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Official Roster

JUNE 30, 2022

Board of Directors

<u>Name</u> <u>Title</u>

Chuck Howe President

Dan Rakes General Counsel

Peter Alarid Vice President

Markus Podell Secretary

Lawrence Davis Treasurer

Lin Daley Board Member

Pink Harris Board Member

Dr. Dexter Russell Board Member

Trini Bradley Board Member

Administrative Official

Janice Podell Executive Director



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Jaramillo Accounting Group LLC

Certified Public Accountants

Audit, Fraud, Consulting

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

National Veterans Wellness & Healing Center in Angel Fire, Inc. Angel Fire, New Mexico

Report on the Audit of the Financial Statements

We have audited the financial statements of the National Veterans Wellness & Healing Center in Angel Fire, Inc. (the "Center") (a non-profit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Center as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 the Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Center'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

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Board of Directors

National Veterans Wellness & Healing Center in Angel Fire, Inc.

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 the Center'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 Center'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.

Jaramillo Accounting Group LLC (JAG)

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Albuquerque, New Mexico

June 12, 2023



Financial Statements

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

| | 2022 | 2021 |
|---------------------------------------|---------------|------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 135,718 | 93,284 |
| Accounts receivable | - | 28,215 |
| Deposit | 28,394 | - |
| Prepaid expenses | 13,500 | |
| Total current assets | 177,612 | 121,499 |
| Non-current assets | | |
| Certificate of deposit | - | - |
| Property and equipment, net | 536,065 | 540,832 |
| Total non-current assets | 536,065 | 540,832 |
| Total assets | \$ 713,677 | \$ 662,331 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 8,521 | 28,840 |
| Payroll liabilities | 1,522 | 3,787 |
| Total current liabilities | 10,043 | 32,627 |
| Total liabilities | 10,043 | 32,627 |
| NET ASSETS | | |
| Net assets without donor restrictions | 551,820 | 575,890 |
| Net assets with donor restrictions | 151,814 | 53,814 |
| Total net assets | 703,634 | 629,704 |
| Total liabilities and net assets | \$ 713,677 | \$ 662,331 |

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | | | | 20 |)21 | | |
|---|------|-------------|--------------|----------|--------------|-----------|--------------|--------------|
| | W | ithout | | With | Without | With | | |
| | C | Donor Donor | | Donor | Donor | | | |
| | Rest | rictions | Restrictions | | Restrictions | | Restrictions | Restrictions |
| SUPPORT AND REVENUE | | | | | | | | |
| Contributions | \$ | 95,375 | \$ | 118,000 | \$ 113,626 | - | | |
| Governmental contracts | | 141,475 | | - | 157,490 | - | | |
| Fundraising Income | | 4,267 | | - | - | - | | |
| Interest income | | | | _ | 1,931 | | | |
| Total support and revenue | | 241,117 | | 118,000 | 273,047 | <u> </u> | | |
| Net assets released from donor restrictions | _ | 20,000 | _ | (20,000) | | | | |
| EXPENSES | | | | | | | | |
| Program services | | 241,334 | | - | 263,758 | - | | |
| Supporting services | | | | | | | | |
| Management and general | | 40,492 | | - | 45,155 | - | | |
| Fundraising | | 3,361 | | | 383 | | | |
| Total expenses | | 285,187 | | <u>-</u> | 309,296 | | | |
| Change in net assets | | (24,070) | | 98,000 | (36,249) | - | | |
| Net assets, beginning of year | | 575,890 | | 53,814 | 612,139 | 53,814 | | |
| Net assets, end of year | \$ | 551,820 | \$ | 151,814 | \$ 575,890 | \$ 53,814 | | |

