

The Avalon Network, Inc.

Financial Report

December 31, 2024



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Avalon Network, Inc.
Atlanta, Georgia

Opinion

We have audited the accompanying financial statements of The Avalon Network, Inc. d/b/a Avalon Action Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets 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 Avalon Network, Inc. as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 ethical responsibilities in accordance with the relevant ethical requirements related 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 these 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 judgement, 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.

MS Jiller LLC

Duluth, Georgia
September 29, 2025

The Avalon Network, Inc.
Statement of Financial Position
December 31, 2024

Assets

Assets	
Cash and cash equivalents	\$ 834,560
Contributions receivable	517,983
Prepaid expenses	14,926
Intangible asset	<u>28,333</u>
Total Assets	<u>\$ 1,395,802</u>

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	\$ 59,970
Grants payable	83,314
Deferred revenue	<u>150,000</u>
Total liabilities	293,284
Net Assets	
Without donor restrictions	902,518
With donor restrictions	<u>200,000</u>
Total net assets	<u>1,102,518</u>
Total Liabilities and Net Assets	<u>\$ 1,395,802</u>

See accompanying notes to the financial statements.

The Avalon Network, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Contributions	\$ 17,696,636	\$ 200,000	\$ 17,896,636
Contributions - donated goods	60,200	-	60,200
Interest income	115,638	-	115,638
Total support and revenue	17,872,474	200,000	18,072,474
Expenses			
Program services	22,302,730	-	22,302,730
Management and general	329,550	-	329,550
Fundraising	801,947	-	801,947
Total expenses	23,434,227	-	23,434,227
Change in Net Assets	(5,561,753)	200,000	(5,361,753)
Net Assets, January 1, 2024	6,464,271	-	6,464,271
Net Assets, December 31, 2024	<u>\$ 902,518</u>	<u>\$ 200,000</u>	<u>\$ 1,102,518</u>

See accompanying notes to the financial statements.

The Avalon Network, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2024

Cash Flows From Operating Activities	
Change in net assets	\$ (5,361,753)
Adjustments to reconcile change in net assets to net cash required by operating activities:	
Amortization expense	14,167
Changes in assets and liabilities:	
Prepaid expenses	(1,484)
Prepaid grant	200,000
Contribution receivable	(517,983)
Other receivable	22,709
Accounts payable and accrued expenses	14,607
Grants payable	(507,343)
Deferred revenue	150,000
<i>Net Cash Required By Operating Activities</i>	<u>(5,987,080)</u>
Net Change in Cash and Cash Equivalents	(5,987,080)
Cash and Cash Equivalents, Beginning of Year	<u>6,821,640</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 834,560</u></u>

See accompanying notes to the financial statements.

The Avalon Network, Inc.
Notes to Financial Statements
December 31, 2024

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: The Avalon Network, Inc. d/b/a Avalon Action Alliance (the “Organization”) began operations on January 1, 2023 to connect our nation’s veterans and first responders to life-changing care at Avalon Alliance Partners, with a focus on post-traumatic stress, traumatic brain injuries, and substance abuse. Support and revenue are received primarily through contributions from foundations and corporate pledges.

Basis of Presentation: The Organization follows the provisions of generally accepted accounting principles in the United States of America (“GAAP”) for not-for-profit organizations which require reporting total assets, liabilities and net assets in a statement of financial position; reporting changes in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statements of cash flows. Net assets and revenues, gains, expenses and losses are classified as “net assets without donor restrictions” or “net assets with donor restrictions” as follows:

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.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time; or are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents: Cash and cash equivalents include cash and highly liquid investments with an initial maturity of three months or less.

The Organization maintains cash accounts with a major national bank. On occasion, the Organization’s cash balances on deposit may exceed limits of the Federal Deposit Insurance Corporation. Management continually monitors the soundness of the financial institution and believes the exposure to loss to be minimal. As of December 31, 2024, the Organization’s cash balances on deposit in excess of federally insured limits totaled approximately \$585,000.

Revenue Recognition: The Organization recognizes revenue on contributions when cash or an unconditional promise to give is received. 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 depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization occasionally receives sponsorship revenue in advance of the event, which are deferred until the revenue is earned and included in deferred revenue on the accompanying statement of financial position.

The Avalon Network, Inc.
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December 31, 2024

Contributions Receivable: Contributions receivable consist of unconditional promises to give that are expected to be collected in future years and are stated at the present value of their estimated future cash flows. The discount on these amounts is computed using risk-free rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue in the accompanying statement of activities and changes in net assets. Discounts on receivables and the related amortization of those discounts were insignificant for the years ended December 31, 2024.

Allowance for Credit Losses: The Organization establishes an allowance for credit losses on financial assets measured at amortized costs and on other commitments, based on factors surrounding the credit risk of specific donors, historic trends, reasonable and supportable forecasts about collectability, and other information. Financial assets with similar risk characteristics are evaluated for credit losses on a pooled basis and are charged to the allowance when management believes future collection is not reasonably expected. Collection losses have historically been immaterial; therefore, the allowance for credit losses was insignificant as of December 31, 2024.

Grants Payable: Grants payable represents all unconditional grants that have been authorized prior to year-end but remain unpaid as of the statement of financial position date. Grants that are expected to be paid in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using risk-free interest rates applicable to the years in which the grants are approved by the Board of Directors. Amortization of the discounts is included in program services in the accompanying statement of activities. Conditional grants are expensed and considered payable in the period in which the conditions are substantially satisfied.

