

VETERANS HERITAGE PROJECT

FINANCIAL STATEMENTS

JUNE 30, 2018

TABLE OF CONTENTS

	<u>PAGE NO.</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Other Changes in Net Assets.....	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to the Financial Statements.....	6 - 11

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board Members
Veterans Heritage Project

We have reviewed the accompanying financial statements of Veterans Heritage Project (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018 and the related statements of activities and other changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Moffitt & Company, P.C.

Moffitt & Company, P.C.
Phoenix, Arizona
September 6, 2018

**VETERANS HERITAGE PROJECT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018**

ASSETS			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 140,488	\$ 12,300	\$ 152,788
Accounts receivable	670	0	670
Inventory	10,261	0	10,261
Deposit for reception	3,095	0	3,095
Prepaid insurance	871	0	871
Prepaid expenses, other	1,031	0	1,031
Workers' compensation deposit	<u>564</u>	<u>0</u>	<u>564</u>
TOTAL CURRENT ASSETS	156,980	12,300	169,280
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	24,301	0	24,301
OTHER ASSETS			
Lease deposit	<u>1,000</u>	<u>0</u>	<u>1,000</u>
TOTAL ASSETS	<u>\$ 182,281</u>	<u>\$ 12,300</u>	<u>\$ 194,581</u>

LIABILITIES AND NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
CURRENT LIABILITIES			
Accrued expenses	\$ 2,653	\$ 0	\$ 2,653
NET ASSETS	<u>179,628</u>	<u>12,300</u>	<u>191,928</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 182,281</u>	<u>\$ 12,300</u>	<u>\$ 194,581</u>

See Accompanying Notes and Independent Accountants' Review Report.

VETERANS HERITAGE PROJECT
STATEMENT OF ACTIVITIES AND OTHER CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Direct public grants			-
Cash	\$ 79,920	\$ 20,638	\$ 100,558
In kind goods	19,312	0	19,312
Government grants	25,000	0	25,000
Direct public support	163,771	4,084	167,855
In kind services	54,000	0	54,000
Caitlin Campbell Scholarship	0	2,800	2,800
Barbara Hatch Scholarship	<u>0</u>	<u>500</u>	<u>500</u>
TOTAL REVENUE AND SUPPORT	<u>342,003</u>	<u>28,022</u>	<u>370,025</u>
FUNCTIONAL EXPENSES			
Programs	258,041	0	258,041
General and administrative	63,116	0	63,116
Fundraising	<u>40,339</u>	<u>0</u>	<u>40,339</u>
TOTAL FUNCTIONAL EXPENSES	<u>361,496</u>	<u>0</u>	<u>361,496</u>
NET INCREASE IN ASSETS	(19,493)	28,022	8,529
NET ASSETS RELEASED FROM RESTRICTION	31,285	(31,285)	0
NET ASSETS, JULY 1, 2017	<u>167,836</u>	<u>15,563</u>	<u>183,399</u>
NET ASSETS, JUNE 30, 2018	<u>\$ 179,628</u>	<u>\$ 12,300</u>	<u>\$ 191,928</u>

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM
OPERATING ACTIVITIES**

Increase in net assets	\$ 8,529	-
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	4,959	
Changes in operating assets and liabilities:		
Accounts receivable	9,489	
Inventory	(4,321)	
Deposit for reception	(3,095)	
Prepaid insurance	(8)	
Prepaid expenses, other	46	
Accrued expenses	<u>2,013</u>	

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

\$ 17,612

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(29,260)</u>	
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**NET CASH (USED) BY INVESTING
ACTIVITIES**

(29,260)

CASH FLOWS FROM FINANCING ACTIVITIES

0

NET DECREASE IN CASH

(11,648)

CASH, JULY 1, 2017

164,436

CASH, JUNE 30, 2018

\$ 152,788

**SUPPLEMENTARY DISCLOSURES OF
CASH FLOW INFORMATION**

CASH PAID DURING THE YEAR FOR

Interest	<u>\$ 0</u>
Taxes	<u>\$ 0</u>

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Supporting Services</u>			<u>Total -</u>
	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Bank charges	\$ 0	\$ 0	\$ 541	\$ 541
Book publishing	50,222	0	0	50,222
Book reception	19,271	0	0	19,271
Depreciation	0	4,959	0	4,959
Employee benefits	2,700	1,350	1,350	5,400
Insurance	0	2,175	0	2,175
Lectures	40	0	0	40
Marketing	3,168	0	1,306	4,474
Meals and meetings	0	305	0	305
Membership dues	25	409	0	434
Mentoring/chapter support	3,300	0	0	3,300
Payroll taxes	5,473	1,636	1,635	8,744
Postage	716	686	676	2,078
Printing expenses	2,108	755	1,623	4,486
Professional development	895	207	185	1,287
Professional services	4,170	17,444	3,554	25,168
Program director	54,000	0	0	54,000
Rent	7,043	3,018	0	10,061
Repairs and maintenance	0	5,362	0	5,362
Salaries	71,833	21,250	20,365	113,448
Scholarships and awards	11,150	0	0	11,150
Special events	0	0	9,077	9,077
Supplies	3,325	1,561	27	4,913
Technology, equipment and software	10,462	399	0	10,861
Utilities and telephone	4,634	1,600	0	6,234
Volunteer appreciation	3,506	0	0	3,506
TOTAL FUNCTIONAL EXPENSES	<u>\$ 258,041</u>	<u>\$ 63,116</u>	<u>\$ 40,339</u>	<u>\$ 361,496</u>

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

Veterans Heritage Project (the “Organization”) was founded in 2004 and incorporated as a not-for-profit organization in 2009. The Organization’s mission is to connect students with veterans in order to honor veterans, preserve America’s heritage and develop future leaders. The Organization serves veterans, and middle school, high school, and college students in communities throughout Arizona.