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

| | Program Services | | nagement . General | Fundr | aising | | Totals |
|-------------------------------|---------------------|----|-----------------------|-------|--------|----|---------|
| Wellness and healing retreats | | | | | | | |
| Contractual services | \$ 92,392 | \$ | 16,304 | \$ | - | \$ | 108,696 |
| Other retreat expenses | 35,530 | • | 6,270 | • | - | - | 41,800 |
| Total wellness and healing | 127,922 | | 22,574 | | | | 150,496 |
| Payroll | 45,691 | | 8,063 | | - | | 53,754 |
| Depreciation and amortization | 8,698 | | 1,535 | | - | | 10,233 |
| Operations | 2,860 | | 505 | | - | | 3,365 |
| Contract services | 14,549 | | 2,568 | | - | | 17,117 |
| Advertising and marketing | 11,870 | | - | | - | | 11,870 |
| Facilities and equipment | 5,222 | | 921 | | - | | 6,143 |
| Supplies | 4,808 | | 848 | | - | | 5,656 |
| Insurance | 2,491 | | 440 | | - | | 2,931 |
| Telephone | 2,113 | | 373 | | - | | 2,486 |
| Auto expense | 3,471 | | 612 | | - | | 4,083 |
| Miscellaneous | 780 | | 138 | | - | | 918 |
| Repairs and maintenance | 1,464 | | 258 | | - | | 1,722 |
| Business expense | 6,502 | | 1,147 | | - | | 7,649 |
| Internet | 834 | | 147 | | - | | 981 |
| Postage | 403 | | 71 | | - | | 474 |
| Fundraising | - | | - | | 3,361 | | 3,361 |
| Bank fees | 256 | | 45 | | - | | 301 |
| Travel | 1,400 | | 247 | | | | 1,647 |
| Total expenses | \$ 241,334 | \$ | 40,492 | \$ | 3,361 | \$ | 285,187 |

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

| | Program Services | Manag & Ge | ement neral | Fundra | ising | Totals |
|-------------------------------|---------------------|---------------|----------------|--------|-------|---------------|
| Wellness and healing retreats | | | | | | |
| Contractual services | \$ 128,762 | \$ | 22,723 | \$ | _ | \$ 151,485 |
| Other retreat expenses | 17,798 | | 3,141 | | _ | 20,939 |
| Total wellness and healing | 146,560 | | 25,864 | | - | 172,424 |
| Payroll | 52,384 | | 9,244 | | | 61,628 |
| Depreciation and amortization | 8,698 | | 1,535 | | - | 10,233 |
| Operations | 8,163 | | 1,441 | | - | 9,604 |
| Contract services | 17,293 | | 3,052 | | - | 20,345 |
| Advertising and marketing | 7,897 | | - | | - | 7,897 |
| Facilities and equipment | 6,219 | | 1,097 | | - | 7,316 |
| Supplies | 4,181 | | 738 | | - | 4,919 |
| Insurance | 3,473 | | 613 | | - | 4,086 |
| Telephone | 2,979 | | 526 | | - | 3,505 |
| Auto expense | 1,636 | | 289 | | - | 1,925 |
| Miscellaneous | 1,017 | | 179 | | - | 1,196 |
| Repairs and maintenance | 867 | | 153 | | - | 1,020 |
| Business expense | 842 | | 149 | | - | 991 |
| Internet | 713 | | 126 | | - | 839 |
| Postage | 547 | | 97 | | - | 644 |
| Fundraising | - | | - | | 383 | 383 |
| Bank fees | 241 | | 43 | | - | 284 |
| Travel | 48 | | 9 | | | 57 |
| Total expenses | \$ 263,758 | \$ | 45,155 | \$ | 383 | \$ 309,296 |

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | | 2021 |
|---|---------------|----|----------|
| Cash flows from operating activities | | | |
| Change in net assets | \$ 73,930 | \$ | (36,249) |
| Adjustments to reconcile change in net assets to | | | |
| net cash provided by (used in) operating activities | | | |
| Federal contribution - PPP loan | - | | (13,092) |
| Depreciation and amortization | 10,233 | | 10,233 |
| Changes in assets and liabilities | | | |
| Accounts receivable | 28,215 | | (28,215) |
| Deposit | (28,394) | | - |
| Prepaid expenses | (13,500) | | - |
| Payables | (22,584) | | 15,646 |
| Total adjustments | (26,030) | | (15,428) |
| Net cash flows provided by (used in) operating activities | 47,900 | | (51,677) |
| wet cash flows provided by (used in) operating activities | 47,500 | | (31,077) |
| Cash flows from investing activities | | | |
| Proceeds from matured certificate of deposit | - | | 50,000 |
| Proceeds from sale of donated asset | 1,000 | | - |
| Capital expenditures | (6,466) | | |
| Net cash flows (used in) provided by investing activities | (5,466) | | 50,000 |
| Cash flows from financing activities | | | |
| Proceeds from PPP Loan | <u> </u> | _ | 13,092 |
| Net increase in cash and cash equivalents | 42,434 | | 11,415 |
| Cash and cash equivalents, beginning of year | 93,284 | | 81,869 |
| Cash and cash equivalents, end of year | \$ 135,718 | \$ | 93,284 |

