

**Aerial Recovery**  
**(Not-For-Profit Organization)**  
**Financial Statements**  
**December 31, 2022**

# Aerial Recovery Table of Contents

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## Independent Auditor's Report

To the Board of Directors of  
Aerial Recovery

### Qualified Opinion

We have audited the accompanying financial statements of Aerial Recovery (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis of Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Aerial Recovery as of December 31, 2022, and the changes in 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 Qualified Opinion

We did not observe the physical inventory taken as of December 31, 2022 (stated at \$49,696), since that date was prior to the time we were initially engaged as auditors for Aerial Recovery. We were unable to obtain sufficient appropriate audit evidence about inventory quantities by other auditing procedures.

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 Aerial Recovery 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 qualified 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 Aerial Recovery'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 Aerial Recovery'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 Aerial Recovery'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.

***ZOMMA Group, LLP***

Coral Gables, Florida

May 14, 2024, except as to pages 4 and 12 which is as of August 15, 2024

**Aerial Recovery  
(Not-For-Profit Organization)  
Statement of Financial Position  
December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Combined Totals
<b>Assets</b>			
Current assets			
Cash	\$ 435,375	\$ -	\$ 435,375
Inventory gift shop	49,696	-	49,696
Total current assets	<u>485,071</u>	<u>-</u>	<u>485,071</u>
<b>Property and equipment, net</b>	135,638	245,365	381,003
<b>Other assets</b>			
Prepaid expenses	<u>231,000</u>	<u>-</u>	<u>231,000</u>
<b>Total assets</b>	<u>\$ 851,709</u>	<u>\$ 245,365</u>	<u>\$ 1,097,074</u>
<b>Liabilities and net assets</b>			
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 80,358	\$ -	\$ 80,358
Due to related parties	160,815	-	160,815
Note payable, current portion	1,133	-	1,133
<b>Total current liabilities</b>	<u>242,306</u>	<u>-</u>	<u>242,306</u>
<b>Noncurrent liabilities</b>			
Note payable, net of current portion	36,367	-	36,367
Loan payable, net of current portion	<u>22,700</u>	<u>-</u>	<u>22,700</u>
<b>Total noncurrent liabilities</b>	<u>59,067</u>	<u>-</u>	<u>59,067</u>
<b>Total liabilities</b>	301,373	-	301,373
<b>Net assets</b>	<u>550,336</u>	<u>245,365</u>	<u>795,701</u>
<b>Total liabilities and net assets</b>	<u>\$ 851,709</u>	<u>\$ 245,365</u>	<u>\$ 1,097,074</u>

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

**Aerial Recovery**  
**(Not-For-Profit Organization)**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Combined Total
<b>Public support</b>			
Contributions	\$ 2,760,002	\$ 83,045	\$ 2,843,047
In-kind contributions	28,247	179,754	208,001
Special events (net of direct costs of \$23,166)	516,916		516,916
Program service revenues	39,191		39,191
Miscellaneous income	7,516		7,516
Net assets released from restriction	17,434	(17,434)	-
<b>Total public support</b>	<u>3,369,306</u>	<u>245,365</u>	<u>3,614,671</u>
<b>Functional expenses</b>			
Program expenses	2,299,256		2,299,256
General and administrative	233,982	-	233,982
Fundraising	244,870	-	244,870
<b>Total functional expenses</b>	<u>2,778,108</u>	<u>-</u>	<u>2,778,108</u>
Excess of public support over expenses	591,198	245,365	836,563
<b>Other changes in net assets</b>			
Interest expense	(1,254)	-	(1,254)
Loss on sale of fixed assets	(93,855)	-	(93,855)
<b>Total other changes in net assets</b>	<u>(95,109)</u>	<u>-</u>	<u>(95,109)</u>
<b>Change in net assets</b>	496,089	245,365	741,454
Net assets – beginning of year	<u>54,247</u>	<u>-</u>	<u>54,247</u>
<b>Net assets – end of year</b>	<u>\$ 550,336</u>	<u>\$ 245,365</u>	<u>\$ 795,701</u>

