

Consolidated Financial Statements  
and Report of Independent Certified Public  
Accountants

**Wounded Warrior Project, Inc. and Subsidiary**

For the Year Ended September 30, 2014

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## Report of Independent Certified Public Accountants

To the Board of Directors of  
Wounded Warrior Project, Inc. and Subsidiary

### Report on the financial statements

We have audited the accompanying consolidated financial statements of Wounded Warrior Project, Inc. and Subsidiary (collectively the “Organization”), which comprise the consolidated statement of financial position as of September 30, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

### Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the consolidated 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 Organization’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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wounded Warrior Project, Inc. and Subsidiary as of September 30, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Atlanta, Georgia  
March 14, 2015

# Consolidated statement of financial position

September 30	2014
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 22,881,124
Investments	249,826,790
Contributions receivable, net	3,058,239
Inventory	3,044,267
Prepaid expenses	11,251,743
Total current assets	290,062,163
Property and equipment, net	14,777,379
Security deposits	1,503,258
Beneficial interest in trust	822,570
Total assets	\$ 307,165,370
<b>Liabilities and net assets</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 16,601,389
Accrued expenses	4,793,436
Total current liabilities	21,394,825
<b>Net assets:</b>	
Unrestricted	283,645,564
Temporarily restricted	1,124,981
Permanently restricted	1,000,000
Total net assets	285,770,545
Total liabilities and net assets	\$ 307,165,370

The accompanying notes are an integral part of this consolidated financial statement.

# Consolidated statement of activities

For the year ended September 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and support:</b>				
Contributions	\$ 315,322,774	\$ 20,508	\$ -	\$ 315,343,282
In-kind contributions	88,845,092	-	-	88,845,092
Interest and dividend income, net of investment fees	4,195,574	30,821	-	4,226,395
Net realized and unrealized gain on investments	1,500,064	89,278	-	1,589,342
Miscellaneous income, net	548,015	-	-	548,015
Net assets released from restrictions	132,535	(132,535)	-	-
Total revenue and support	410,544,054	8,072	-	410,552,126
<b>Program expenses:</b>				
Total program expenses	242,145,985	-	-	242,145,985
<b>Supporting expenses:</b>				
Management and general	14,569,658	-	-	14,569,658
Fund-raising expenses	43,563,958	-	-	43,563,958
Total supporting expenses	58,133,616	-	-	58,133,616
Total expenses	300,279,601	-	-	300,279,601
<b>Changes in net assets</b>	110,264,453	8,072	-	110,272,525
<b>Net assets, beginning of year</b>	173,381,111	1,116,909	1,000,000	175,498,020
<b>Net assets, end of year</b>	\$ 283,645,564	\$ 1,124,981	\$ 1,000,000	\$ 285,770,545

The accompanying notes are an integral part of this consolidated financial statement.

