

VETERANS HERITAGE PROJECT

FINANCIAL STATEMENTS

JUNE 30, 2019

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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, 2019 and the related statements of activities and 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.

Accountants' 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.

Accountants' 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.

Supplementary Information

The accompanying supplementary information included in the Schedule of Special Events, Net is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Moffitt & Company, P.C.
Moffitt & Company, P.C.
Phoenix, Arizona
August 22, 2019

**VETERANS HERITAGE PROJECT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019**

ASSETS

CURRENT ASSETS

Cash	\$ 138,080
Accounts receivable	562
Pledge receivable	4,000
Inventory of books	10,845
Deposit for reception	3,095
Prepaid insurance	633
Prepaid expenses, other	1,008
Workers' compensation deposit	<u>564</u>

TOTAL CURRENT ASSETS \$ 158,787

**PROPERTY AND EQUIPMENT, NET
OF ACCUMULATED DEPRECIATION**

17,551

OTHER ASSETS

Lease deposit	<u>1,000</u>
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TOTAL ASSETS \$ 177,338

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued vacation	\$ 5,519
Accrued payroll taxes	<u>442</u>

TOTAL CURRENT LIABILITIES \$ 5,961

NET ASSETS

Without donor restrictions	160,097
With donor restrictions	<u>11,280</u>

TOTAL NET ASSETS 171,377

**TOTAL LIABILITIES AND
NET ASSETS**

\$ 177,338

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Grants			
Foundations	\$ 4,200	\$ 0	\$ 4,200
Corporations	23,700	10,000	33,700
Sponsorships			
Corporations	31,000	0	31,000
Matching	5,000	1,720	6,720
Program Income	55,456	0	55,456
Special events, net	90,351	0	90,351
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>19,714</u>	<u>(19,714)</u>	<u>0</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>229,421</u>	<u>(7,994)</u>	<u>221,427</u>
FUNCTIONAL EXPENSES			
Programs	260,882	0	260,882
Supporting services			
Management and general	55,997	0	55,997
Fundraising	<u>34,340</u>	<u>0</u>	<u>34,340</u>
TOTAL FUNCTIONAL EXPENSES	<u>351,219</u>	<u>0</u>	<u>351,219</u>
(LOSS) FROM OPERATIONS	<u>(121,798)</u>	<u>(7,994)</u>	<u>(129,792)</u>
DONATIONS			
Individuals	32,469	6,974	39,443
Board members	14,000	0	14,000
Workforce campaigns	3,427	0	3,427
In-Kind services	<u>54,000</u>	<u>0</u>	<u>54,000</u>
TOTAL DONATIONS	<u>103,896</u>	<u>6,974</u>	<u>110,870</u>
(DECREASE) IN NET ASSETS	(17,902)	(1,020)	(18,922)
PRIOR PERIOD ADJUSTMENT	(1,629)	0	(1,629)
NET ASSETS, JULY 1, 2018	<u>179,628</u>	<u>12,300</u>	<u>191,928</u>
NET ASSETS, JUNE 30, 2019	<u>\$ 160,097</u>	<u>\$ 11,280</u>	<u>\$ 171,377</u>

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

**CASH FLOWS FROM
OPERATING ACTIVITIES**

(Decrease) in net assets	\$ (18,922)
Adjustments to reconcile (decrease) in net assets to net cash (used) by operating activities:	
Depreciation	5,121
Changes in operating assets and liabilities:	
Accounts receivable	108
Pledge receivable	(4,000)
Inventory of books	(584)
Prepaid insurance	238
Prepaid expenses, other	23
Accrued expenses	<u>3,308</u>

**NET CASH (USED) BY OPERATING
ACTIVITIES**

\$ (14,708)

**CASH FLOWS FROM INVESTING
ACTIVITIES**

0

**CASH FLOWS FROM FINANCING
ACTIVITIES**

0

NET (DECREASE) IN CASH

(14,708)