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

**Aerial Recovery**  
**(Not-For-Profit Organization)**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

	Program Expenses				Supporting Services		Combined Totals
	Anti-Human Trafficking	Disaster Relief	Heal the Heroes	Total Program Services	General and Support Expenses	Fundraising Expenses	
<b>Personnel costs</b>							
Salaries	\$ 89,957	\$ 116,623	\$ 49,627	\$ 256,207	\$ 38,835	\$ 51,050	\$ 346,092
Payroll taxes and fringe benefits	6,909	9,384	4,641	20,934	4,566	4,414	29,914
<b>Total personnel costs</b>	<b>96,866</b>	<b>126,007</b>	<b>54,268</b>	<b>277,141</b>	<b>43,401</b>	<b>55,464</b>	<b>376,006</b>
<b>Other expenses</b>							
Advertising	-	1,920	-	1,920	-	24,140	26,060
Auto	26,144	26,144	-	52,288	141	-	52,429
Bank fees	604	414	-	1,018	-	26,297	27,315
Charitable contributions	29,288	49,288	9,478	88,054	-	-	88,054
Computer	-	30	-	30	41,302	158	41,490
Contract labor	360,746	370,060	10,800	741,606	20,683	40,000	802,289
Dues and subscriptions	25	25	-	50	3,429	920	4,399
Insurance	206	485	-	691	624	-	1,315
Meals and entertainment	129	129	-	258	516	-	774
Supplies	56,096	80,685	6,714	143,495	962	12,580	157,037
Professional fees	8,973	22,600	20,500	52,073	37,126	19,391	108,590
Rent expense	-	-	100,800	100,800	-	-	100,800
Equipment rental	24,273	22,950	-	47,223	18,832	-	66,055
Office expense	128	2,836	-	2,964	7,698	211	10,873
Small tools	29,165	43,610	-	72,775	728	6,795	80,298
Repairs and maintenance	510	-	-	510	-	-	510
Taxes and licenses	10	10	-	20	81	-	101
Telephone	676	6,240	-	6,916	4,688	-	11,604
Transportation	-	-	6,693	6,693	-	-	6,693
Travel and lodging	275,503	321,182	50,934	647,619	26,037	53,968	727,624
Utilities	338	4,298	-	4,636	5,049	-	9,685
Working meals	-	-	-	-	418	74	492
Protective clothing and uniforms	8,066	8,769	-	16,835	4,461	4,872	26,168
Depreciation and amortization	12,175	21,466	-	33,641	17,806	-	51,447
<b>Total functional expenses</b>	<b>\$ 929,921</b>	<b>\$ 1,109,148</b>	<b>\$ 260,187</b>	<b>\$ 2,299,256</b>	<b>\$ 233,982</b>	<b>\$ 244,870</b>	<b>\$ 2,778,108</b>

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

**Aerial Recovery  
(Not-For-Profit Organization)  
Statement of Cash Flows  
For the Year Ended December 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Combined Totals</u>
<b>Cash flows from operating activities</b>			
Cash received from grants and revenues	\$ 3,143,871	\$ 262,799	\$ 3,406,670
Cash paid to suppliers and employees	(2,699,732)	(17,434)	(2,717,166)
Interest paid	(1,254)	-	(1,254)
<b>Net cash provided by operating activities</b>	<u>442,885</u>	<u>245,365</u>	<u>688,250</u>
<b>Cash flows used in investing activities</b>			
Purchase of property and equipment	(393,368)	-	(393,368)
Proceed from sale of property and equipment	25,740	-	25,740
<b>Net cash used in investing activities</b>	<u>(367,628)</u>	<u>-</u>	<u>(367,628)</u>
<b>Net increase in cash</b>	75,257	245,365	320,622
Cash – beginning of year	<u>114,753</u>	<u>-</u>	<u>114,753</u>
<b>Cash – end of year</b>	<u>\$ 190,010</u>	<u>\$ 245,365</u>	<u>\$ 435,375</u>
<b>Reconciliation of net income to net cash from operating activities</b>			
Change in net assets	\$ 496,089	\$ 245,365	\$ 741,454
Add items which do not affect cash			
Depreciation and amortization	51,447	-	51,447
Loss on disposal of property and equipment	93,855		93,855
Charitable contribution	58,576		58,576
In-kind fixed assets	(179,753)		(179,753)
Add or (deduct) changes in operating assets and liabilities			
Inventory aid supplies	(49,259)	-	(49,259)
Accounts payable and accrued expenses	47,797	-	47,797
Prepaid expense	(231,000)		(231,000)
Due to related parties	155,133		155,133
<b>Net cash provided by operating activities</b>	<u>\$ 442,885</u>	<u>\$ 245,365</u>	<u>\$ 688,250</u>
<b>Non-cash transactions:</b>			
Vehicle purchased with debt	<u>\$ 37,500</u>		

