

THE WAR HORSE NEWS INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The War Horse News Inc.

Opinion

We have audited the accompanying financial statements of The War Horse News Inc. (a not-for-profit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2021, 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 the Organization as of December 31, 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT *(Continued)*

Auditors' 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 the Organization'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 the Organization'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.

DDK & Company LLP

New York, New York
September 6, 2022

THE WAR HORSE NEWS INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Cash	\$ 294,468
Contributions receivable	450,000
Prepaid expenses	<u>4,941</u>
Total assets	<u><u>\$ 749,409</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 36,759</u>
Total liabilities	<u>36,759</u>
Net Assets	
Without donor restrictions	91,669
With donor restrictions	<u>620,981</u>
Total net assets	<u>712,650</u>
Total liabilities and net assets	<u><u>\$ 749,409</u></u>

THE WAR HORSE NEWS INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without donor Restrictions	With donor Restrictions	Total
<i>Revenue and Support</i>			
Contributions	\$ 211,490	\$ 500,000	\$ 711,490
Paycheck Protection Program loan forgiveness	20,300		20,300
Net assets released from restrictions	179,019	(179,019)	-
 Total revenue and support	 410,809	 320,981	 731,790
<i>Expenses</i>			
Program services	335,441	-	335,441
Fundraising	85,014	-	85,014
General and administrative	96,965	-	96,965
 Total expenses	 517,420	 -	 517,420
 Increase (decrease) in net assets	 (106,611)	 320,981	 214,370
 Net assets at beginning of year	 198,280	 300,000	 498,280
 Net assets at end of year	 \$ 91,669	 \$ 620,981	 \$ 712,650

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

THE WAR HORSE NEWS INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	<u>Program</u>					<u>Total</u>
	<u>General</u>	<u>Newsroom</u>	<u>Writer's Program</u>	<u>Fundraising</u>	<u>General and Administrative</u>	
Expenses						
Salaries and benefits	\$ -	\$ 99,984	\$ 64,735	\$ 51,414	\$ 35,602	\$ 251,735
Advertising	30,504	6,333	14,553	-	6,470	57,860
Communication	-	-	3,570	-	165	3,735
Development and corporate sponsorship	-	-	-	27,012	-	27,012
Editorial Support	-	43,081	17,195	-	-	60,276
Insurance	8,737	-	-	-	4,327	13,064
Office expenses	571	1,782	-	-	5,200	7,553
Professional fees	-	-	19,184	-	30,368	49,552
Technology infrastructure	6,132	4,412	6,499	6,588	14,833	38,464
Travel and meetings	-	-	8,169	-	-	8,169
Total expenses	<u>\$ 45,944</u>	<u>\$ 155,592</u>	<u>\$ 133,905</u>	<u>\$ 85,014</u>	<u>\$ 96,965</u>	<u>\$ 517,420</u>

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

THE WAR HORSE NEWS INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

Cash Flows From Operating Activities

Increase in net assets	\$ 214,370
Changes in operating assets and liabilities:	
Contributions receivable	(200,000)
Prepaid expenses	(4,941)
Other receivables	105,550
Accounts payable and accrued expenses	<u>16,298</u>
 Net cash provided by operating activities	 <u>131,277</u>
 Net increase in cash	 131,277
 Cash at beginning of year	 <u>163,191</u>
 Cash at end of year	 <u><u>\$ 294,468</u></u>

THE WAR HORSE NEWS INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 1 - NATURE OF ACTIVITIES

The War Horse News Inc. (the "Organization") was formed in 2016 in North Carolina. The Organization is a not-for-profit corporation and is dedicated to educating the public on military service through journalism, public forums, and writing seminars that ensure those most affected by war have a prominent voice in the national conversation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Contributions received are recorded as without donor restriction, or with donor restriction, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. 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 statement of activities as net assets released from restriction.

The Organization reports information regarding its financial position according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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

- 1) Net assets without donor restrictions include assets, revenues and gains that are available for support of the Organization's general operations.
- 2) Net assets with donor restrictions include contributions that are donor restricted for uses which have not yet been fulfilled either in time or by purpose. At December 31, 2021, the Organization had \$620,981 of net assets with donor restrictions.

