

***COALITION TO SALUTE  
AMERICA'S HEROES FOUNDATION***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED DECEMBER 31, 2017***

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# Frank & Company, p.c.

Certified Public Accountants  
703-821-0702

## *INDEPENDENT AUDITORS' REPORT*

To the Board of Directors of  
Coalition to Salute America's Heroes Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Coalition to Salute America's Heroes Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coalition to Salute America's Heroes Foundation as of December 31, 2017, 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.

*Frank & Company, P.C.*

1360 Beverly Road  
Suite 300  
McLean, Virginia 22101  
May 23, 2018

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2017

**Assets:**

Current assets:

Cash	\$ 932,509
Employee advances	2,272
Prepaid expenses	<u>60,065</u>

Total current assets 994,846

Property and equipment, less accumulated depreciation of \$218,078 17,519

Investments 2,653,087

Donated artwork 270,000

Security deposits 3,116

Total assets \$ 3,938,568

**Liabilities and net assets:**

Current liabilities:

Accounts payable \$ 487,411

Accrued expenses 72,574

Total current liabilities 559,985

Net assets:

Unrestricted net assets 3,378,583

Total liabilities and net assets \$ 3,938,568

See accompanying notes to financial statements.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**STATEMENT OF ACTIVITIES**

*FOR THE YEAR ENDED DECEMBER 31, 2017*

<b>Unrestricted revenues, gains and other support:</b>	
Contributions	\$ 10,926,102
Gift in-kind	5,732,132
Unrealized gain on investments	89,770
Realized gain on investments	52,370
Dividend and interest income	92,703
Other income	<u>178,729</u>
Total revenues gains and other support	<u>17,071,806</u>
<b>Expenses:</b>	
Program services:	
Veterans' emergency financial aid	2,365,630
Veterans' recovery activities	2,039,837
Public awareness of veterans' needs	<u>8,031,769</u>
Total program services	<u>12,437,236</u>
Supporting services:	
Fundraising	2,922,031
Management and general	<u>1,034,921</u>
Total supporting services	<u>3,956,952</u>
Total expenses	<u>16,394,188</u>
Change in net assets	677,618
Net assets, beginning of year	<u>2,700,965</u>
Net assets, end of year	<u>\$ 3,378,583</u>

See accompanying notes to financial statements.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program services			Supporting services		Total
	Veterans' emergency financial aid	Veterans' recovery activities	Public awareness of veterans' needs	Fundraising	Management and general	
Veteran assistance and gifts	\$ 1,141,786	\$ 1,521,302	\$ -	\$ -	\$ -	\$ 2,663,088
Promotional events & seminars	-	127,918	186,037	-	-	313,955
Promotion production	-	-	265,904	-	-	265,904
PSA media	-	-	4,229,140	-	-	4,229,140
Grants and contributions	-	92,453	-	-	-	92,453
Printing & Mailshop	-	-	903,578	813,901	125,544	1,843,023
List rental fees	-	-	207,461	187,544	29,630	424,635
Data processing	-	-	90,342	82,842	12,895	186,079
Premiums	-	-	728,810	654,442	104,116	1,487,368
Miscellaneous	-	-	667	6,097	194	6,958
Caging and escrow	-	-	-	-	171,480	171,480
Promotional items	-	-	-	2,103	-	2,103
Rent expense	44,978	5,088	14,421	10,255	9,011	83,753
Salaries and benefits	791,983	89,584	253,933	180,569	158,666	1,474,735
Payroll and other taxes	50,549	5,717	16,207	11,525	10,128	94,126
Telephone and utilities	10,783	1,220	3,483	2,485	2,160	20,131
Accounting	-	-	-	-	45,141	45,141
Bookkeeping	59,082	23,358	-	-	54,960	137,400
Legal	-	-	-	-	31,293	31,293
Consulting	37,944	19,192	296,404	287,864	94,321	735,725
Advertising	-	-	8,793	-	-	8,793
Outside services	93,940	7,648	68,139	10,077	22,502	202,306
Travel expense	100,024	8,971	46,499	32,249	15,889	203,632
Postage and delivery	11,691	134,797	682,174	611,906	99,201	1,539,769
Office expenses	13,655	1,547	5,792	4,527	11,332	36,853
Depreciation expense	4,865	550	1,560	1,109	975	9,059
Bank and credit card fees	-	-	21,030	21,544	34,612	77,186
Insurance	4,350	492	1,395	992	871	8,100
	<u>\$ 2,365,630</u>	<u>\$ 2,039,837</u>	<u>\$ 8,031,769</u>	<u>\$ 2,922,031</u>	<u>\$ 1,034,921</u>	<u>\$ 16,394,188</u>

See accompanying notes to financial statements.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 677,618
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	9,059
Net gain on investments	(142,140)
Change in contributions receivable	165
Change in employee advances	15,292
Change in prepaid expenses	3,269
Change in inventories	19,528
Change in accounts payable	(438,526)
Change in accrued expenses	<u>12,458</u>
Net cash provided by operating activities	<u>156,723</u>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(1,326)
Purchase of investments	(1,135,258)
Sales of investments	<u>804,495</u>
Net cash used in investing activities	<u>(332,089)</u>
Net decrease in cash	(175,366)
Cash, beginning of year	<u>1,107,875</u>
Cash, end of year	<u>\$ 932,509</u>

See accompanying notes to financial statements.