Notes to Financial Statements

JUNE 30, 2022 AND 2021

NOTE 1. THE ORGANIZATION

The National Veterans Wellness & Healing Center in Angel Fire, Inc. (the "Center") is a not-for-profit organization that was founded on December 17, 2009. The Center shall be organized, administrated, and operated exclusively to receive, administer and expend funds to promote and represent the common interest of veterans, and rehabilitate, foster health related programs, and promote wellness and healing activities for Veterans, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws. The mission of the Center is to establish an environment that is responsive to the needs of veterans and military families using creative therapies and processes that focus on emotional and physical healing.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Concentrations of Credit Risk. Financial investments that are exposed to concentrations of credit risk consist of cash and cash equivalents. Cash and cash equivalents are in high quality institutions with high credit ratings.

Contributed Materials and Services. During the fiscal years ended June 30, 2022 and 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center achieving its mission. Contributed material are recorded, when applicable, as both revenue and expense at estimated fair market value at the date of donation.

Contributions. Contributions are recognized when the donor makes a promise to give to the Center that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When a restriction expires, 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.

Net Assets. The Center classifies net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and the changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets that are not subject to donor-imposed restriction. Contributions without donor restrictions are recorded as income when constructively received. Net assets without donor restrictions may be designated for a specific purpose by action of the Board of Directors.

With Donor Restrictions. Net assets that are subject to restrictions imposed by donors that may or will be met by the occurrence of a specific event or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported as net assets released from program restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

Income Taxes. Income related to the charitable purpose of the Center is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Center is classified as a public charity under Section 170(b)(1)(A)(vi) of the Internal Revenue Code.

Management of the Center believes its activities allow it to continue to be classified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The statute of limitations for examination of the Center's returns expires three years from the due date of the return or the date filed, whichever is later. The Center's returns for the years ended June 30, 2020 through 2022 are still open for examination.

Property and Equipment. Property and equipment is stated at cost, or, if donated, at the estimated fair value on the date of donation. Property and equipment with an expected useful life of one year or longer is capitalized. The Center does not have a capitalization policy threshold. All property and equipment is depreciated on a straight-line basis over the estimated useful life. Leasehold improvements are depreciated on a straight-line basis over 5 years. Buildings are depreciated on a straight-line basis over 30 years.

Statement of Cash Flows. For purposes of the Statement of Cash Flows, cash and cash equivalents includes demand deposits. The Center considers all highly-liquid cash deposits in demand deposits to be cash and cash equivalents.

Use of Estimates. The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits. The table below includes all cash accounts of the Center. All funds deposits are in a bank that is insured by the federal government for deposits up to \$250,000. Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits will not be recovered. The Center deposits are fully insured as of June 30, 2022 and 2021.

| <u>Account</u> | 2022 | 2021 |
|----------------------------------|-------------------|--------------|
| Checking account (General) | 4,731 | \$ 11,663 |
| Savings account (General) | 1,241 | 2,185 |
| Checking account (Special event) | 63,321 | 27,109 |
| Savings account (Special event) | 270 | 52,327 |
| Checking Account (Building Fund) | <u>66,155</u> | _ |
| Total cash and cash equivalents | <u>\$ 135,718</u> | \$ 93,284 |