CASH, JULY 1, 2018

152,788

CASH, JUNE 30, 2019

\$ 138,080

**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, 2019**

	<u>Programs</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Book publishing	\$ 47,853	\$ 0	\$ 0	\$ 47,853
Book reception	21,376	0	0	21,376
Depreciation	4,096	1,025	0	5,121
Employee benefits	2,700	1,903	1,350	5,953
Insurance	0	1,718	0	1,718
Marketing	1,105	0	3,567	4,672
Meals and meetings	0	269	15	284
Mentoring/chapter support	5,635	0	0	5,635
Payroll taxes	5,679	1,721	1,726	9,126
Postage	935	315	1,038	2,288
Printing expenses	1,872	688	0	2,560
Professional development	0	147	0	147
Professional organization member	0	334	175	509
Professional services	10,160	17,009	4,027	31,196
Program director	54,000	0	0	54,000
Public relations	0	1,000	0	1,000
Rent	8,373	3,589	0	11,962
Repairs and maintenance	0	1,136	0	1,136
Salaries	73,755	22,392	22,392	118,539
Scholarships and awards	11,150	0	0	11,150
Supplies	1,071	429	0	1,500
Technology, equipment and software	5,079	769	50	5,898
Utilities and telephone	4,311	1,553	0	5,864
Volunteer appreciation	1,732	0	0	1,732
TOTAL FUNCTIONAL EXPENSES	\$ 260,882	\$ 55,997	\$ 34,340	\$ 351,219

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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 Organization adopted Accounting Standards Update No. 2016-14, Not-for-Profit entities (Topic 958): “Presentation of Financial Statements of Not-for-Profit Entities.” The objective of this update is to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows.

The update requires two classes of net assets on the face of the financial statements. These two classes are net assets without donor restrictions and net assets with donor restrictions, as well as the currently required amount for total net assets.

Disclosures Required by Accounting Standards Update No. 2016-14

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet ninety days of normal operating expenses, which are, on average, approximately \$96,500. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

See Accompanying Notes and Independent Accountants’ Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

In accordance with Accounting Standards Update No. 2016-14, the Company 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 without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated restriction ends or purpose restriction is accomplished) donor restricted net assets are reclassified to without donor restrictions. Donor restricted assets received for which the restriction is met in the same year are reported as without donor restrictions.

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.

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 or pledged.

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

Inventory of Books

Inventory of books 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
Hardware	3 years

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disclosure About Fair Value of Financial Instruments

The Organization estimates the fair value of all financial instruments as of June 30, 2019, 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.

NOTE 2 ACCOUNTS RECEIVABLE

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

Accounts receivable	\$ 562
Less allowance for doubtful accounts	<u>0</u>
Net accounts receivable	<u>\$ 562</u>

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

Balance, July 1, 2018	\$ 0
Change for the year	<u>0</u>
Balance, June 30, 2019	<u>\$ 0</u>

As of June 30, 2019, there were no accounts receivable that were over 90 days old.

NOTE 3 PLEDGE RECEIVABLE

The Organization has a pledge that is to be received in the future. The pledge is due in equal annual installments of \$1,000 over the next four years. The pledge is scheduled to be fulfilled by November 30, 2022. The pledge is not discounted due to the minimal amount of the discount.

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 3 PLEDGE RECEIVABLE (CONTINUED)

A summary of the pledges is as follows:

Receivable in less than one year	\$ 1,000
Receivable in one to five years	3,000
Change in the time value of money	<u>0</u>
Total	<u>\$ 4,000</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation consists of the following:

Furniture and fixtures	\$ 11,865
Leasehold improvements	7,532
Signs	550
Hardware	<u>7,056</u>
	27,003
Less accumulated depreciation	<u>9,452</u>
Net Property and Equipment	<u>\$ 17,551</u>

Depreciation expense for the year ended June 30, 2019 was \$5,121.

NOTE 5 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.

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, 2019, 2018, 2017 and 2016.

NOTE 6 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.

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 7 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, 2019.

NOTE 8 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.

Future minimum lease payments under the operating lease are:

Year Ended June 30:

2020	\$ 11,460
2021	11,796
2022	<u>12,156</u>
Total	<u>\$ 35,412</u>

Rent expense for the year ended June 30, 2019 was \$11,962.

NOTE 9 DONATED SERVICES

The Program Director donated her time for that position to the organization. The donated services in the amount of \$54,000 are recognized as revenue and expense.

See Accompanying Notes and Independent Accountants' Review Report.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 SUBSEQUENT EVENTS

The organization has evaluated subsequent events through August 22, 2019, 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.

SUPPLEMENTARY INFORMATION

**VETERANS HERITAGE PROJECT.
SCHEDULE OF SPECIAL EVENTS, NET
FOR THE YEAR ENDED JUNE 30, 2019**

1ST ANNUAL SALUTING STORIES OF SERVICE CELEBRATION

Revenue	\$ 90,373
Expenses	<u>(48,145)</u>

\$ 42,228

3RD ANNUAL HONOR, PROTECT, SERVE EVENT

Revenue	\$ 50,600
Expenses	<u>(2,477)</u>

48,123

\$ 90,351

See Accompanying Notes and Independent Accountants' Review Report.