# Consolidated statement of functional expenses

For the year ended September 30, 2014	Alumni Association	Family Support Services	Benefit Services	International Services	WWP Packs	Peer Support	Physical Health & Wellness	Soldier Ride	Combat Stress Recovery	Independence Program
Media Ad Value - Donated	\$ 13,485,538	\$ 2,449,389	\$ 3,893,273	\$ 2,137,966	\$ 486,372	\$ 1,687,219	\$ 6,025,606	\$ 5,853,895	\$ 10,522,439	\$ 12,674,420
Consulting and Outside Services	6,255,338	1,396,798	1,857,574	2,541,730	426,594	781,269	4,876,178	3,952,752	6,253,084	4,104,642
Compensation (Salaries, taxes, and benefits)	7,310,137	1,178,435	3,981,124	745,631	214,587	1,354,531	2,663,086	2,226,967	5,869,845	545,342
Meetings and Events	10,109,815	1,318,675	512,374	455,929	41,811	720,887	3,445,397	2,717,673	3,327,533	149,762
Postage and Shipping	1,391,087	661,479	882,779	281,425	241,483	378,908	1,452,312	2,041,012	2,550,120	15,924
Direct Mail	943,699	471,850	660,590	188,740	188,740	283,110	1,132,439	1,604,289	1,981,769	-
Advertising - Purchased	27,152	13,576	19,006	5,430	5,430	8,146	32,582	46,158	57,019	-
Advertising - Donated Public Awareness	1,929,827	350,516	557,141	305,950	69,602	241,447	862,285	837,713	1,505,797	1,813,752
Grants	4,695,691	651,233	487,528	236,919	7,986	162,952	644,108	85,089	4,670,046	217,739
Program Travel	1,513,324	197,460	701,584	164,462	31,759	242,240	603,593	527,453	1,119,638	92,060
Occupancy / Rent	593,664	113,869	298,396	139,915	30,532	129,045	207,463	218,650	410,653	77,919
Promotional Items	2,210,807	188,494	127,099	715,660	328,071	68,476	363,133	819,435	458,708	16,027
Miscellaneous	37,277	2,841	6,280	2,777	674	3,572	8,182	30,620	16,304	1,175
Professional Fees	-	-	-	-	-	97	-	-	-	-
Office Equipment and Services	263,076	49,024	128,470	44,093	10,537	55,554	89,695	804,770	176,800	33,547
Depreciation	498,971	95,671	250,572	63,310	20,630	110,367	174,568	232,600	345,419	65,295
Telephone	289,663	55,559	145,595	53,023	11,942	62,959	101,226	106,685	200,368	38,019
Warrior Assistance and Support	499,436	7,548	18,653	9,915	350	6,240	17,170	12,373	109,484	13,427
Supplies	499,407	19,496	53,257	64,338	4,007	31,239	82,786	186,790	160,923	10,991
Education and Development	113,671	20,227	58,125	11,831	4,581	28,955	59,897	46,057	92,146	13,660
Printing	56,288	11,538	28,760	7,733	3,159	9,053	26,516	31,159	53,393	3,287
Insurance	51,922	12,188	27,469	22,532	2,027	13,444	19,939	22,738	36,766	9,210
Membership Fees	490,021	1,120	2,727	689	262	1,177	4,859	2,649	4,417	663
Books and Subscriptions	44,694	10,653	23,152	4,430	1,572	8,216	21,852	15,382	39,277	4,420
Utilities	17,934	3,440	9,014	2,280	739	3,898	6,267	6,605	12,406	2,354
Bank Service Charge	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 53,328,439</b>	<b>\$ 9,281,079</b>	<b>\$ 14,730,542</b>	<b>\$ 8,206,708</b>	<b>\$ 2,133,447</b>	<b>\$ 6,393,001</b>	<b>\$ 22,921,139</b>	<b>\$ 22,429,514</b>	<b>\$ 39,974,354</b>	<b>\$ 19,903,635</b>

The accompanying notes are an integral part of this consolidated financial statement.