NOTE 4. PROPERTY AND EQUIPMENT

As of June 30, the Center had property and equipment as follows:

| | 2022 | 2021 |
|---|---------------|---------------|
| Non-depreciable Assets | | |
| Land | \$ 288,000 | \$ 288,000 |
| Depreciable Assets | | |
| Building and improvements | 262,000 | 262,000 |
| Furniture and equipment | 1,348 | 1,348 |
| Vehicles | 5,000 | 7,500 |
| Construction in-progress | 6,466 | _ |
| Total depreciable assets | 274,814 | 270,848 |
| Accumulated amortization and depreciation | (26,749) | (18,016) |
| Depreciable assets, net | 248,065 | 252,832 |
| Property and equipment, net | \$ 536,065 | \$ 540,832 |

NOTE 5. RESTRICTIONS ON NET ASSETS

Net assets were donor restricted for the following purposes at June 30, 2022 and 2021:

| | 2022 | 2021 |
|-------------------------------------|---------------|--------------|
| Restricted for cabins | \$ 121,814 | \$ 53,814 |
| Restricted for new retreat facility | 30,000 | |
| Total | \$ 151,814 | \$ 53,814 |

NOTE 6. CONTRACT WITH THE STATE OF NEW MEXICO

The Center entered into a contract with the Behavioral Health Services Division of the New Mexico Human Services Department to plan and provide a comprehensive wellness treatment program for veterans who have served in the military. The treatment program, via ten retreats, includes traditional and non-traditional treatment modalities that will help to restore, remediate, or rehabilitate individuals in order to improve individual functioning and independence, as well as reduce or eliminate the effects of illness or disability. The contract is a cost reimbursement contract. The Center recognized revenue on this contract of \$141,475 and \$157,490 for the years ended June 30, 2022 and 2021, respectively. Additionally, the Center had a receivable of \$0 and \$28,215 at June 30, 2022 and 2021, respectively.

NOTE 7. COMMITMENTS AND CONTINGENCIES

Commitments. Included in deposits is a down payment on two cabins in the amount of \$28,394. The remaining commitment at June 30, 2022 was \$85,182. As more fully discussed in Note 10, the order was canceled after year end and the deposit was returned to the Center.

Contingencies. Amounts received or receivable from governmental agencies are subject to audit and adjustment by governmental agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be allowed by the grantor cannot be determined at this time, although the Center expects such amount, if any, to be immaterial.

NOTE 8. INSURANCE COVERAGE

The Center is exposed to various risk of loss. The Center carries insurance with various insurance companies. Coverage is provided for general liability and surety bond.

NOTE 9. LIQUIDITY AND AVAILABILITY

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor imposed or board-imposed restrictions, or related party transactions, within one year of the statement of financial position date.

| | 2022 | 2021 |
|--|---------------------|----------------|
| Financial assets, at year-end | | |
| Cash and cash equivalents | \$ 135,718 | \$ 93,284 |
| Accounts receivable | | 28,215 |
| Total financial assets, at year end | 135,718 | 121,499 |
| Amounts unavailable for general expenditures | 151 014 | F2 01 <i>4</i> |
| within one year, due to donor-imposed restrictions | 151,814 | 53,814 |
| Financial assets available to meet cash needs for | | |
| general expenditures within one year | <u>\$ (16,096</u>) | \$ 67,685 |

NOTE 10. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Center's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the balance sheet date and before financial statements are available to be issued.

The Center has evaluated subsequent events through June 12, 2023, which is the date the financial statements are available to be issued. Other than the subsequent events mentioned in the following paragraph, the Center is not aware of any material subsequent events which would require disclosure in the accompanying footnotes or the financial statements.

Loan secured by real property. On June 23, 2022, the Board of Directors of the New Mexico Finance Authority approved a loan to the Center in the amount of \$1,000,000. On August 25, 2022, the Board of Directors of the New Mexico Finance Authority approved a \$290,000 increase to the loan. The total approved loan amount is \$1,290,000. The loan is collateralized by real property. The terms of the loan include an interest rate of 3.53%, interest only payments over the term of 84 months. The loan proceeds are to be used to build up to 15 cabins and a multi-purpose support building in order to host retreats on Center property. As of June 12, 2023, the loan has not been fully executed as the permitting process is still pending.

Deposit. In January 2023, the order on two cabins was canceled and the deposit in the amount of \$28,394 was returned to the Center.

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