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



**Note 1 Organization and Purpose**

Aerial Recovery (the Organization) is a 501(c)(3) not-for-profit organization founded in 2018 in the State of Tennessee as a first responder to global disasters. The Organization's mission is to save lives and stop evil by way of the following programs which encompass their mission:

*Anti-Human Trafficking*

Aerial Recovery's Anti-Human Trafficking initiative is a critical component of its mission to stop evil. By deploying specially trained Humanitarian Special Operators, the organization combats human trafficking on a global scale. These operators, comprising selected veterans and first responders, leverage their unique skills and experiences to rescue victims, dismantle trafficking networks, and bring perpetrators to justice. This initiative reflects Aerial Recovery's commitment to protecting vulnerable populations and eradicating one of the world's most heinous crimes.

*Disaster Relief*

Aerial Recovery's Disaster Relief initiative focuses on providing rapid and effective response to global crises. Humanitarian Special Operators are deployed to disaster-stricken areas, offering immediate aid and support to affected communities. These operators, trained to handle high-stress and challenging environments, bring critical resources, medical assistance, and logistical support to those in need. The initiative underscores Aerial Recovery's dedication to saving lives and mitigating the impacts of natural and man-made disasters.

*Heal the Heroes Initiative:*

Our foundational initiative, Heal the Heroes, involves a year-long transformative program. Participants, nominated for their resilience and potential, embark on an immersive retreat to start their healing journey, bond with their platoon, and discover a renewed mission and purpose. This program cultivates them into Humanitarian Special Operators.

**Note 2 Summary of Significant Accounting Policies**

**Basis of Financial Statements Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Basis of Financial Statements Presentation (continued)**

*Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Use of Estimates**

In preparing the financial statements of the Organization, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities as of the statement of financial position date, and the revenues and expenses for the period then ended. Actual results could differ from those estimates. A description of some of the estimates used in the preparation of the financial statements is included in the following significant accounting policies.

**Fair Value Measurements**

Fair value measurements establish a hierarchy to prioritize the computation of fair value. Such hierarchy consist of a) - valuations based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), b) - valuations based on observable unadjusted quoted prices for similar assets and liabilities in active markets (Level 2), and c) - valuations based on inputs that are unobservable and are supported by little or no market activity, therefore, requiring management's best estimate of what market participants would use as fair value (Level 3). A description of the Organization's accounting principles and basis of presentation with regards to the fair market value of its assets and liabilities follows:

*Financial Assets and Liabilities*

The Organization reflects certain financial assets and liabilities such as cash, prepaid expenses, and payables at their carrying values in accordance with generally accepted accounting principles in the United States.

*Non-Financial Assets*

The Organization's non-financial assets comprise of assets which are measured at fair value on a nonrecurring basis such as property and equipment. The Organization's property and equipment as further explained in Note 4 is tested for impairment and adjusted to fair market value based on a Level 2 or 3 type of valuation when circumstances indicate that the carrying value of an asset may not be recoverable.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. There were no such investments as of December 31, 2022.

**Property and Equipment**

Property and equipment is recorded at cost when purchased or constructed, or at fair market value when donated. Depreciation is included in the statement of activities and is computed on the straight-line basis over the estimated useful life of the assets. The Organization capitalizes all expenditures in excess of \$1,000 for property and equipment at cost. Donations of property and equipment are reported as without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Expenditures for major renewals and betterment that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

**Impairment**

Long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying value is impaired, the long-lived assets will be written down to their fair market value with a corresponding charge to earnings. No such impairment was recorded for the year ended December 31, 2022.

**Donated Inventory, Supplies, Materials and Services**

Donated inventory, supplies and materials are recorded at their fair value at the date of the gift. Donated services are reflected when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services, which would be typically purchased if not provided by donation.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization 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 in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Program Service**

Program service revenues are recognized at the point in time when the Organization provides tactical rescue training in connection with their disaster relief efforts.

**Functional Allocation of Expenses**

The costs of providing the programs and supporting activities have been directly charged. General and administrative costs primarily consist of professional fees, insurance, rent and other expenses.