## Consolidated statement of functional expenses (cont'd)

For the year ended September 30, 2014	TRACK	Transitional Training Academy	Warriors to Work	Education Services	WWP Talk	Warriors Speak	Total Program Services	Management and General	Fundraising	Total Support Services	Total All
Media Ad Value - Donated	\$ 2,847,448	\$ 2,338,079	\$ 3,460,390	\$ 1,195,078	\$ 655,260	\$ 786,834	\$ 70,499,206	\$ -	\$ -	\$ -	\$ 70,499,206
Consulting and Outside Services	1,990,257	1,330,211	1,981,097	518,939	582,849	137,875	38,987,187	2,245,998	14,769,623	17,015,621	56,002,808
Compensation (Salaries, taxes, and benefits)	1,405,693	1,940,063	3,050,246	592,786	658,308	1,094,238	34,831,019	2,753,855	2,633,240	5,387,095	40,218,114
Meetings and Events	375,491	227,365	551,454	278,893	75,078	84,201	24,392,338	491,039	1,170,986	1,662,025	26,054,363
Postage and Shipping	962,771	623,706	754,955	250,807	17,709	21,186	12,527,663	197,930	10,395,674	10,593,604	23,121,267
Direct Mail	754,959	471,850	566,220	188,740	-	-	9,436,995	-	8,323,070	8,323,070	17,760,065
Advertising - Purchased	21,721	13,576	16,291	5,432	-	-	271,519	-	239,469	239,469	510,988
Advertising - Donated Public Awareness	407,480	334,587	495,194	171,020	93,770	112,599	10,088,680	-	122,787	122,787	10,211,467
Grants	852,136	196,892	280,745	898,438	17,208	-	14,104,710	4,991	-	4,991	14,109,701
Program Travel	225,638	264,116	520,563	97,801	71,650	378,849	6,752,190	334,332	406,133	740,465	7,492,655
Occupancy / Rent	495,635	174,073	238,815	79,001	86,345	98,021	3,391,996	970,161	317,420	1,287,581	4,679,577
Promotional Items	89,532	74,219	170,173	27,297	21,473	28,272	5,706,876	294,172	483,808	777,980	6,484,856
Miscellaneous	11,524	5,206	64,174	1,426	1,581	1,440	195,053	47,972	3,706,371	3,754,343	3,949,396
Professional Fees	-	-	-	-	-	-	97	4,202,159	-	4,202,159	4,202,256
Office Equipment and Services	52,277	400,521	102,840	34,013	37,174	42,201	2,324,592	1,268,965	136,660	1,405,625	3,730,217
Depreciation	99,884	152,171	200,489	66,282	73,119	82,045	2,531,393	812,029	272,078	1,084,107	3,615,500
Telephone	57,881	84,934	116,524	38,546	42,130	47,827	1,452,881	473,365	154,877	628,242	2,081,123
Warrior Assistance and Support	27,048	14,499	204,153	5,521	911	3,849	950,577	5,715	5,805	11,520	962,097
Supplies	64,775	96,106	167,161	24,436	12,097	33,981	1,511,790	120,244	196,370	316,614	1,828,404
Education and Development	39,215	45,990	64,342	19,325	12,833	25,379	656,234	141,935	65,917	207,852	864,086
Printing	14,875	16,507	43,974	5,619	2,609	4,634	319,104	28,776	104,120	132,896	452,000
Insurance	12,582	17,173	22,535	9,264	9,908	8,118	297,815	80,344	26,287	106,631	404,446
Membership Fees	1,233	1,611	3,010	742	734	2,010	517,924	8,114	3,341	11,455	529,379
Books and Subscriptions	14,345	48,630	22,584	8,451	4,893	5,718	278,269	54,374	19,934	74,308	352,577
Utilities	31,251	8,519	7,214	2,387	2,608	2,961	119,877	29,308	9,589	38,897	158,774
Bank Service Charge	-	-	-	-	-	-	-	3,880	399	4,279	4,279
<b>Total expenses</b>	<b>\$ 10,855,651</b>	<b>\$ 8,880,604</b>	<b>\$ 13,105,143</b>	<b>\$ 4,520,244</b>	<b>\$ 2,480,247</b>	<b>\$ 3,002,238</b>	<b>\$ 242,145,985</b>	<b>\$ 14,569,658</b>	<b>\$ 43,563,958</b>	<b>\$ 58,133,616</b>	<b>\$ 300,279,601</b>

The accompanying notes are an integral part of this consolidated financial statement.



# Consolidated statement of cash flows

<b>For the year ended September 30</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>	
Changes in net assets	\$ 110,272,525
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	3,615,500
Loss on disposal of property and equipment	24,400
Contributed furniture and equipment	(1,851,733)
Net realized and unrealized gain on investments	(1,589,342)
Change in value of beneficial interest in trust	(20,508)
Change in allowance for doubtful accounts	(321,534)
Change in operating assets and liabilities:	
Contributions receivable	(84,756)
Inventory	(656,481)
Prepaid expenses	(3,339,652)
Security deposits	(528,326)
Accounts payable	4,323,725
Accrued expenses	631,116
Net cash provided by operating activities	110,474,934
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	(4,344,875)
Proceeds from disposal of property and equipment	6,083
Proceeds from beneficial interest in trust	72,217
Purchases of investments	(115,018,259)
Proceeds from sales of investments	14,396,087
Net cash used in investing activities	(104,888,747)
Net increase in cash	5,586,187
<b>Cash and cash equivalents, beginning of year</b>	<b>17,294,937</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 22,881,124</b>

The accompanying notes are an integral part of this consolidated financial statement.

# Notes to Consolidated Financial Statements

## **1 Organization**

Wounded Warrior Project, Inc. (“WWP”), 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 WWP is to Honor and Empower Wounded Warriors. WWP’s 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. WWP’s 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.

The consolidated financial statements include Wounded Warrior Project, Inc. and Wounded Warrior Project Long Term Support Trust, (collectively the “Organization”). Wounded Warrior Project Long Term Support Trust (the “Trust”) was established as a supporting organization on September 27, 2013 to carry out and support the general charitable purposes of WWP. The Trust was consolidated in accordance with authoritative guidance due to the fact that WWP has the power to remove the Trustee and appoint a successor Trustee. The Trust is operated, supervised, and controlled by WWP, its supported organization. The Trust is a Type 1 supporting organization. As of September 30, 2014, WWP has transferred \$37,100,000 to the Trust. The Trust accounts are included in the accompanying consolidated financial statements.

