



TROOPS DIRECT.ORG

TROOPS DIRECT

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2022



TROOPS DIRECT

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Independent Auditors' Report

The Board of Directors
Troops Direct

Opinion

We have audited the accompanying financial statements of Troops Direct (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Troops Direct as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Troops Direct and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Troops Direct's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

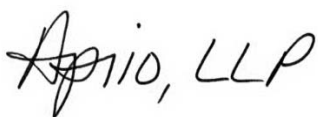
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Troops Direct's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Troops Direct's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is stylized, with the first letter 'A' being particularly large and the letters 'p', 'r', 'i', 'o' following in a cursive-like fashion. The comma and 'LLP' are written more clearly at the end.

San Francisco, California
June 29, 2023

TROOPS DIRECT

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2022

ASSETS

CURRENT:

Cash and cash equivalents	\$ 3,323,795
Prepaid expenses	<u>13,415</u>

TOTAL ASSETS (ALL CURRENT)	<u><u>\$ 3,337,210</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 224,505
Accrued payroll	<u>10,000</u>

TOTAL CURRENT LIABILITIES	<u>234,505</u>
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LONG TERM LIABILITIES

Long term debt, net	2,000,000
Accrued interest	<u>27,500</u>

TOTAL LONG TERM LIABILITIES	<u>2,027,500</u>
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TOTAL LIABILITIES	<u>2,262,005</u>
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NET ASSETS:

Without donor restrictions	<u>1,075,205</u>
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TOTAL NET ASSETS	<u>1,075,205</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,337,210</u></u>
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See notes to financial statements.

TROOPS DIRECT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	<u>Without Donor</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Gifts in kind	\$ 4,787,883	\$ -	\$ 4,787,883
Direct mail contributions	1,292,722	-	1,292,722
General contributions	189,381	-	189,381
PPP loan forgiveness	71,542	-	71,542
List royalty revenue	50,451	-	50,451
Interest income	8,155	-	8,155
Net assets released from restrictions	20,000	(20,000)	-
	<u>6,420,134</u>	<u>(20,000)</u>	<u>6,400,134</u>
TOTAL SUPPORT AND REVENUE BEFORE SPECIAL EVENTS			
	6,420,134	(20,000)	6,400,134
Special event revenue	497,758	-	497,758
Direct benefit to donors	(349,828)	-	(349,828)
	<u>147,930</u>	<u>-</u>	<u>147,930</u>
Special events, net			
	147,930	-	147,930
TOTAL SUPPORT AND REVENUE	<u>6,568,064</u>	<u>(20,000)</u>	<u>6,548,064</u>
EXPENSES:			
Program services	5,546,307	-	5,546,307
Management and general	394,800	-	394,800
Fundraising	834,585	-	834,585
	<u>6,775,692</u>	<u>-</u>	<u>6,775,692</u>
TOTAL EXPENSES			
	6,775,692	-	6,775,692
CHANGE IN NET ASSETS	(207,628)	(20,000)	(227,628)
NET ASSETS, beginning of year	<u>1,282,833</u>	<u>20,000</u>	<u>1,302,833</u>
NET ASSETS, end of year	<u>\$ 1,075,205</u>	<u>\$ -</u>	<u>\$ 1,075,205</u>

See notes to financial statements.

TROOPS DIRECT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services Management and general	Fundraising	Cost of Direct Benefit to Donors	Total
Salaries and related expenses:					
Salaries and wages	\$ 210,405	\$ 127,100	\$ 48,010	\$ -	\$ 385,515
Payroll taxes	16,590	10,022	3,785	-	30,397
Employee benefits	15,341	9,268	3,500	-	28,109
Total salaries and related expenses	242,336	146,390	55,295	-	444,021
Gifts in kind donated to support troops	4,777,383	-	-	-	4,777,383
Direct mail expenses	249,727	2,838	760,936	-	1,013,501
Conferences, conventions and meetings	-	-	-	184,972	184,972
Supplies	5,885	3,555	1,343	153,606	164,389
Shipping costs	131,880	-	-	-	131,880
Supplies purchased and donated to support troops	123,018	-	-	-	123,018
Professional fees	-	109,723	-	11,250	120,973
Travel	-	30,382	-	-	30,382
Interest expense	-	30,359	-	-	30,359
Rent	14,098	8,517	3,217	-	25,832
Information technology	-	25,594	-	-	25,594
Taxes, licenses and fees	-	18,223	-	-	18,223
Advertising	-	-	8,862	-	8,862
Miscellaneous expenses	-	6,665	-	-	6,665
Printing	-	-	4,481	-	4,481
Dues and subscriptions	-	4,320	-	-	4,320
Meals and entertainment	-	3,973	-	-	3,973
Telephone and internet	1,980	1,196	451	-	3,627
Insurance	-	1,482	-	-	1,482
Bank fees	-	967	-	-	967
Depreciation	-	616	-	-	616
	5,546,307	394,800	834,585	349,828	7,125,520
Less amount reported in revenue and support on the statement of activities:					
Cost of direct benefit to donors	-	-	-	(349,828)	(349,828)
TOTAL EXPENSES	\$ 5,546,307	\$ 394,800	\$ 834,585	\$ -	\$ 6,775,692

See notes to financial statements.

