

OPERATION PATRIOTS FOB, INC.

OKATIE, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2024

OPERATION PATRIOTS FOB, INC.

OKATIE, SOUTH CAROLINA

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2024

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Independent Auditor's Report

December 27, 2024

To the Board of Directors
Operation Patriots FOB, Inc.
Okatie, South Carolina

Opinion

We have audited the financial statements of Operation Patriots FOB, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of Operation Patriots FOB, Inc. as of June 30, 2024, 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 (GAAS). 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 Operation Patriots FOB, Inc. 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 Operation Patriots FOB, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Operation Patriots FOB, Inc.'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 Operation Patriots FOB, Inc.'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.

Robinson Grant & Co., P.A.

Robinson Grant & Co., P.A.
Beaufort, South Carolina

OPERATION PATRIOTS FOB, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2024

Assets	
Cash	\$ 286,804
Cash & cash equivalents restricted for capital project	559,535
Pledges receivable	70,000
Inventory	30,814
Property & equipment, net	<u>341,415</u>
Total assets	<u><u>\$ 1,288,568</u></u>
 Liabilities	
Accounts payable	\$ 4,363
Notes payable	<u>6,033</u>
Total liabilities	10,396
 Net Assets	
Net assets without donor restrictions	718,638
Net assets with donor restrictions	<u>559,535</u>
Total net assets	<u>1,278,173</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,288,568</u></u>

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

OPERATION PATRIOTS FOB, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Program revenue	\$ 544,710	\$ -	\$ 544,710
Contributions and grants	627,740	456,500	1,084,240
In-kind donations	101,616	-	101,616
Fundraising revenue	279,922	-	279,922
Investment income	-	9,535	9,535
Total public support and revenue	<u>1,553,988</u>	<u>466,035</u>	<u>2,020,023</u>
Expenses			
Program	972,435	-	972,435
Management and general	34,982	-	34,982
Fundraising	62,186	-	62,186
Total expenses	<u>1,069,603</u>	<u>-</u>	<u>1,069,603</u>
Increase in net assets	484,385	466,035	950,420
Net assets, beginning of year	327,753	-	327,753
Transfer to (from) other funds	(93,500)	93,500	-
Net assets, end of year	<u>\$ 718,638</u>	<u>\$ 559,535</u>	<u>\$ 1,278,173</u>

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

OPERATION PATRIOTS FOB, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Activities	Supporting Activities			Total Expenses
	Program	Management and General	Fundraising	Total Supporting Activities	Total
	Program	Management and General	Fundraising	Total Supporting Activities	Total
Salaries and wages	\$ -	\$ 8,211	\$ -	\$ 8,211	\$ 8,211
Office rent	-	2,500	-	2,500	2,500
Insurance	4,779	4,940	-	4,940	9,719
Board meetings	-	114	-	114	114
Storage Unit	2,562	854	-	854	3,416
Office expense	-	10,068	-	10,068	10,068
Licenses fees	-	50	-	50	50
Contract and professional fees	-	3,400	5,000	8,400	8,400
Administrative support	-	4,845	-	4,845	4,845
Supplies	23,471	-	16,841	16,841	40,312
Advertising and marketing	10,097	-	6,731	6,731	16,828
Depreciation	26,076	-	-	-	26,076
Dinner expenses	18,100	-	33,614	33,614	51,714
Concert for the Heroes	292,994	-	-	-	292,994
Warrior Program - recreation therapy	106,974	-	-	-	106,974
Warrior Program - peer engagement	158,622	-	-	-	158,622
Warrior Program - warrior retreats	150,834	-	-	-	150,834
Warrior Program - family retreats	49,557	-	-	-	49,557
Warrior Program - program operations	51,603	-	-	-	51,603
Warrior Program - outreach	50,029	-	-	-	50,029
Warrior Program - grants and donations	26,737	-	-	-	26,737
Total	<u>\$ 972,435</u>	<u>\$ 34,982</u>	<u>\$ 62,186</u>	<u>\$ 97,168</u>	<u>\$ 1,069,603</u>

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

OPERATION PATRIOTS FOB, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Cash Flows from Operating Activities:

Increase (decrease) in net assets	\$ 950,420
Adjustments to reconcile changes in net assets to net cash provided by (used in) operations:	
Depreciation	26,076
(Increase) decrease in:	
Pledges receivable	(7,316)
Inventory	(21,773)
Increase (decrease) in:	
Accounts payable	3,573
Net cash provided by (used in) operating activities	950,980

Cash Flows from Investing Activities:

Purchase of property and equipment	(183,991)
Net cash provided by (used in) investing activities	(183,991)

Cash Flows from Financing Activities:

Payment on notes payable	(31,098)
Net cash provided by (used in) financing activities	(31,098)

Net increase (decrease) in cash 735,891

Cash and cash equivalents, beginning of year 110,448

Cash and cash equivalents, end of year \$ 846,339

Cash and cash equivalents, end of year:

Cash and cash equivalents without donor restrictions	\$ 286,804
Cash and cash equivalents with donor restrictions	559,535
Total cash and cash equivalents, end of year	\$ 846,339

Supplemental Cash Flows Information

Cash paid for interest expense	\$ 2,402
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The accompanying notes are an integral part of these financial statements.

OPERATION PATRIOTS FOB, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Operation Patriots FOB, Inc. (the Organization) is a not-for-profit organization formed to provide positive experiences for veterans and first responders by connecting through outdoor and recreational activities to save lives. The Organization was incorporated in the State of South Carolina on April 30, 2020, as a corporation and is tax exempt under Internal Revenue Code Section 501(c)(3). The Organization is located in Okatie, SC and has created a place for veterans, active duty military, first responders, and their families to come together, to relax, and to have a good time to get relief from their daily struggles. Primary support for the Organization is derived from grants and contributions from the general public.