The Organization delivers direct program services in the following areas:

### **Alumni Association**

The Alumni Association program offers assistance and communication for Wounded Warriors as they continue life beyond injury. WWP alumni stay engaged and active through WWP programs and events. The alumni association program offers a wide range of activities including educational sessions and sporting and social events that provide individuals a chance to connect with other Wounded Warriors. The Alumni Association program also identifies, trains, and challenges leaders within the Wounded Warrior population to represent their peers in their continued path toward physical health and well-being.

### **Family Support Services**

The Family Support Services program provides support and respite programs for a Wounded Warrior's family members and/or caregiver. When a service member is wounded, the injury places tremendous stress on the individual's family members, many of whom face a new role as full-time caregiver and advocate for the warrior’s recovery. These caregivers are integral to the warrior's successful recovery and, as such, need special programs and services to address their unique concerns and needs.

# Notes to Consolidated Financial Statements (cont.)

## **Benefit Services**

To help warriors make the most of their benefits and successfully transition to life after injury, WWP provides the tools they need to become financially secure. Unlike traditional models of veterans' services, WWP identifies the warrior's individual needs, in addition to providing economic empowerment. The Benefits Services team ensures warriors and their families have information and access to government benefits, as well as WWP's full range of programs and the community resources necessary for successful transition to life after injury.

A key part of this program is support and education for warriors, as well as their family members and caregivers. WWP advises warriors on their benefits, along with information on how to access those services through the Department of Defense (DOD) and Department of Veterans Affairs (VA).

WWP service personnel work closely with each agency so they can walk warriors through every step of the process. When a claim is filed, WWP makes sure it is processed correctly the first time and guides injured service members through this crucial part of their transition.

## **International Services**

Landstuhl Regional Medical Center is one of the first locations warriors are transported to once injured. Most of the time during transport, their belongings are not transported with them. WWP provides comfort items such as jackets, sweatpants, t-shirts, and blankets to warriors before they are flown back to the states. WWP wants to make their stay and travel back to the United States of America as comfortable as possible. For warriors stationed at the warrior transition units in Europe, WWP has multiple programs in place, including Benefits counseling, Transition Training Academy, Soldier Ride and Combat Stress Recovery.

## **WWP Packs**

WWP Packs contain essential care and comfort items including clothing, toiletries, playing cards, and more, all designed to make a warrior's hospital stay more comfortable. Backpacks are provided to wounded service members arriving at military trauma centers across the United States.

Injured warriors overseas who are evacuated from field hospitals to larger military treatment facilities stateside or abroad receive a smaller version of the WWP backpack, known as the Transitional Care Pack (TCP), for immediate comfort.

## **Peer Support**

Peer Support is the programmatic embodiment of WWP's logo, fostering relationships that enable one warrior to help another through the recovery process. The WWP peer support program mentors are trained to be resources, listeners, and "hospital buddies," who can share their understanding and perspective. WWP's goal of Peer Support is for the warrior being mentored to eventually mentor a fellow warrior – embodying the Wounded Warrior Project mission and logo.

# Notes to Consolidated Financial Statements (cont.)

## **Physical Health & Wellness**

Physical Health & Wellness (PH&W) programs are designed to reduce stress, combat depression, and promote an overall healthy and active lifestyle by encouraging participation in fun, educational activities. Physical Health & Wellness has something to offer warriors in every stage of recovery. Four focus areas are Inclusive Sports, Fitness, Nutrition, and Wellness.

## **Soldier Ride**

Soldier Ride provides adaptive cycling opportunities across the country for Wounded Warriors. The rides are typically three to five days long and are geared towards warriors of all abilities. Adaptive and standard cycling equipment is provided to warriors based on the type of injury. In addition to the physical benefit, Soldier Ride helps raise public awareness of the challenges warriors face today through events held throughout the ride. Warriors will have the opportunity to take part in annual events, which will challenge them physically and mentally, from the south lawn of the White House to local communities across the nation.

## **Combat Stress Recovery**

The Combat Stress Recovery Program (“CSRP”) was developed to address the mental health and cognitive needs of returning service members and those that have already made the transition back to civilian life. The CSRP responds to the mental health needs of our warriors by addressing several key issues linked to combat stress, including the stigma attached to mental health, access to care, and interpersonal relationship challenges.