TROOPS DIRECT

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (227,628)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	616
Changes in:	
Accounts receivable	18,440
Prepaid expenses	158,731
Deposits and other assets	8,889
Accounts payable	<u>(140,324)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(181,276)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Long term debt acquired	2,027,500
PPP loan forgiven	<u>(71,542)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,955,958</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,774,682
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,549,113</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,323,795</u></u>

See notes to financial statements.

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 1. ORGANIZATION AND NATURE OF ACTIVITIES:

Troops Direct, “the Organization,” was established in 2010 as a California nonprofit corporation. Troops Direct is a 501(c)(3) nonprofit organization which augments the United States military supply chain by providing American forces with any critically needed items which cannot be accessed through conventional government channels.

Troops Direct specializes in medical, operational and tactical equipment support with a focus on increasing mission efficiency and the well-being of our service members. Troops Direct shipments are request-based only with a structure that enables the organization to fulfill any order in real time - delivered to any location on the globe. This is accomplished at no expense to the requesting unit or the taxpayer. Troops Direct does not endorse conflict or the politics that surround it. Troops Direct simply believes in providing for our Americans in an unprecedented manner.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when rights to receive them are earned, or when services have been provided, and expenditures are recorded when an obligation to pay is incurred.

Basis of presentation:

The Organization reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other basis of presentation policies:

Revenues or support are reported as increases in net assets without donor restriction unless subject to donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law.

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions and grants:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as net assets without donor restrictions.

Contributed property and equipment:

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Organization receives gifts-in-kind, such as beverages, protein bars, and military clothing and supplies for use in its programs. The recognition of gifts-in-kind revenue is limited to circumstances in which the Organization takes constructive possession of the gifts-in-kind and the Organization is the recipient of the gift, rather than as an agent or intermediary.

Gifts-in-kind received through donations are valued and recorded as revenue at their fair value at the time the contribution is received. Fair value is based on the marketplace use of the asset, and thus for measurement purposes, the highest and best use of a gift-in-kind takes into account the uses of the asset. Typically, gifts-in-kind have a base utility or use that has future economic benefit or service potential.

The following methods were used for valuing gifts-in-kind:

- Beverages – independent studies were performed to determine the fair market value of the various beverages using level 3 inputs. The studies were based on the type of items received and distributed, weight, and value using websites or other resources due to lack of observable market data.
- Protein bars – an independent study was performed to determine the fair market value of protein bars using level 3 inputs. The studies were based on the type of items received and distributed, weight, and value using websites or other resources due to lack of observable market data.
- Military clothing and supplies – these items were valued by the vendors who donated the items. The valuations were confirmed through independent studies to determine the fair market value of the military clothing and supplies was reasonable, using level 3 inputs. The studies were based on the type of items received and distributed, weight, and value using websites or other resources due to lack of observable market data.

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributed property and equipment (continued):

In circumstances, if one was to occur, in which the Organization is functioning as an agent or intermediary with respect to the gifts-in-kind, the Organization reports an asset and corresponding liability measured at the fair value at the earlier of the time the goods are promised or received from the resource provider, and until the Organization remits the gifts-in-kind to the ultimate beneficiary.

Gifts-in-kind expense is recorded when the goods are distributed for program use. While it is the Organization's policy to distribute gifts-in-kind as promptly as possible, undistributed gifts-in-kind is recorded as inventory. The inventory is valued using the same methodologies discussed above. The Organization believes that this approximates the lower of cost or net realizable value.

Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Additionally, volunteers donate a significant amount of time to the Organization's program services. The fair value of these donated services are not recognized in the statement of activities since they do not meet the criteria for recognition under generally accepted accounting principles.

Cash and cash equivalents:

Cash and cash equivalents include all monies in accounts and highly liquid investments with maturity dates of less than three months. Cash equivalents include short-term interest-bearing investments in money market and liquid asset accounts. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Contributions receivable:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Fixed assets:

Fixed assets are recorded at cost if purchased and at fair market value on the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The Organization capitalizes individual assets with cost of \$5,000 or greater.

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Impairment of long-lived assets:

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Income taxes:

The Organization is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. The Organization's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Program service expenses are tracked on a project-by-project basis, and those costs not directly associated with a project are allocated to administration and general expenses. Such allocations are determined by management on an equitable basis.

Advertising expenses:

Advertising marketing expenses are expenses as incurred. Advertising expenses were \$8,862, as of June 30, 2022.

Shipping expenses:

The Organization expenses shipping fees as they are incurred. Shipping expenses were \$131,880, as of June 30, 2022.

