

Aerial Recovery
(Not-For-Profit Organization)
Financial Statements
December 31, 2023

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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, 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, 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, 2023, 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 taking of physical inventories at December 31, 2023 and December 31, 2022 (stated at \$97,024 and \$49,696, respectively), 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

June 28, 2024, except as to pages 4 and 12

**Aerial Recovery
(Not-For-Profit Organization)
Statement of Financial Position
December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Combined Totals
Assets			
Current assets			
Cash	\$ 119,924	\$ 21,816	\$ 141,740
Accounts receivable	19,000		19,000
Inventory gift shop	97,024	-	97,024
Prepaid expenses	225,600		225,600
Total current assets	461,548	21,816	483,364
Property and equipment, net	541,486	272,172	813,658
Total assets	\$ 1,003,034	\$ 293,988	\$ 1,297,022
Liabilities and net assets			
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	\$ 113,609	\$ -	\$ 113,609
Due to related parties	11,844	-	11,844
Note payable, current portion	1,258	-	1,258
Total current liabilities	126,711	-	126,711
Noncurrent liabilities			
Note payable, net of current portion	34,951	-	34,951
Loan payable	22,700	-	22,700
Total noncurrent liabilities	57,651	-	57,651
Total liabilities	184,362	-	184,362
Net assets	818,672	293,988	1,112,660
Total liabilities and net assets	\$ 1,003,034	\$ 293,988	\$ 1,297,022

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, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Combined Total</u>
Public support			
Contributions	\$ 2,691,802	\$ 72,131	\$ 2,763,933
Special events (net of direct costs of \$23,166)	171,312	-	171,312
Program service revenues	65,186	-	65,186
Miscellaneous income	19,334	-	19,334
Net assets released from restriction	23,508	(23,508)	-
Total public support	<u>2,971,142</u>	<u>48,623</u>	<u>3,019,765</u>
Functional expenses			
Program expenses	2,072,724	-	2,072,724
General and administrative	348,131	-	348,131
Fundraising	277,070	-	277,070
Total functional expenses	<u>2,697,925</u>	<u>-</u>	<u>2,697,925</u>
Excess of public support over expenses	273,217	48,623	321,840
Other changes in net assets			
Interest expense	(4,881)	-	(4,881)
Change in net assets	268,336	48,623	316,959
Net assets – beginning of year	550,336	245,365	795,701
Net assets – end of year	<u>\$ 818,672</u>	<u>\$ 293,988</u>	<u>\$ 1,112,660</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, 2023**

	Program Expenses				Total Program Services	Supporting Services		Combined Totals
	Anti-Human Trafficking	Disaster Relief	Heal the Heroes	Redemption Ranch		General and Support Expenses	Fundraising Expenses	
Personnel costs								
Salaries	\$ 214,728	\$ 166,430	\$ 112,479	\$ 79,633	\$ 573,270	\$ 88,025	\$ 70,839	\$ 732,134
Payroll taxes and fringe benefits	16,461	12,646	9,626	9,953	48,686	10,204	6,417	65,307
Total personnel costs	231,189	179,076	122,105	89,586	621,956	98,229	77,256	797,441
Other expenses								
Advertising	-	-	-	-	-	36,957	-	36,957
Auto	466	-	-	1,263	1,729	-	76	1,805
Bank fees	66	48	-	45	159	3,100	27,368	30,627
Charitable contributions	10,000	65,854	-	-	75,854	-	-	75,854
Computer	10,625	-	-	-	10,625	37,887	6,069	54,581
Contract labor	38,870	67,985	51,575	15,148	173,578	6,464	67,353	247,395
Logistics	-	-	-	905	905	288	-	1,193
Dues and subscriptions	2	-	-	-	2	142	12,757	12,901
Insurance	15,475	-	-	-	15,475	32,291	-	47,766
Meals and entertainment	-	-	-	-	-	1,603	528	2,131
Supplies	12,434	2,368	35,809	151,026	201,637	2,260	1,911	205,808
Professional fees	10,207	1,425	80,825	24,791	117,248	81,901	36,519	235,668
Trainings	1,639	-	-	-	1,639	500	-	2,139
Rent expense	-	-	506,500	-	506,500	16,630	-	523,130
Equipment rental	1,659	4,693	-	-	6,352	-	2,202	8,554
Office expense	2,170	-	-	692	2,862	2,579	3,357	8,798
Repairs and maintenance	-	-	-	195	195	1,610	-	1,805
Taxes and licenses	103	-	-	70	173	4,695	-	4,868
Telephone	6,123	425	-	-	6,548	18,805	30	25,383
Transportation	-	-	35,834	-	35,834	-	-	35,834
Travel and lodging	81,151	71,012	79,798	6,820	238,781	2,150	37,127	278,058
Utilities	-	-	-	-	-	40	-	40
Working meals	842	-	-	-	842	-	-	842
Protective clothing and uniforms	3,116	-	-	-	3,116	-	-	3,116
Depreciation and amortization	25,431	885	890	23,508	50,714	-	4,517	55,231
Total functional expenses	\$ 451,568	\$ 393,771	\$ 913,336	\$ 314,049	\$ 2,072,724	\$ 348,131	\$ 277,070	\$ 2,697,925

