

TROOPS DIRECT
San Ramon, California

FINANCIAL STATEMENTS

As of

June 30, 2023

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



**TROOPS DIRECT
FINANCIAL STATEMENTS
Year Ended June 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Troops Direct
San Ramon, California

Opinion

We have audited the accompanying financial statements of **Troops Direct** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023 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, 2023 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.

Schnauffer & Walker, P.C.

Dallas, Texas
September 23, 2024

TROOPS DIRECT
STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 967,665
Investments	2,061,981
Accounts receivable	25,277
Total current assets	<u>3,054,923</u>

Long-term assets:

Property and equipment, net of accumulated depreciation	-
Other assets	2,330
Total long-term assets	<u>2,330</u>

TOTAL ASSETS \$3,057,253

LIABILITIES

Current liabilities:

Accounts payables	\$ 170,319
Accrued liabilities	64,368
Total current liabilities	<u>234,687</u>

Long-term liabilities:

Accrued interest payable to SBA	81,634
Note payable to SBA	2,000,000
Total long-term liabilities	<u>2,081,634</u>

TOTAL LIABILITIES 2,316,321

Commitments and contingencies (Note D) -

NET ASSETS

Without donor restrictions	740,932
With donor restrictions	-
TOTAL NET ASSETS	<u>740,932</u>

TOTAL LIABILITES AND NET ASSETS \$ 3,057,253

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

TROOPS DIRECT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

Operating:

Revenue and other support:

Gifts in-kind	\$ 1,323,398
Contributions	822,686
Missions support	89,474
Interest	4,164
Total operating revenue and support before special events	<u>2,239,722</u>

Special events	662,118
Costs of direct benefits to donors	(25,325)
Total special events, net	<u>636,793</u>

Total revenue and support	<u>2,876,515</u>
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Expenses:

Program services:

Program	2,160,274
Total program services	<u>2,160,274</u>

Supporting services:

Management and general	478,735
Fundraising	633,760
Total supporting services	<u>1,112,495</u>

Total operating expenses	<u>3,272,769</u>
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(Deficit) of operating revenue over expenses	<u>(396,254)</u>
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Nonoperating:

Other income and expense:

Return on investments, net (Footnote G)	61,981
Total other income and expense	<u>61,981</u>

(DECREASE) IN NET ASSETS	(334,273)
NET ASSETS AT BEGINNING OF YEAR	<u>1,075,205</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 740,932</u></u>

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

TROOPS DIRECT
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	<u>Program services</u>	<u>Supporting services</u>			<u>Cost of Direct Benefit to Donors</u>	<u>Totals</u>
	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>		
Salaries and related expenses:						
Salaries	\$ 253,684	\$ 153,244	\$ 57,885	\$ 211,129	\$ -	\$ 464,813
Employee benefits	18,472	11,159	4,214	15,373	-	33,845
Payroll taxes	16,465	9,947	3,757	13,704	-	30,169
Total salaries and related expenses	<u>288,621</u>	<u>174,350</u>	<u>65,856</u>	<u>240,206</u>	<u>-</u>	<u>528,827</u>
Advertising and marketing	-	-	14,116	14,116	-	14,116
Automobile	-	8,099	-	8,099	-	8,099
Bank fees	-	19,416	-	19,416	-	19,416
Conferences, conventions and meetings	-	-	-	-	2,622	2,622
Depreciation	-	616	-	616	-	616
Direct mail	58,993	670	179,757	180,427	-	239,420
Dues and subscriptions	-	424	-	424	-	424
Fundraising events	-	-	368,225	368,225	-	368,225
Information technology	-	8,945	-	8,945	-	8,945
Insurance	-	5,724	-	5,724	-	5,724
Interest	-	74,573	-	74,573	-	74,573
Miscellaneous	-	3,998	-	3,998	-	3,998
Meals and entertainment	-	1,857	-	1,857	-	1,857
Professional fees	-	135,983	-	135,983	13,942	149,925
Rent	22,066	13,330	5,035	18,365	-	40,431
Shipping costs	38,296	-	-	-	-	38,296
Supplies	336	204	77	281	8,761	9,378
Support troops: Gifts in kind donation	1,323,398	-	-	-	-	1,323,398
Support troops: Supplies purchased and donated	425,519	-	-	-	-	425,519
Taxes, licenses and fees	-	324	-	324	-	324
Telephone and internet	3,045	1,839	694	2,533	-	5,578
Travel	-	28,383	-	28,383	-	28,383
Totals	<u>\$ 2,160,274</u>	<u>\$ 478,735</u>	<u>\$ 633,760</u>	<u>\$ 1,112,495</u>	<u>\$ 25,325</u>	<u>\$ 3,298,094</u>