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fair value measurements:

Professional accounting standards establishes a 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 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 or liability'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.

Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their Statement of Financial Position for all leases with lease terms longer than twelve months. The standard will be effective for non-public business entities for fiscal years beginning after December 15, 2021, with early application permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

Subsequent events:

In preparing these financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through June 29, 2023, the date the financial statements were available for issuance.

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 3. NATURE 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 certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Note 4. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash with high credit, quality institutions. The Organization maintains cash balances at one commercial bank, and these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At June 30, 2022, the Organization's cash balances held at the commercial bank exceeded the FDIC limit by \$2,912,719. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

Note 5. LIQUIDITY:

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. The Organization's primary source of liquidity is its cash and cash equivalents. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing support of law enforcement agencies to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows positive cash generated by operations for the year ended June 30, 2022.

The following table shows the total financial assets held by the Organization and the amount of those financial assets readily available within one year of the balance sheet date to meet general expenditures.

Financial assets, at year-end:	
Cash and cash equivalents	<u>\$ 3,323,795</u>
Total	3,323,795
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,323,795</u></u>

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 6. LEASE COMMITMENTS:

The Organization rents office space through July 2022 for approximately \$2,650/month. The lease was extended to month to month at the same rate while another agreement is currently being negotiated. Rental expense was approximately \$16,437 for the year ended June 30, 2022. Future minimum rental payments under all operating leases extending beyond one year at June 30, 2022 was \$2,650 for the year ending June 30, 2023.

Note 7. LONG TERM DEBT:

Long term debt consisted of the following at June 30, 2022:

EIDL note payable, payments begin (January 2024) 24 months from date of promissory note, balance and interest will be payable within 30 years from date of the promissory note. Interest accrues at 2.75% and is payable monthly after 30 months in installments at approximately \$8,975/month (principal and interest) through January 2054.	\$ 2,000,000
Accrued interest	<u>27,500</u>
Total long term debt	2,027,500
Less current maturities	<u>-</u>
Total	<u><u>\$ 2,027,500</u></u>

The future schedule maturities of long term debt are as follows at June 30:

<u>June 30:</u>	
2023	\$ -
2024	42,684
2025	47,806
2026	49,138
2027	50,506
Thereafter	<u>1,809,866</u>
	<u><u>\$ 2,000,000</u></u>

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 8. GIFTS-IN-KIND:

Gifts-in-kind descriptions and valuations consisted of the following for the year ended June 30, 2022:

Type	Utilization in Program/Activities	Donor Restrictions	Valuation Techniques & Input
Beverages, protein bars, and military clothing and supplies	Medical, operational and tactical equipment support	No associated donor restrictions	The Organization estimates values based on third party, wholesale validation for specific items where verifiable. Third party, wholesale validation by size/weight. If no reasonable source of valuation is available or items are expired, Organization will reject or recognize the items at a \$-0- value.

Total gifts-in-kind received and distributed as of June 30, 2022, was valued at \$4,777,383. The Organization had no inventory at June 30, 2022.

Note 9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are as follows at June 30, 2022:

	<u>Beginning</u>	<u>Contributions</u>	<u>Released From Restriction</u>	<u>Ending</u>
<i>Time restricted:</i>				
2022 Operations	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ (20,000)</u>	<u>\$ -</u>

Note 10. JOINT COSTS:

The Organization achieves its programmatic, management, and general goals in direct mail campaigns that include requests for contributions. The costs of conducting the campaigns include a total of \$1,013,501 of joint costs that are not directly attributable to either program, or management and general components or the fundraising component of activities for the year ended June 30, 2022.

The joint costs were allocated as follows at June 30, 2022:

Program	\$ 249,727
Management	2,838
Fundraising	<u>760,936</u>
	<u>\$ 1,013,501</u>

TROOPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 11. RELATED PARTIES:

The Organization shares office premises in San Ramon, California with another nonprofit with a common Executive Director. The original office space was rented through October 2021 and costs reimbursed from Cops Direct as of June 30, 2022, was \$5,789. A new shared office space was rented in November 2021 through the fiscal year end. This lease is currently paid directly by each Organization at fifty percent of the monthly rent due. This new space is subleased from a relative of the Executive Director. Total rent expense related to this lease was \$14,393 as of June 30, 2022. The Organization, as of June 30, 2022, provided tourniquets to be used in Cops Directs program at approximate fair value of \$15,000. Additionally, all funds due/to from this entity were donated at year end for a total contribution expense of approximately \$657.

A member of the Organization's board is the CEO of a vendor which supplies goods for the Program when the Organization is purchasing items requested by Troops. During the year ended June 30, 2022, the Organization remitted payments totaling \$119,420 to this vendor.

The Organization, as of June 30, 2022, paid \$12,500 to a professional company for consulting fees. This company is owned and operated by an individual with direct familial relations to the Executive Director.