WWP’s approach to meeting mental health needs of warriors is two-fold:

WWP challenges warriors to think about goal-setting and understanding their "new normal." Many warriors begin their journey with Project Odyssey™, an outdoor, rehabilitative retreat that promotes peer connection, challenging outdoor experiences, and healing with other combat veterans.

WWP assists warriors in navigating mental health resources that help process their combat experience. Restore Warriors® is an online tool that teaches warriors more about the invisible wounds of war. Videos of fellow warriors sharing their own experience and strategies, self-assessment tools, and exercises provide valuable insight into readjustment challenges.

# Notes to Consolidated Financial Statements (cont.)

## **Independence Program**

The Independence Program helps warriors live life to the fullest, on their own terms. It is designed for warriors who rely on their families and/or caregivers because of moderate to severe brain injury, spinal-cord injury, or other neurological conditions. In addition, the warrior's cognitive or physical challenges limit their opportunities to access resources and activities in their own community.

The Independence Program is a team effort, bringing together the warrior and his or her full support team while creating an individualized plan for each warrior — focusing on goals that provide a future with purpose at no cost to the warrior and his or her support team. It's designed as a comprehensive long-term partnership intended to adapt to the warrior's ever-changing needs.

The Independence Program provides support and training for involvement in meaningful activities, including social and recreational, wellness, volunteer work, education, and other living skills.

The Long-Term Support Trust provides funds to ensure services including life-skills training, home care, transportation, and residential options remain available to the severely wounded, who upon the loss of their caregiver, is at risk for institutionalization. The goal is to empower each warrior to live as independently as possible, with the highest quality of life and finest, most compassionate care possible.

## **TRACK**

TRACK is the first education center in the nation designed specifically for Wounded Warriors. TRACK is focused on providing college and employment access to Wounded Warriors through its intensive and holistic training experience for the mind, body, and spirit. The 12-month program provides Wounded Warriors a jump-start on meeting their educational goals, while also supporting goals around personal health and wellness, mental health, and career development.

## **Transition Training Academy**

Transition Training Academy ("TTA") provides innovative information technology training to Wounded Warriors who are still on active duty. TTA classes are taught in a modified classroom setting with flexible class schedules to accommodate participants' medical and duty requirements during rehabilitation in military treatment facilities.

## **Warriors to Work**

Warriors to Work is one of the cornerstones of WWP's efforts to achieve its strategic goal of economically empowering Wounded Warriors. This program assists Wounded Warriors with their transition to the workforce. It offers a complete package of employment assistance services including resume assistance, interviewing skills, networking, job training, and job placement. The program staff provides continued individual counseling and personal support to all program participants as they strive to build a career in the civilian workforce.

# Notes to Consolidated Financial Statements (cont.)

## **Education Services**

The Education Services program prepares warriors for success by helping them achieve their educational goals. Wounded Warriors have different needs than typical students because of the institutional and social obstacles they might face due to combat stress, accessibility to learning models, and social instability.

## **WWP Talk**

WWP Talk provides telephonic, emotional support to Wounded Warrior Project Alumni and helps bridge the gap that may prevent participation in other programs. This helpline was created for wounded service members living with PTSD, depression, combat stress, or other mental health conditions. Together, the warrior and WWP Talk teammates develop coping strategies to help the warrior overcome challenges and learn to thrive again despite invisible wounds.

## **Warriors Speak**

The Warriors Speak program is a prestigious group of Wounded Warriors and caregivers who have been selected to share their personal, inspirational stories of courage and integrity with the public. The speakers also describe how WWP has aided them in the recovery process and helped them transition back to civilian life. Participants are trained to become effective spokespersons through the Warriors Speak course, which includes tools to help them organize thoughts, compose presentations, and communicate successfully. The training provides important life skills that help warriors succeed socially, at their workplace, and as community leaders.

## **2 Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Organization is presented to assist in understanding the consolidated financial statements. The consolidated 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 accompanying consolidated financial statements.

### **Basis of Presentation**

The accompanying consolidated financial statements reflect the accounts of Wounded Warrior Project, Inc. and Wounded Warrior Project Long Term Support Trust. All material intercompany accounts and transactions have been eliminated in consolidation.

# Notes to Consolidated Financial Statements (cont.)

## Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## Net Assets

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

In accordance with authoritative guidance, the Organization reports information regarding its consolidated 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. The temporarily restricted net asset balance at September 30, 2014 represents cumulative earnings in accordance with the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) awaiting appropriation, and the time restricted beneficial interest in trust.

*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.

## Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

## 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 which amounted to \$425,085 for the year ended September 30, 2014.