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

TROOPS DIRECT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from contributions	\$ 822,686
Cash received from events	662,118
Cash received from missions support	89,474
Cash received from interest	4,164
Cash expended for compensation and benefits	(498,658)
Cash expended for employer payroll taxes	(30,169)
Cash expended for programs	(548,255)
Cash expended for fundraising	(533,788)
Cash expended for management and general	(222,416)
Cash expended for cost of direct benefit to donors	(25,325)
Cash expended for bank charges and fees	(19,416)
Cash expended for advertising and marketing	(14,116)
Cash expended for insurance	(5,724)
Cash expended for taxes, licenses, and fees	(324)
NET CASH (USED IN) OPERATING ACTIVITIES	<u><u>(319,749)</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(2,000,000)
NET CASH (USED IN) INVESTING ACTIVITIES	<u><u>(2,000,000)</u></u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Increase in restricted cash	-
NET CASH (USED IN) FINANCING ACTIVITIES	<u><u>-</u></u>

(DECREASE) IN CASH AND CASH EQUIVALENTS (2,319,749)

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,287,414</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 967,665</u></u>

**RECONCILIATION OF (DECREASE) IN NET ASSETS TO
NET CASH (USED IN) OPERATING ACTIVITIES:**

(Decrease) in net assets	\$ (334,273)
Adjustments to reconcile (decrease) in net assets to net cash (used in) operating activities:	
Depreciation	616
Return on investments, net	(61,981)
Changes in operating assets and liabilities:	
Decrease in accounts receivable	8,163
Decrease in prepaid expenses	13,415
(Increase) in other assets	(5)
(Decrease) in accounts payable	(64,186)
Increase in accrued liabilities	118,502
NET CASH (USED IN) OPERATING ACTIVITIES	<u><u>\$ (319,749)</u></u>

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

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE A – ORGANIZATION AND NATURE OF ACTIVITIES

Troops Direct (the Organization) is a California not-for-profit corporation, headquartered in San Ramon, California. 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. The Organization’s revenue is primarily from contributions, mission support and special events.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when incurred, irrespective of when paid. The financial statements of the Organization have been prepared using accounting principles generally accepted in the United States of America. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Income Taxes

The Organization is a not-for-profit organization that is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is required to file annual reports with the Internal Revenue Service, *Form 990, Return of Organizations Exempt from Federal Income Tax*. The Organization is also exempt from State income tax under California Franchise Tax Board Code Section 23701d. The Organization is in compliance with all federal tax filings for the year ended June 30, 2023.

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with United States generally accepted accounting principles (GAAP) and include all accounts of the Organization. For financial reporting purposes, the Organization follows the reporting requirements of GAAP, which requires that resources be classified for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by the classification of net asset balances into two classes of net assets: without donor restrictions and with donor restrictions.

The Organization accounts for its funding in accordance with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, ASU No. 2016-14 - *Not-for-Profit Entities (Topic 958)*, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to donor-imposed restrictions. ASC Topic 958 requires that unconditional promises to give (pledges) be recorded as receivables and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Descriptions of the two net asset categories are as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

With donor restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Contributions, mission support and special events revenue are recognized when earned, irrespective of when paid. Refundable advances are recorded when the revenue is earned, not received. Contributions are recognized as revenue when received or pledged and are recorded as net assets with donor restrictions and net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the contribution is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

At June 30, 2023, there were no net assets with donor restrictions. At June 30, 2023, net assets without donor restrictions were \$740,932 and have been designated to be used with the permission of the Board of Directors (the “Board”).