Website Development Costs: During the development phase of the website, costs incurred were capitalized and are recorded as intangible assets on the accompanying statement of financial position. Costs incurred after the development phase of the website are expensed as incurred unless the costs relate to specific upgrades or enhancements. Amortization is calculated using the straight-line method over three years and was \$14,167 for the year ended December 31, 2024.

Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from those estimates.

Program Services: The Organization accomplishes its goals through specific program services, primarily by funding Avalon Alliance Partners, that provide life-changing training and treatment for veterans and first responders facing the invisible wounds of service.

Advertising: Advertising and marketing costs are expensed as incurred and were \$49,112 for the year ended December 31, 2024.

The Avalon Network, Inc.
Notes to Financial Statements
December 31, 2024

Income Taxes: The Organization is a qualifying, nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Interest and penalties related to income taxes are expensed as incurred. There were no interest and penalties charged to expense for the years ended December 31, 2024.

GAAP provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the Organization's financial statements. Management has evaluated the implications of these standards and has not identified any uncertain tax positions for the Organization; therefore, no tax expense or accruals are included in the accompanying financial statements.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable are expected to be collected as follows as of December 31, 2024:

Less than one year	\$ 417,983
One year to five years	<u>100,000</u>
Total	<u><u>\$ 517,983</u></u>

The allowance for credit losses on unconditional contributions receivable was insignificant at December 31, 2024.

The Organization has conditional contributions receivable from two foundations for the purpose of funding the Organization's operations and Avalon Alliance Partners. As of December 31, 2024, the conditional contribution balance was \$35,120,000, which is dependent on the Organization meeting certain conditions and is scheduled to be paid over the next three years.

NOTE 3 – GRANTS

The majority of grants awarded by the Organization are conditional promises to give that are dependent on the recipient organization's ability to meet the conditions established at the time of the grant approval and on the Organization's availability of funds. As of December 31, 2024, conditional grant commitments totaled approximately \$52,750,000. Grants approved and payable, for which all conditions have been met, was \$83,314 as of December 31, 2024 and was paid in 2025.

The Avalon Network, Inc.
Notes to Financial Statements
December 31, 2024

Reconciliation of grants awarded to grant payments for the year ended December 31, 2024 is as follows:

Grant payments	\$ 21,278,080
Change in prepaid grants	200,000
Change in grants payable	<u>(507,343)</u>
Grants awarded	<u>\$ 20,970,737</u>

NOTE 4 – CONCENTRATIONS

The Organization receives support from corporations, foundations, and individuals. One donor accounted for 75% of contributions revenue for the year ended December 31, 2024. Loss of funding from this donor could have a material effect on the Organization's operations.

NOTE 5 – DONATED SERVICES AND GOODS

Donations of professional services are recognized when received if such services: (a) enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated services and goods are recorded as both revenue and expense at the fair value of these services on the date of the donation or over the service period. Donated office space was valued at \$60,200 for the year ended December 31, 2024.

NOTE 6 – INTANGIBLES

Intangible asset represents development costs for the Organization's website for the year ended December 31, 2024 as follows:

	Gross Carrying <u>Amount</u>	Accumulated <u>Amortization</u>	<u>Net</u>
Website Development Costs	\$ 42,500	\$ 14,167	\$ 28,333

Amortization expense was \$14,167 for the year ended December 31, 2024 and for the next two years.

The Avalon Network, Inc.
Notes to Financial Statements
December 31, 2024

NOTE 7 – SCHEDULE OF FUNCTIONAL EXPENSES

Certain categories of operating expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. General operating costs across all natural categories are allocated based on estimates of time and effort.

Expenses are summarized on a functional basis below for the year ended December 31, 2024:

	Program Services	Management and General	Fundraising	Total
Partner grants	\$20,970,737	\$ -	\$ -	\$20,970,737
Compensation and employee benefits	839,890	174,290	604,047	1,618,227
Professional fees	172,803	102,433	36,950	312,186
Conferences, travel, and meetings	245,686	15,718	47,201	308,605
Rent	30,194	6,780	23,226	60,200
Marketing	-	-	49,112	49,112
Other operating expenses	43,420	30,329	41,411	115,160
Total expenses	<u>\$22,302,730</u>	<u>\$ 329,550</u>	<u>\$ 801,947</u>	<u>\$23,434,227</u>

NOTE 8 – AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The Organization is substantially supported by contributions to be used for the Organization's alliance partners and operations. Financial assets available for general expenditures, without donor or other restrictions limiting use, comprise the following:

Financial assets at year end:	
Cash and equivalents	\$ 834,560
Contributions Receivable	<u>517,983</u>
Total financial assets at year-end	1,352,543
Less amounts not available to be used within one year:	
Net assets with donor restrictions	200,000
Less net assets with donor restrictions to be met in less than a year	<u>(100,000)</u>
Total amounts not available to be used within one year	<u>100,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,252,543</u>

The Avalon Network, Inc.
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December 31, 2024

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of this policy, grant agreements are structured so that grant payments are conditional on the Organization's availability of funds.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) plan for eligible employees. Under the plan, the Organization matches 4% of employees' contributions to the plan. Retirement plan expense was \$48,909 for the year ended December 31, 2024.

NOTE 10 – NET ASSETS

Net assets with donor restrictions were \$200,000 as of December 31, 2024, which are restricted for funding Avalon's operations in future periods.

NOTE 11 – SUBSEQUENT EVENTS

The Organization has evaluated events occurring after December 31, 2024 through September 29, 2025, which is the date on which the financial statements were available to be issued. No significant events occurred subsequent to the statement of financial position date but prior to issuance that would have a material impact on the financial statements or disclosures.