# Notes to Consolidated Financial Statements (cont.)

## Endowment

The State of Florida enacted the FUPMIFA effective July 1, 2012, the provisions of which apply to endowment funds existing on or established after that date. The Organization's permanently restricted net assets meet the definition of endowment funds under FUPMIFA.

The Organization has adopted investment and spending policies, approved by its 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, while seeking to maintain the purchasing power of these endowment assets over the long-term. WWP presently has one permanently restricted endowment, which allows WWP to spend investment proceeds on the TRACK program (see description in note 1 above).

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.

## Beneficial Interest in Trust

As of December 6, 2012, the Organization became the beneficiary of an irrevocable charitable lead annuity trust held by a bank trustee. The beneficial interest in the trust is reported at its fair value, which is based on the scheduled annuity payments. The value of the beneficial interest in the trust is adjusted annually for the change in the fair value as a change in temporarily restricted net assets in the accompanying consolidated statement of activities. Included in the "Net assets, beginning of year" temporarily restricted line item on the consolidated statement of activities is an immaterial amount that was misclassified as unrestricted net assets in the prior year's consolidated financial statement.

## 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 to be remote. The allowance for doubtful accounts totaled \$363,011 as of September 30, 2014.

## Inventory

Inventory is stated at the lower of average cost or market. Inventory consists of undistributed backpacks, transition care packs, clothing, and promotional items.



# Notes to Consolidated Financial Statements

## (cont.)

### Furniture and Equipment

Furniture and equipment with values of \$10,000 or more and a useful life longer than one year are recorded at cost, or, if donated, at their estimated fair value at date of receipt. Donations of property and equipment are recorded as contributions at their estimated fair 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 the consolidated statement of activities.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Construction in progress is recorded at cost and is transferred to other furniture and equipment accounts when useable or placed in service. Leasehold improvements are recorded at the inception of the lease and are depreciated over the remaining 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 five years. Fixed lives for consolidated financial statement reporting of depreciation are:

### Asset lives

Furniture and fixtures	<b>5 years</b>
Computers and program equipment	<b>3 years</b>
Vehicles	<b>3 years</b>
Website and software	<b>3 years</b>

### 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 are satisfied 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 donor-imposed 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 satisfied 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.

# Notes to Consolidated Financial Statements (cont.)

## 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 consolidated financial 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.

## Advertising

Advertising is expensed as incurred. For the year ended September 30, 2014, advertising expense totaled \$81,221,661. Of this amount, \$70,499,206 was donated in-kind contributions of public service announcements, \$10,211,467 was donated in-kind advertising for public awareness campaigns, and \$510,988 was actual disbursements for advertising costs.

## 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 such cash accounts.

## Functional Expense Allocation

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

## Income Taxes

The Organization has received tax determination letters 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 upon examination by taxing authorities. As of September 30, 2014, the Organization does not believe it has any uncertain tax positions. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed Internal Revenue Service Form 990 tax returns as required and all other applicable returns in those jurisdictions where it is required. The Organization believes that it is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years prior to fiscal 2011. However, the Organization is still open to examination by taxing authorities from fiscal year 2011 forward. No interest or penalties have been recorded in the consolidated financial statements related to any uncertain tax positions.

# Notes to Consolidated Financial Statements

## (cont.)

### Subsequent Events

The Organization has evaluated events through, March 14, 2015, which was the date the consolidated 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, 2014:

	<b>Fair Value</b>
<b>For the year ending September 30:</b>	
Exchange traded funds	\$ 108,945,061
Corporate fixed income	28,463,322
Mutual funds	21,080,293
Government fixed income	23,216,720
Money market funds	57,125,722
Limited partnerships	3,861,852
Common stocks	7,133,820
Total Investments	\$ 249,826,790

The following schedule summarizes investment return for the year ended September 30, 2014:

<b>For the year ending September 30:</b>	
Interest and dividend Income	\$ 4,651,480
Realized and unrealized gain	1,589,342
Investment fees	(425,085)
Total Investment return	\$ 5,815,737

### **4 Fair Value Measurements**

Fair value is defined as the price the Organization would receive to sell an investment or pay to transfer a liability in an orderly transaction with an independent counter-party in the principal market or in the absence of a principal market, the most advantageous market for the investment or liability. 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:

# Notes to Consolidated Financial Statements (cont.)

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. The Level 2 investments include commingled funds since WWP has the ability to redeem the commingled funds at net asset value at its discretion. These investments include positions that are not traded in active markets and / or are subject to transfer restrictions. Valuations may be adjusted to reflect illiquidity and /or non-transferability, which are generally based on available market information.