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, other assets, accounts payable and accrued liabilities. Accounts receivable, other assets, accounts payable and accrued liabilities are stated at approximately fair value. Cash and cash equivalents are stated at fair value.

Fair value measurements

Generally Accepted Accounting Principles (GAAP) 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 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 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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents. The Organization limits its exposure by controlling the cash balances it maintains in any one financial institution.

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method. Expenditures for repairs and maintenance are charged to operating expense as incurred.

Impairment of Long-Lived Assets

The Organization assesses potential impairments to long-lived assets or asset groups when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recovered. An impairment loss is recognized when the carrying amount of the long-lived asset or asset group is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset or asset group is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset or asset group exceeds its fair value and is recorded as a reduction in the carrying value of the related asset or asset group and a charge to operating results. Intangible assets with indefinite lives are tested annually for impairment and in interim periods if certain events occur indicating that the carrying value of the intangible assets may be impaired. There were no such adjustments for impairment during the year ended June 30, 2023.

Lease

The Organization rents office space through July 2023 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 \$16,437 for the year ended June 30, 2023.

Note Payable

Note payable consists of a loan from the Small Business Administration (SBA). This loan accrues interest at 2.75% fixed and is due January 2052.

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Noncash Donations

Donated material, fixed assets and certain services are reflected as contributions at their estimated fair values on the date of receipt and are recorded in the appropriate asset or expense account. Services are recorded if they create or enhance nonfinancial assets or require special skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization had \$1,323,398 noncash donations for the year ended June 30, 2023.

Classification of Revenue and Expense

Operating activities include items which are directly related to the Organization or are essential support elements of those programs. The cost of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program activities and supporting services as shown in the statement of functional expenses.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Advertising and Marketing

The Organization charges advertising and marketing costs to operations in the year the expense is incurred. The advertising and marketing expenses were \$14,116 for the year ended June 30, 2023.

NOTE C – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted as shown in the statement of functional expenses. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

**TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS**

NOTE D – COMMITMENTS AND CONTINGENCIES

Contracts, grants and bequests require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that remains a possibility, the Board deems such contingency remote since by accepting the gifts and their terms, the Organization has, in essence, accommodated the provisions of the gifts.

NOTE E – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023, financial assets and liquidity resources available within one year for general expenditures, such as ongoing operations and expansion efforts were as follows:

Cash and cash equivalents	\$ 967,665
Investments	2,061,981
Accounts receivable	25,277
Total financial assets, at year end	<u>3,054,923</u>
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restriction	<u>(-)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,054,923</u></u>

Expenses for ongoing operations are covered by a combination of monthly contributions, mission support and special events revenue. Average monthly revenue from operating revenue and other support in the year 2023 was \$186,644. Average monthly expenses for ongoing operations in the year 2023 were \$272,731. Thus, average monthly revenue from operating revenue and other support covered 68% of average monthly expenses in the year 2023.

NOTE F – CONCENTRATION OF CREDIT RISK

As of June 30, 2023, the Organization maintained balances at a financial institution in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation. The amounts at risk were approximately \$535,000.

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE G – INVESTMENTS

The Organization invested \$2,000,000 into investments for the year ended June 30, 2023.

Investments as of June 30, 2023, consist of the following:

Money market	\$ 7,359
U.S. government treasury notes and bills	2,054,622
Total investments	<u>\$ 2,061,981</u>

Investment income for the year ended June 30, 2023 consist of the following:

Investment fees	\$ (4,461)
Interest and dividends	24,578
Net unrealized gain	41,871
Net realized (loss)	(7)
Total investment income, net	<u>\$ 61,981</u>

Overall Investment Objective

The overall investment objective of the Organization is to invest its assets in a prudent manner that will achieve a long-term rate of return while diversifying risk to an acceptable minimum level given the fluctuations of the markets. The funds are to be used for the Organization’s expenditures when needed and with Board approval.