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. The accrual basis of accounting recognizes revenues when earned and expenses at the time the liability is incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: 1) net assets without donor restrictions, which represent the expendable resources that are available for operations at the board's discretion; and 2) net assets with donor restrictions, which represent resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Public Support and Revenue

Contributions are generally available for use in the year received unless specifically restricted by the donor. Unconditional promises to give are recorded when received from the donor. Contributions of cash and other assets are reported as with donor restrictions if they are restricted with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the donor restriction net assets are reclassified to without donor restriction net assets and reported in the statement of activities as assets released from restrictions. Contributions received with donor restrictions that are met in the same reporting period are generally classified as without donor restrictions.

Contributions of donated noncash assets are recorded at their estimated fair value as of the date of donation. Services donated to the Organization are recognized as contribution revenue if the services *either* (a) create or enhance nonfinancial assets *or* (b) require specialized skills that are performed by people with those skills and would otherwise need to be purchased by the Organization if not provided by donation. No donated services meeting the above criteria were received for the year ended June 30, 2024. The Organization received in-kind contributions for certain goods. These consist primarily of goods provided by various vendors such as gift cards, materials and supplies for renovations and puppies. The value of the in-kind contributions was \$101,616 for the year ended June 30, 2024.

OPERATION PATRIOTS FOB, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of financial position and statement of cash flows, the Organization considers all highly liquid investments which are readily convertible into cash and have maturity of three months or less when acquired to be cash equivalents.

Concentration of Credit Risk

The Organization maintains its funds at one financial institution where balances totaling less than \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At times the Organization may have cash balances in excess of FDIC insured limits. This risk is managed by maintaining all deposits with high quality and nationally recognized financial institutions. As of June 30, 2024, the Organization had uninsured cash balances of \$32,338.

The Organization maintains its investments at one brokerage institution where balances totaling less than \$500,000 are insured by the Securities Investor Protection Corporation (SIPC). At times the Organization may have investments and cash equivalent balances in excess of SIPC insured limits. This risk is managed by maintaining all investments with high quality and nationally recognized brokerage institutions. As of June 30, 2024, the Organization had uninsured investments and cash equivalent balances of \$59,535.

Pledges Receivable

Pledges receivable represent written unconditional promises to give by donors. Pledges receivable are recognized as contribution revenue in the period pledged and recorded at their net realizable value.

Property and Equipment

Purchased property and equipment is recorded at cost or, if donated, the fair market value at the time of the gift. Generally, the Organization only capitalizes expenditures for items with a cost in excess of \$2,500 and which also have an estimated useful life of greater than one year. Depreciation is calculated based on the straight-line method over the estimated useful lives of the respective assets which are as follows:

	<u>Useful Life</u>
Building and improvements	7-40
Land improvements	15
Furniture and fixtures	5-15
Equipment	5

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the year ended June 30, 2024, was \$16,828.

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as *other than a private foundation*. Management has determined that the Organization

OPERATION PATRIOTS FOB, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Income taxes (continued)

does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to tax, penalties, and interest as a result of such challenge. Generally, the Organization's tax returns remain open for three years for federal and state examinations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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 support services benefited based on estimates provided by management. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on a basis of periodic time and expense studies. Management and general expenses include those costs that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 27, 2024, the date that the financial statements were available to be issued.

Note 2. Liquidity and Availability of Resources

The Organization has \$356,804 of financial assets available to meet cash needs for general expenditure within one year of the statement of financial position date. The Organization strives to continually have financial assets on hand to meet 60 days of recurring operating expenses, which, on average, total approximately \$178,000. As a part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

OPERATION PATRIOTS FOB, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

Note 3. Property and Equipment

Property and equipment consisted of the following as of June 30, 2024:

Building and improvements	\$ 170,017
Furniture and fixtures	29,449
Equipment	<u>168,025</u>
	367,491
Less accumulated depreciation	<u>(26,076)</u>
Property and equipment, net	<u>\$ 341,415</u>

For the year ended June 30, 2024, the Organization reported \$26,076 in depreciation expense.

Note 4. Note Payable

The Organization has a note payable with Sheffield Financial. The note is for a UTV vehicle that was purchased on February 10, 2023. The note has monthly payments of \$858, which include both principal and interest at a fixed annual rate of 8.99%. The note matures on February 17, 2025. The outstanding balance as of June 30, 2024 was \$6,033. Interest expense for the year ended June 30, 2024 was \$2,402.

Note 5. Concentrations

The Organization is geographically located in Beaufort County within the state of South Carolina and a significant amount of its donor base is involved in businesses related to the local industries, public, and/or the financial markets. The Organization and its donors are sensitive to risks associated with conditions affecting the local economy within this geographic area including coastal weather.

Note 6. Related Party Transactions

A board member of the Organization owns fifty percent of Legacy Oaks Preserve, LLC (Legacy Oaks). Legacy Oaks receives lease payments for 268 acres of land, improvements, and several buildings used by the Organization. For the year ended June 30, 2024, the Organization paid rent to Legacy Oaks in the amount of \$180,000. Legacy Oaks was acquired by the Organization after the year ended June 30, 2024. (See Note 7. Subsequent Events)

Note 7. Subsequent Events

The Organization currently has a lease agreement with Legacy Oaks Preserve, LLC for 268 acres of land, improvements, and several buildings. The initial term is 10 years, and the annual rent is \$180,000. On November 7, 2024, the Organization purchased 100% of the membership interest of Legacy Oaks Preserve, LLC for \$3,000,000. The acquisition was executed with cash of \$669,961, assumption of a mortgage note of \$1,660,078, and a related party note that was executed in the amount of \$669,961.