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. The determination of what constitutes "observable" requires significant judgment by WWP.

There have been no changes in the methodologies used at September 30, 2014 as compared to prior years. The following is a description of the valuation methodologies used for assets measured at fair value:

Exchange Traded Funds: These securities track an index, a commodity or a basket of assets like an index fund, and trade like stock on an exchange. They experience price changes throughout the day as they are bought and sold. Because it trades like a stock, it does not have its net asset value calculated every day like a mutual fund does.

Mutual funds and Money Market 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.

Corporate and Government 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.

Limited Partnerships: Valued using the most current information provided by the general partner and / or the investment manager. These investments are valued using the net asset value as a practical expedient. Valuations are evaluated by management, and management believes such values are reasonable for the year ended September 30, 2014.

Beneficial Interest in Trust: Fair value is derived principally from inputs that are corroborated by observed market data by correlation or other means that the Organization has the ability to access.

# Notes to Consolidated Financial Statements

## (cont.)

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2014:

<b>September 30, 2014</b>	<b>Quoted prices in active markets for identical assets Level 1</b>	<b>Significant other observable inputs Level 2</b>	<b>Significant unobservable inputs Level 3</b>	<b>Total</b>
Exchange traded funds	\$ 108,945,061	\$ -	\$ -	\$ 108,945,061
Corporate fixed income	24,403,609	4,059,713	-	28,463,322
Mutual funds	21,080,293	-	-	21,080,293
Government fixed income	-	23,216,720	-	23,216,720
Money market funds	57,125,722	-	-	57,125,722
Limited partnerships	-	3,861,852	-	3,861,852
Common stocks	7,133,820	-	-	7,133,820
Total investments at fair value	\$ 218,688,505	\$ 31,138,285	\$ -	\$ 249,826,790
Beneficial interest in trust	\$ -	\$ -	\$ 822,570	\$ 822,570

There were no significant transfers between Level 1 and Level 2 assets during the year ended September 30, 2014.

### **Risks and Uncertainties**

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, 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 change could materially affect the amounts reported in the consolidated financial statements. The Organization, in collaboration with its investment advisor, monitors the Organization's investments and the risks associated on a regular basis. The Organization believes this process minimizes risk.

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Organization has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs. Changes in Level 3 assets measured at fair value for the year ended September 30, 2014 are as follows:

# Notes to Consolidated Financial Statements

## (cont.)

For the year ending September 30, 2014	<u>Beginning Balance</u>	<u>Cash received</u>	<u>Net Unrealized Gains</u>	<u>Ending Balance</u>
Beneficial interest in trust	\$ 874,279	\$ (72,217)	\$ 20,508	\$ 822,570

### 5 Endowment Net Assets

As of September 30, 2014, the Organization had one donor restricted endowment, which is classified as permanently restricted. As required by GAAP, net assets associated with endowment funds are classified and reported based on donor-imposed restrictions.

The Organization's Board of Directors interpreted FUPMIFA as requiring the preservation of the original value of any donor-restricted gift, as of the gift date, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is characterized as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for expenditure prescribed by FUPMIFA.

In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- 1) The duration and preservation of the fund;
- 2) The purposes of the Organization and its endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation and deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Organization; and
- 7) The investment policies of the Organization.

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FUPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after newly restricted contributions were received. As of September 30, 2014, there were no such deficiencies of this nature.

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, per donor stipulation, appropriations may not reduce the fair value of the assets to an amount less than the original endowment of \$1,000,000.

# Notes to Consolidated Financial Statements (cont.)

As of September 30, 2014, endowment net assets consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment fund	\$ 302,411	\$ 1,000,000	\$ 1,302,411

Changes in endowment net assets for the year ended September 30, 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 30, 2013	\$ 242,630	\$ 1,000,000	\$ 1,242,630
Endowment investment return:			
Interest and dividend income	30,821	-	30,821
Realized and unrealized gains	89,278	-	89,278
Total endowment investment return	120,099	-	120,099
Appropriation of endowment assets for expenditures	(60,318)	-	(60,318)
<b>Endowment net assets September 30, 2014</b>	<b>\$ 302,411</b>	<b>\$ 1,000,000</b>	<b>\$ 1,302,411</b>