Investment Strategy

Cash equivalent investments include cash equivalents in a U.S. money market account and are valued based on quoted market prices in active markets. U.S. equity investments and global equity investments consists of investments in mutual and exchange traded funds and are valued based on quoted market prices in active markets. The Organization monitors the investment practices and investment results of the investment manager on a quarterly basis, if not daily.

NOTE H – FAIR VALUE MEASUREMENT

The following table presents the fair value hierarchy for the Organization’s financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money Market	\$ 7,359	\$ 7,359	\$ -	\$ -
Mutual Funds and ETFs	2,054,622	2,054,622	-	-
Total investments	<u>\$ 2,061,981</u>	<u>\$ 2,061,981</u>	<u>\$ -</u>	<u>\$ -</u>

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE I – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2023:

Property and equipment:

Furniture, fixture and equipment	\$ 3,691
Accumulated depreciation	(3,691)
Property and equipment, net	<u>\$ -</u>

The Organization expensed \$616 to depreciation expense for the year ended June 30, 2023.

NOTE J – NOTE PAYABLE

The Organization’s long-term debt consists of the following at June 30, 2023:

Small Business Administration (SBA) loan, secured by substantially all real property, fixed interest rate at 2.75%, will be payable within 30 years of the date of the note; therefore, maturity January 2052. Payments of \$898 begin October 2024 through March 2025, principal and interest payments of \$8,975 begin April 2025 through January 2052 with a balloon payment for the unpaid principal balance due at that time.

\$ 2,000,000

Accrued interest on SBA loan rolled into note payable

81,634

Total note payable

2,081,634

Less current maturities

(-)

Total recorded note payable, less noncurrent

\$ 2,081,634

The following are the minimum note payments as of June 30th, for each of the next five years and thereafter:

Years ending June 30th:	
2024	\$ -
2025	-
2026	48,726
2027	50,083
2028	51,370
Thereafter	<u>1,931,455</u>
Total recorded note payable	<u>\$ 2,081,634</u>

The Organization expensed \$74,573 to interest expense for this note payable for the year ended June 30, 2023.

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE K – CONTRIBUTED SERVICES AND MATERIALS

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.

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 are 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.

**TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS**

NOTE K – CONTRIBUTED SERVICES AND MATERIALS – continued

For the year ended June 30, 2023, the Organization received and recognized contributed services and materials as follows:

Gifts in kind - services	\$ -
Gifts in kind - goods	1,323,398
Totals	<u><u>\$ 1,323,398</u></u>

These amounts are included in revenue as unrestricted contributions and in the applicable expense and assets categories in the accompanying financial statements.

In addition, the Organization received contributed services and materials which are not recognized as contributions in the financial statements since the recognition criteria under U.S. GAAP were not met.

NOTE L – 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 \$239,420 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, 2023.

The joint costs were allocated as follows at June 30, 2023:

Program	\$ 58,993
Management	670
Fundraising	179,757
Total	<u><u>\$ 239,420</u></u>

NOTE M – 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, 2023, was \$32,550. 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 \$5,728 per month as of June 30, 2023. The Organization, as of June 30, 2023, paid \$31,233 to a professional company for consulting fees. This company is owned and operated by an individual with direct familial relations to the Executive Director.

TROOPS DIRECT
NOTES TO FINANCIAL STATEMENTS

NOTE N – SUBSEQUENT EVENTS

In April 2024, the Organization received a \$150,000 line of credit with a financial institution, secured by financial assets with the financial institution, variable interest rate – current rate is 8.5%, monthly interest only payments, and a renewal date April 2025. As of the date of this report, the line of credit balance was \$100,250.

FASB ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. The Organization has evaluated subsequent events for potential recognition and/or disclosure in these financial statements through September 23, 2024, the date that the financial statements were available to be issued.