

VETERANS HERITAGE PROJECT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

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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, 2020 and the related statements of activities and changes in net assets, functional expenses and cash flows 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 entity 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 reviews, 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.

Baldwin Moffitt PLLC

Baldwin Moffitt PLLC

Phoenix, Arizona
September 8, 2020

**VETERANS HERITAGE PROJECT
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 225,322
Accounts receivable	1,073
Pledges receivable	65,000
Inventory of books	12,995
Prepaid insurance	984
Prepaid expenses, other	<u>1,008</u>

TOTAL CURRENT ASSETS \$ 306,382

**PROPERTY AND EQUIPMENT, NET
OF ACCUMULATED DEPRECIATION** 13,924

OTHER ASSETS

Lease deposits	<u>1,000</u>
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TOTAL ASSETS \$ 321,306

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued vacation	\$ 8,291
Accrued payroll taxes	442
Refundable advance	<u>23,575</u>

TOTAL CURRENT LIABILITIES \$ 32,308

NET ASSETS

Without Donor Restrictions	270,871
With Donor Restrictions	<u>18,127</u>

TOTAL NET ASSETS 288,998

**TOTAL LIABILITIES AND
NET ASSETS** \$ 321,306

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

**VETERANS HERITAGE PROJECT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Grants			
Foundations	\$ 10,000	\$ 4,000	\$ 14,000
Corporations	-	40,500	40,500
Sponsorship			
Corporations	14,000	-	14,000
Matching	7,939	34	7,973
Program income	40,105	2,042	42,147
Special events, net	133,705	-	133,705
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>45,217</u>	<u>(45,217)</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>250,966</u>	<u>1,359</u>	<u>252,325</u>
FUNCTIONAL EXPENSES			
Programs	262,408	-	262,408
Supporting services			
Management and general	69,726	-	69,726
Fundraising	<u>31,944</u>	<u>-</u>	<u>31,944</u>
TOTAL FUNCTIONAL EXPENSES	<u>364,078</u>	<u>-</u>	<u>364,078</u>
INCOME (LOSS) FROM OPERATIONS	<u>(113,112)</u>	<u>1,359</u>	<u>(111,753)</u>
DONATIONS			
Individuals	143,388	3,870	147,258
Board members	13,031	-	13,031
Workforce campaigns	2,467	1,618	4,085
In-Kind services	<u>65,000</u>	<u>-</u>	<u>65,000</u>
TOTAL DONATIONS	<u>223,886</u>	<u>5,488</u>	<u>229,374</u>
INCREASE IN NET ASSETS	110,774	6,847	117,621
NET ASSETS, JULY 1, 2019	<u>160,097</u>	<u>11,280</u>	<u>171,377</u>
NET ASSETS, JUNE 30, 2020	<u>\$ 270,871</u>	<u>\$ 18,127</u>	<u>\$ 288,998</u>

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

**VETERANS HERITAGE PROJECT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Book publishing	\$ 39,759	\$ -	\$ -	\$ 39,759
Book reception	1,489	-	-	1,489
Depreciation	4,096	1,266	-	5,362
Employee benefits	4,900	1,350	1,350	7,600
Insurance	-	2,217	-	2,217
Marketing	9,538	-	-	9,538
Mentoring/chapter support	5,121	-	-	5,121
Payroll taxes	6,401	1,683	1,683	9,767
Postage	1,893	234	1,204	3,331
Printing expenses	2,313	-	-	2,313
Professional development	75	25	-	100
Professional organization member	-	239	375	614
Professional services	2,500	33,454	4,712	40,666
Program director	54,000	-	-	54,000
Rent	8,500	3,643	-	12,143
Repairs and maintenance	-	746	-	746
Salaries	84,871	22,581	22,581	130,033
Scholarships and awards	10,500	-	-	10,500
Supplies	3,286	325	39	3,650
Technology, equipment and software	6,006	661	-	6,667
Utilities and telephone	3,777	1,302	-	5,079
Video Production Services	11,000	-	-	11,000
Volunteer appreciation	2,383	-	-	2,383
TOTAL FUNCTIONAL EXPENSES	\$ 262,408	\$ 69,726	\$ 31,944	\$ 364,078

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

**VETERANS HERITAGE PROJECT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM
OPERATING ACTIVITIES**

Increase in net assets	\$ 117,621
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	5,362
Changes in operating assets and liabilities:	
Accounts receivable	(511)
Pledges receivable	(61,000)
Inventory of Books	(2,150)
Prepaid insurance	(351)
Prepaid event deposit	3,095
Workers' compensation deposit	564
Accrued expenses	2,772
Refundable advances	<u>23,575</u>

**NET CASH PROVIDED BY OPERATING
ACTIVITIES**

\$ 88,977

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Cash paid for the purchase of property and equipment	<u>(1,735)</u>
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**NET CASH (USED) IN INVESTING
ACTIVITIES**

(1,735)

**CASH FLOWS FROM FINANCING
ACTIVITIES**

-

NET INCREASE IN CASH

87,242

CASH, JULY 1, 2019

138,080

CASH, JUNE 30, 2020

\$ 225,322

**SUPPLEMENTARY DISCLOSURES OF
CASH FLOW INFORMATION**

CASH PAID DURING THE YEAR FOR

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

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

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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 accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (US GAAP) for not-for-profits. The Organization uses the accrual basis of accounting to report financial activity.