The Organization offers educational enrichment programming which partners with veterans as primary sources of history, to motivate and inspire students to stay in school and become responsible, active citizens. Through civic engagement activities, veteran lectures, and the after-school program, students build twenty-first century skills: critical thinking, public speaking, listening, writing, collaboration, and the ability to gather and process information. Veteran oral history interviews are archived by students in the Library of Congress and their stories are written and published by students in an annual hardbound book entitled, *Since You Asked*. Veterans help to instill in students civic pride, understanding of sacrifice and service, accountability, and respect – building character in our next generation of leaders.

Basis of Presentation of Financial Statements

The financial statement presentation follows the recommendations of ASC 958, “Financial Statements of Not-for-Profit Companies.” Under ASC 958, the Organization is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

The Organization accounts for contributions in accordance with the recommendations of ASC 958, “Accounting for Contributions Received and Contributions Made.” In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

See Accompanying Notes and Independent Accountants’ Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the customers' outstanding balance less any allowance for doubtful accounts.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is charged to income in amounts sufficient to maintain the allowance for doubtful accounts at a level the Board Members believe is adequate to cover any probable losses. The trustees determine the adequacy of the allowance based on historical write-off percentages and information collected from individual accounts. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired (bankruptcy, lack of contact, age of account balance, etc.)

Revenue Recognition

Contributions – income is recorded when cash is received.

Grants – income is recorded in the period for which the grant is intended.

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Inventories are adjusted for obsolescence and are written down to net realizable value based upon estimates of future demand, technology developments, and market conditions.

Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs, which do not improve or extend the lives of respective assets, are expensed. At the time property and equipment are retired or otherwise disposed of, the assets and related depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

The Organization depreciates its property and equipment for financial reporting purposes using the straight-line method based upon the following useful lives:

Furniture and fixtures	10 years
Leasehold Improvements	4-5 years
Signs	10 years
Software	3 years

Disclosure About Fair Value of Financial Instruments

The Organization estimates the fair value of all financial instruments as of June 30, 2018, as defined in ASC 825, "Disclosures About Fair Value of Financial Instruments," does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Long-Lived Assets

ASC 360, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. This standard did not have a material effect on the Organization's results of operations, cash flows or financial position.

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2 ACCOUNTS RECEIVABLE

A summary of accounts receivable and allowance for doubtful accounts is as follows:

Accounts receivable	\$ 670
Less allowance for doubtful accounts	<u>0</u>
Net accounts receivable	<u>\$ 670</u>

A summary of the allowance for doubtful accounts is as follows:

Balance, July 1, 2017	\$ 0
Change for the year	<u>0</u>
Balance, June 30, 2018	<u>\$ 0</u>

As of June 30, 2018, there were no accounts receivable that were over 90 days old.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation consists of the following:

Furniture and fixtures	\$ 11,865
Leasehold improvements	7,532
Signs	550
Software	<u>9,313</u>
	29,260
Less accumulated depreciation	<u>4,959</u>
Net Property and Equipment	<u>\$ 24,301</u>

Depreciation expense for the year ended June 30, 2018 was \$4,959.

NOTE 4 INCOME TAX

The Organization qualifies as a tax-exempt organization under Section 501 (C) (3) of the Internal Revenue Code. Therefore, no provision for federal or state income taxes is included in these financial statements.

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 4 INCOME TAX (CONTINUED)

The Organization follows the accounting principle for uncertainty in income taxes which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The income tax filings are subject to audit by various taxing authorities and the open audit periods are for the years ended June 30, 2018, 2017, 2016 and 2015.

NOTE 5 FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the programs has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 6 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1, as these are the most transparent or reliable.

Level 1 – Quoted price for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instrument in markets that are not active, and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not observable.

Assets Measured at Fair Value – There were no assets measured at fair value on a recurring basis as of June 30, 2018.

NOTE 7 OFFICE LEASE

In June 2017, the Organization entered into a sixty month operating lease for office space, effective July 1, 2017 and expiring on June 30, 2022. The lease requires monthly payments of \$900 in the first year and increases by 3% each subsequent year. After twelve months, the Organization has the ability to cancel the lease and pay a six month penalty.

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7 OFFICE LEASE (CONTINUED)

Future minimum lease payments under the operating lease are:

Year Ended June 30:

2019	\$ 11,124
2020	11,458
2021	11,801
2022	<u>12,155</u>
Total	<u>\$ 46,538</u>

Rent expense for the year ended June 30, 2018 was \$10,061.

NOTE 8 DONATED SERVICES

The organization had its Program Director donate her time for that position. The donated services are recognized as revenue.

NOTE 9 SUBSEQUENT EVENTS

The organization has evaluated subsequent events through September 6, 2018, the date which the financial statements were available for issuance. There were no subsequent events material to the financial statements.

See Accompanying Notes and Independent Accountants' Review Report.