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, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Combined Totals</u>
Cash flows from operating activities			
Cash received from grants and revenues	\$ 2,928,634	\$ 72,131	\$ 3,000,765
Cash paid to suppliers and employees	(2,776,834)	(23,508)	(2,800,342)
Interest paid	(4,881)	-	(4,881)
Net cash provided by operating activities	<u>146,919</u>	<u>48,623</u>	<u>195,542</u>
Cash flows used in investing activities			
Purchase of property and equipment	(215,714)	(272,172)	(487,886)
Cash flows from financing activities			
Payments on long-term debt	<u>(1,291)</u>	<u>-</u>	<u>(1,291)</u>
Net increase (decrease) in cash	(70,086)	(223,549)	(293,635)
Cash – beginning of year	<u>190,010</u>	<u>245,365</u>	<u>435,375</u>
Cash – end of year	<u>\$ 119,924</u>	<u>\$ 21,816</u>	<u>\$ 141,740</u>
Reconciliation of changes in net assets to net cash from operating activities			
Change in net assets	\$ 268,336	\$ 48,623	\$ 316,959
Add items which do not affect cash			
Depreciation and amortization	55,231	-	55,231
Add or (deduct) changes in operating assets and liabilities			
Accounts receivable	(19,000)	-	(19,000)
Inventory and supplies	(47,328)	-	(47,328)
Accounts payable and accrued expenses	33,251	-	33,251
Prepaid expense	5,400	-	5,400
Due to related parties	(148,971)	-	(148,971)
Net cash provided by operating activities	<u>\$ 146,919</u>	<u>\$ 48,623</u>	<u>\$ 195,542</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 of 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.

Redemption Ranch

Aerial Recovery's rescue and rehabilitation efforts extend to animals. Redemption Ranch rescues and rehabilitates animals in desperate need. Once the animals are rehabilitated, they are used for specialized therapeutic programs for veterans with Post Traumatic Stress, children with special needs, and individuals suffering from abuse.

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 of the United States of America ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Note 2 Summary of Significant Accounting Policies (continued)

Basis of Financial Statements Presentation (continued)

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. (See Note 5)

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, inventory, 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, 2023.

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, 2023.

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, 2023, 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, 2023, 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 2021.

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, 2023:

		Useful Lives (Years)
Redemption Ranch:		
Animals	\$ 154,056	10
Structure	30,251	39
Land improvements	128,807	15
Building improvements	7,936	39
Machinery and equipment	94,075	5
Vehicles	425,404	5
Website	55,457	5
	895,986	
Less: accumulated depreciation	82,328	
	\$ 813,658	

Depreciation and amortization expense for the year ending December 31, 2023 totaled \$55,231.

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, 2023.

Maturities on long-term debt is as follows:

Year Ending December 31,	
2024	\$ 1,258
2025	24,096
2026	1,550
2027	1,721
2028	1,911
Thereafter	28,373
	58,909
Less: current portion	1,258
	\$ 57,651

Note 5 Net Assets with Donor Restrictions

Net assets with donor restrictions consists of ranch animals and structure with a net book value of \$272,172 and cash earmarked for purposes of equipping vehicles for emergency response with an amount remaining of \$21,816, as of December 31, 2023.

Net assets were released from donor restrictions by passage of time satisfying the restricted purpose for the year ended December 31, 2023.

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, 2023 amounted to \$16,000.

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, 2023, the Organization had no uninsured cash balance. 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 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 and amounted to \$11,844 as of December 31, 2023.

Note 9 Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2023, 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	\$ 483,364
Less: donor restrictions for specific purposes	<u>21,816</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 461,548</u></u>

Note 10 Subsequent Events

Subsequent events have been evaluated through June 28, 2024 which is the date the financial statements were available to be issued.