Basis of presentation

The financial statements of the Organization have been prepared in accordance with 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.

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.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash and cash equivalents

The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

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 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.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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
Signs	10 years
Leasehold Improvements	4-5 years
Computer hardware	3 years

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.

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.

Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organizations cash and cash equivalents accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

**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.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program or support service are charged directly to the program or support service. Costs common to multiple functions that have been allocated among the various functions benefited on the basis of periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 2 ACCOUNTS RECEIVABLE

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

Accounts receivable	\$	1,073
Less allowance for doubtful accounts		-
Net accounts receivable	\$	1,073

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

Balance, July 1, 2019	\$	-
Change for the year		-
Balance, June 30, 2020	\$	-

As of June 30, 2020, there were no accounts receivable that were over 90 days old.

NOTE 3 PLEDGES RECEIVABLE

The Organization has received two unconditional pledges that are to be received in the future and scheduled to be fulfilled by November 30, 2022. The pledges are not discounted due to the minimal amount of the discount. A summary of the pledges is as follows:

Receivable in less than one year		42,000
Receivable in one to five years		23,000
Total	\$	65,000

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 4 PROPERTY AND EQUIPMENT, NET

Property and equipment and accumulated depreciation consists of the following at June 30, 2020:

Furniture and Fixtures	\$ 11,865
Signs	550
Leasehold Improvements	7,533
Computer Hardware	<u>8,791</u>
	28,739
Less accumulated depreciation	<u>14,815</u>
Net Property and Equipment	<u>\$ 13,924</u>

For the year ended June 30, 2020, depreciation expense totaled \$5,362

NOTE 5 INCOME TAXES

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, 2020, 2019, 2018 and 2017.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 6 AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the statement of financial position date of June 30, 2020, comprise the following:

Financial assets at year end:	
Cash and cash equivalents	\$ 225,322
Accounts receivable	<u>1,073</u>
Total financial assets	226,395
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>18,127</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 208,268</u>

As part of its liquidity plan, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

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, 2020.

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 9 REFUNDABLE ADVANCE

The Organization received funds through the Paycheck Protection Program created by the Federal CARES Act, which authorized forgivable loans to not-for-profits, among other business entities, to pay their employees and cover certain core expenses during the COVID-19 crisis. Under this program the loan amount may be forgiven so long as the loan is used to cover payroll costs, interest on mortgage, rent, and utility costs over the 24-week period after the loan is made or by December 31, 2020, whichever is earlier; and the employee and compensation levels are maintained. The Organization received these funds from Wintrust Financial on April 16, 2020 at an interest rate of 1% for a term of two years. Management expects to meet the requirements for this amount to be forgiven.

The balance of the advance at June 30, 2020 was \$23,575.

NOTE 10 DONATED SERVICES

The Organization received donated professional services which values are based upon information provided by the third-party service provider and are recorded as donations in-kind and programs expenses. For the year ended June 30, 2020 the in-kind donations consist of:

Program Director Services	\$	54,000
Video Production Services		<u>11,000</u>
		<u>\$ 65,000</u>

NOTE 11 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:

2021	\$	12,452
2022		<u>12,817</u>
Total		<u>\$ 25,269</u>

Rent expense for the year ended June 30, 2020 was \$12,143

**VETERANS HERITAGE PROJECT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 12 SUBSEQUENT EVENTS

The Company's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Company's financial position, operations and cash flows. Possible effect may include, but are not limited to, disruption to the Company's customers and revenue, absenteeism in the Company's labor workforce, unavailability of products and supplies used in operations, and decline in value of assets held by the Company.

The Organization has evaluated subsequent events through September 8, 2020, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**VETERANS HERITAGE PROJECT
SCHEDULE OF SPECIAL EVENTS, NET
FOR THE YEAR ENDED JUNE 30, 2020**

2nd ANNUAL SALUTING STORIES OF SERVICE CELEBRATION

Revenue	\$ 148,940	
Expenses	<u>(63,333)</u>	
		\$ 85,607

4th ANNUAL HONOR, PROTECT, SERVE EVENT

Revenue	\$ 52,700	
Expenses	<u>(4,602)</u>	
		<u>48,098</u>
		<u>\$ 133,705</u>