THE WAR HORSE NEWS INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of contributions receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts may change. An allowance for doubtful accounts was not deemed necessary at December 31, 2021.

Contributions

Contributions, including unconditional promises to give, are recorded in the period pledged at fair value, which is net of estimated uncollectible amounts. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated by the donor for future periods or are restricted by the donor for specified purposes are reported as assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished.

Income Taxes

The Organization is a not-for-profit entity that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended; the Organization is also exempt from state and local income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

The Organization has concluded that there are no uncertain tax positions that would require recognition in the financial statements. If the Organization was to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. The Organization's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors.

THE WAR HORSE NEWS INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis. Certain costs have been allocated based on management's evaluation of the benefit related to the particular costs, while overhead expenses have been allocated based on time spent.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Subsequent Events

Management has evaluated subsequent events or transactions occurring through September, 6, 2022 the date the financial statements were available to be issued.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2021, unconditional promises to give were scheduled to be received as follows:

<u>Years Ending December 31,</u>	<u>Total</u>
2022	\$ 250,000
2023	\$ <u>200,000</u>
Total	\$ <u><u>450,000</u></u>

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Organization has a goal to maintain financial assets, which consist of cash and contributions receivable, on hand to meet normal operating expenses, which are, on average, approximately \$47,000 per month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

THE WAR HORSE NEWS INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES *(Continued)*

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions.

Assets excluding non-financial assets	\$ 744,468
Subtract: donor restricted	<u>620,981</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 123,487</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2021 consisted of the following:

Initiative to hire an audience and product staffer to build and strengthen membership and donor development program	\$ 120,981
To invest in leadership and staff journalists and build the infrastructure needed to expand rigorous, solutions-driven, investigative reporting on military and veterans issues	<u>500,000</u>
	<u>\$ 620,981</u>

During 2021, net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by donors as follows:

To hire an audience and product staffer to build and strengthen the membership and donor development program	\$ 4,019
To expand the audience through a targeted marketing campaign	50,000
Time restriction expirations	<u>125,000</u>
Total restrictions released	<u>\$ 179,019</u>

THE WAR HORSE NEWS INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 6 - EMPLOYEE BENEFIT PLAN

The Organization maintains a qualified deferred compensation plan under section 401(k) of the Internal Revenue Code for all eligible employees. Under this plan, employees may elect to defer an amount not to exceed the federally determined maximum allowable contribution. The Organization instituted an automatic enrollment of 6% of the employees' salary unless the employee opts out. The Organization may make a discretionary matching contribution. The Organization made contributions of \$825 for the year ended December 31, 2021.

NOTE 7 - PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was enacted and signed into law. Section 1102 of the CARES Act temporarily added a new product titled the "Paycheck Protection Program", to the SBA's 7(a) Loan Program. Section 1106 of the CARES Act provides for the forgiveness of up to the full principal amount of this loan if the recipient incurs certain levels of payroll and other qualifying costs within a specified period after receiving the loan. In February 2021, the Organization received \$20,300 under the Paycheck Protection Program. The Organization is accounting for this loan as a government grant, recognizing income in the period the related expenses are incurred.

During the year ended December 31, 2021, the Organization incurred the necessary qualifying costs and, in January 2022, the full amount of the loan was forgiven. As a result, the Organization has recognized the full amount as income and support during the year ended December 31, 2021.

NOTE 8 - RELATED PARTY TRANSACTIONS

Approximately \$13,000 of the Organization's revenue from contributions was provided by the Organization's board members for the year ended December 31, 2021.

NOTE 9 - CONCENTRATIONS OF RISK

Cash Concentration

At December 31, 2021, the cash balance at one bank exceeded the FDIC insurance limit by approximately \$44,000.

Economic Dependency

The Organization had contributions from one donor which accounted for approximately 70% of the total contributions for the year ended December 31, 2021.

Contributions receivable from two donors represented 100% of the total contributions receivable as of December 31, 2021.