**Note 2 Summary of Significant Accounting Policies (continued)**

**Income Taxes**

The Organization is organized as a not-for-profit entity and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Unrelated business income, of which the Organization had none for the year ended December 31, 2022, would be subject to federal income taxes. The Organization's information returns filed with the Internal Revenue Service have not been examined in the past. The Organization is not aware of any uncertainties that could jeopardize its not-for-profit status. Therefore, no provision or liability for income taxes is deemed necessary.

The Organization follows the provisions of uncertain tax provisions addressed by ASC 740-10 *Accounting For Uncertainty in Income Taxes*. The Organization has no uncertain tax positions at December 31, 2022, for which the ultimate deductibility is highly certain but for which there are uncertainty about the timing of such deductibility. The Organization recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. The Organization is no longer subject to US Federal and Florida income tax examinations by authorities for years before 2020.

**Recent Accounting Pronouncements**

Leases

The Organization adopted the Accounting Standard Codification ("ASC") 842 *Leases*, with a date of initial application of January 1, 2022 (transition date). The standard requires leases to be capitalized as a right of use asset with a corresponding liability for leases with terms of more than twelve months. The Organization does not have any leases with an initial term of 12 months or more, therefore, none have been included in the statement of financial position.

Short-term lease

The Organization has elected short-term lease recognition exemption for operating leases. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise, are not recorded on the statement of financial position.

**Note 3 Property and Equipment**

Property and equipment consist of the following at December 31, 2022:

		Useful Lives (Years)
Redemption Ranch:		
Animals	\$ 128,722	10
Structure	30,251	39
Land improvements	103,826	15
Building improvements	7,936	39
Machinery and equipment	82,101	5
Vehicles	48,670	5
Website	6,594	5
	408,100	
Less: accumulated depreciation	(27,097)	
	\$ 381,003	

Depreciation and amortization expense for the year ending December 31, 2022 totaled \$51,447.

**Note 4 Long-Term Debt**

Long-term debt consists of an installment note on a vehicle with an interest rate of 10.5%, monthly payments of \$418 which expire in 2037. Additionally, they have an SBA loan which was granted during COVID. Management intends to make payments, however, the entire balance is classified as long-term at year ended December 31, 2022.

Maturities on long-term debt is as follows:

Year Ending December 31,	
2023	\$ 1,133
2024	23,958
2025	1,396
2026	1,550
2027	1,721
Thereafter	30,442
	60,200
Less: current portion	1,133
	\$ 59,067

**Note 5 Net Assets with Donor Restrictions**

Net assets with donor restrictions consists of ranch animals and structure with a net book value of \$245,365 for the year ended December 31, 2022.

Net assets were released from donor restrictions by passage of time satisfying the restricted purpose for the year ended December 31, 2022.

**Note 6 Commitments**

The Organization leases storage space, however, they are on a month to month basis. In this connection, the Organization elected the short-term lease recognition exemption for such leases. Rental expense for the year ended December 31, 2022 amounted to \$100,800.

**Note 7 Credit Risk**

At times during the year, the Organization’s cash balances were in excess of the federal insured limits of \$250,000. At December 31, 2022, the Organization’s uninsured cash balance was approximately \$184,000. However, the Organization maintains its cash with a high-quality financial institution which the Organization believes limits the risk of having uninsured deposits.

**Note 8 In-Kind Donations**

During current year, in-kind donations received were made up of ranch animals with a fair value on the date of donation of approximately \$176,000. In addition, they received a trailer with a fair value of approximately \$3,500 and gift shop inventory items with a fair value of approximately \$28,000.

**Note 9 Related party transactions**

Related party transactions consist of payments made by a company, with common ownership, to employees, vendors, and certain shared expenses on behalf of the Organization.

**Note 10 Liquidity and Availability of Financial Assets**

The following reflects the Organization’s financial assets as of December 31, 2022, reduced by the amounts not available for general use within one year of the statement of financial position because of contractual or donor-imposed restrictions or internal designations.

Current assets, excluding non-financial assets	\$	485,071
Less: donor restrictions for specific purposes		-
Financial assets available to meet cash needs for general expenditures within one year		\$ 485,071

**Note 11 Subsequent Events**

Subsequent events have been evaluated through March 14, 2024 which is the date the financial statements were available to be issued.

