011 were as follows:

Endowment net assets, beginning of year	\$ 1,107,300
Interest income and dividends	34,849
Investment fees	(7,889)
Net realized and unrealized losses	(37,941)
Amounts appropriated for expenditure	<u>(50,000)</u>
Endowment net assets, end of year	<u>\$ 1,046,319</u>

**WOUNDED WARRIOR PROJECT, INC.**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2011

**5. Endowment Net Assets (Continued)**

The endowment net assets are reflected as follows on the statement of financial position at September 30, 2011:

Permanently restricted	\$ 1,000,000
Temporarily restricted	<u>46,319</u>
Endowment net assets, end of year	<u>\$ 1,046,319</u>

**6. Furniture and Equipment**

Furniture and equipment consisted of the following at September 30, 2011:

Furniture	\$ 3,413,654
Equipment	1,114,669
Vehicles	325,036
Leasehold improvements	3,373,968
Website	353,083
Construction in process	<u>717,885</u>
Total furniture and equipment	9,298,295
Less: accumulated depreciation	<u>(2,758,974)</u>
Furniture and equipment, net	<u>\$ 6,539,321</u>

**7. Operating Leases**

The Organization leases office space, storage space, and office equipment under non-cancelable operating leases expiring in various years through 2022. Total rent expense on operating leases for the year ended September 30, 2011 was \$1,435,726.

Future minimum lease payments for operating leases with an initial or remaining lease term of twelve months or more at September 30, 2011 are as follows:

2012	\$ 1,335,107
2013	1,171,980
2014	1,112,651
2015	1,065,955
2016	847,458
Thereafter	<u>3,724,267</u>
	<u>\$ 9,257,418</u>

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**8. Contributions In-Kind**

During the year ended September 30, 2011, the Organization received the following non-cash contributions:

Media ad value	\$ 41,630,358
Advertising	8,411,122
Equipment	1,552,190
Events and tickets	1,278,172
Memberships	487,436
Backpack items	439,950
Supplies	436,184
Donated services	278,632
Promotional items	255,347
Other	223,102
Scholarships	168,000
Investments	<u>165,204</u>
Total	<u>\$ 55,325,697</u>

**9. Allocation of Joint Costs**

The Organization conducted fundraising activities during the current year that included requests for contributions and program components. Those activities included direct mail, online and direct response campaigns. The cost of conducting these activities included a total of \$12,282,672 of joint costs for the year ended September 30, 2011. Of these costs, \$7,422,046 was allocated to program services and \$4,860,626 was allocated to fundraising costs.

**10. Retirement Plan**

The Organization has a 401(k) plan in which the Organization may match up to four percent of a participant's eligible compensation. Eligible employees are entitled to become participants of the plan as soon as administratively feasible. For the year ended September 30, 2011, the Organization incurred \$222,427 in matching contributions.