## 6 Furniture and Equipment

Furniture and equipment consists of the following at September 30, 2014:

September 30	2014
Furniture and fixtures	\$ 13,988,442
Leasehold improvements	5,399,073
Computer and program equipment	1,894,707
Construction in process	903,258
Vehicles	1,075,085
Website and software	1,197,836
Gross Property and Equipment	24,458,401
Less: accumulated depreciation	(9,681,022)
Net Property and Equipment	<b>\$ 14,777,379</b>

# Notes to Consolidated Financial Statements

## (cont.)

### 7 Operating Leases

The Organization leases office space, storage space and office equipment under non-cancelable operating leases. The leases provide for increases in scheduled rent, operating expenses, and real estate taxes attributable to the leased property. The leases expire in various years through 2025. At September 30, 2014, WWP recognized a deferred rent liability of \$1,089,439, which is the cumulative difference between the rent expense recognized on the straight-line basis over the term of the lease and the actual rent paid. Total rent expense for the year ended September 30, 2014 totaled \$4,679,577.

Future minimum lease payments for operating leases with an initial or remaining lease term of twelve months or more at September 30, 2014 are as follows:

	<b>Amount</b>
<b>For the year ending September 30:</b>	
2015	\$ 4,618,357
2016	4,719,730
2017	4,710,146
2018	3,919,314
2019	3,126,634
Thereafter	7,282,825
Total	\$ 28,377,006

### 8 Contributions In-Kind

During the year ended September 30, 2014, the Organization received the following non-cash contributions:

	<b>Amount</b>
<b>For the year ending September 30:</b>	
Media ad value	\$ 70,499,206
Advertising	10,211,467
Furniture and equipment	1,851,733
Event tickets	1,626,340
Discounts	1,593,324
Other	3,063,022
Total	\$ 88,845,092



# Notes to Consolidated Financial Statements (cont.)

The Organization's consolidated financial statements include the following contributions in-kind:

## **Media Ad and Advertising**

Media Ad and Advertising includes Public Service Announcements, radio, internet, and newspaper announcements and billboard, magazines, and trucks. The Organization produces and distributes public service television, radio, internet, and newspaper announcements that focus attention on the programs the Organization provides for Wounded Warriors. These public service announcements are distributed to television stations, radio stations, internet, and newspapers nationwide that then provide airtime and print space to deliver announcements to assist the Organization in its mission, free of charge. The Organization receives printed advertising which appears on billboard, magazines, and U-Haul trucks, which serves as a platform to market and brand the mission of the Organization. The Organization has contracted with independent outside agencies to track the date and time that each public service announcement displays and to estimate the fair value of the announcement and printed advertisement based on the date, time, and market. For certain advertising, the Organization internally obtains the estimated fair value of the advertisement based on the length of time, date, and market. For the year ended September 30, 2014, the Organization recorded \$70,499,206 and \$10,211,467 for Media Ad Value and Advertising, respectively.

## **Tangible Property**

Tangible Property includes donations of furniture and equipment, and event tickets.

These items are used to defray costs of operations, or as part of fund-raisers, or are given to Wounded Warrior Veterans. The Organization values these items at fair value as of the date received. For the year ended September 30, 2014, the Organization recorded \$1,851,733 for furniture and equipment, and \$1,626,340 for event tickets.

## **Discounts**

The Organization receives discounts from third-parties for several services, supplies, activities and club memberships purchased or spent by the Organization for Wounded Warriors. The value of these discounts is recorded based on comparison to the fair value of these items. For the year ended September 30, 2014, the Organization recorded \$1,593,324 for discounts received.

## **Other**

The Organization receives other contributions in-kind that represent all other types of in kind donations such as rental of trucks, gala auction items, etc. The other contributions in-kind are valued based on fair value at the date received by the Organization. For the year ended September 30, 2014, the Organization recorded \$3,063,022 for other contributions in-kind.

## **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 television campaigns. The cost of conducting these activities included a total of \$68,514,965 of joint costs for the year ended September 30, 2014. Of these costs, \$40,916,885 was allocated to program services and \$27,598,080 was allocated to fundraising costs.

# Notes to Consolidated Financial Statements (cont.)

## **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, 2014, the Organization incurred \$778,243 in matching contributions, which is included in compensation expense on the accompanying consolidated statement of functional expenses.

## **11 Commitments and Contingencies**

The Organization may be subject to legal actions or claims in the ordinary course of its business. There are no current matters pending which would impact the consolidated financial statements of the Organization.