# **COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

## **NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

### **1. Organization**

*Organization* - The Corporate Charter was adopted in the District of Columbia. The name Coalition to Salute America's Heroes Foundation (CSAH) was adopted on August 4, 2004. CSAH is a not-for-profit corporation whose purpose is providing support to wounded troops, veterans, and their families and to inform the public of the needs of wounded veterans.

Contributions are received primarily as a result of direct mail and other media solicitations to individuals throughout the country. Contributions are recognized as support when received.

### **2. Summary of significant accounting policies**

*Basis of accounting* - The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

*Uses of estimates* - Management uses estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles. 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 differ from those estimates.

*Financial statement presentation* - CSAH follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 for financial statement presentation. Under FASB ASC 958, CSAH is required to report information regarding its financial position and activities according to three classes of net assets as follows:

*Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of CSAH and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by CSAH.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**2. Summary of significant accounting policies (continued)**

CSAH records contributions in accordance with FASB ASC 958. Under FASB 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. When a donor 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. When donor restrictions are met in the same reporting period, temporarily restricted contributions are reported as unrestricted contributions.

*Income taxes* - CSAH is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes has been made in these financial statements. CSAH has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Code and qualifies for deductible contributions as provided in Section 170(b)(1)A(vi). However, CSAH is subjected to taxation on unrelated business income. For the year ended December 31, 2017, there is no unrelated business income.

*Accounting for uncertain tax positions* - CSAH follows FASB ASC 740 in measurement and disclosure of uncertain tax positions. CSAH believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

CSAH's federal Return of Organization Exempt from Income Tax (Form 990) is open to examination by the IRS for three years after it is filed.

*Receivables* - Receivables, including employee advances and promises to give, are carried at original invoice amounts less an estimate for doubtful receivables based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The balance of employee advances at December 31, 2017 is considered to be fully collectible.

*Property and equipment* - Property and equipment are stated at cost. Donated property and equipment are recorded at fair value at the date of donation. CSAH depreciates property and equipment with a cost of \$500 or more over their estimated useful lives of one to ten years.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**2. Summary of significant accounting policies (continued)**

Expenditure for maintenance and repairs are expensed as incurred. Betterments, which increase the value or materially extend the life of the related assets, are capitalized.

*Investments* - Investments are reported at fair market value based on quoted prices. Unless restricted by the donor, investment income which consists of interest and dividend income earned, realized and unrealized gains or losses, is included as increases or decreases in unrestricted net assets.

*Donated artwork* - Donated artwork consists of six canvas paintings which are held by CSAH as long-lived assets. Due to the inexhaustible nature of the paintings, the artwork is not being amortized.

*Valuation of long-lived assets* - CSAH reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less costs to sell. There are no impaired assets at December 31, 2017.

*Gifts-in-kind*- Gifts-in-kind are recorded as contributions at their estimated fair value as of the date of the donation.

*Functional expenses* - The costs of providing various program and supporting services have been summarized on a functional basis on the schedule of functional expenses. Certain costs have been allocated among program and supporting services as follows:

*Veterans' emergency financial aid* - Program to assist wounded veterans (and their spouses) with direct financial aid.

*Veterans' recovery activities* - All expenses incurred to provide wounded veterans with recovery conferences, seminars on educational job training, career counseling, job seeking and placement services, employment opportunities, and to address issues of PTSD and TBI.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**2. Summary of significant accounting policies (continued)**

*Public awareness of veterans' needs* - All expenses incurred to educate the general public about the country's wounded troops and veterans and their families and their community needs. Also, all expenses incurred to inform the general public to participate in CSAH's assistance programs.

*Fundraising* - All expenses incurred with the purpose of raising funds.

*Management and general* - All other operating expenses incurred by CSAH in the accomplishment of its tax exempt purposes.

*Advertising* - Advertising is expensed as incurred. For the year ended December 31, 2017, advertising expense was \$8,793.

**3. Concentration of credit risk**

Financial instruments that are potentially subject to concentration of credit risk consist primarily of cash in banks. CSAH places its cash in financial institutions that are insured by the Federal Deposit Insurance Corporation. CSAH maintains cash balances that may exceed federally insured limits. CSAH has not experienced any losses.

CSAH invests in a professionally managed portfolio that contains various securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Money market and security investments are held at brokerage firms that are members of Securities Investor Protection Corporation. CSAH maintains balances at those firms that may be in excess of insured limits. CSAH has not experienced any such losses.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**4. Property and equipment**

Property and equipment at December 31, 2017 consists of the following:

Furniture and equipment	\$ 102,994
Website	<u>132,603</u>
	235,597
Less: Accumulated depreciation	<u>218,078</u>
	<u>\$ 17,519</u>

**5. Investments**

Investments at December 31, 2017, consist of the following:

Money market	\$ 19,117
Domestic equities	10,062
Mutual funds:	
Open end mutual funds	<u>2,623,908</u>
Total investments	<u>\$ 2,653,087</u>

**6. Fair value measurement**

CSAH follows FASB ASC 820 to disclose fair value measurements of assets and liabilities. FASB ASC 820 requires that assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**6. Fair value measurement (continued)**

In determining the appropriate levels, CSAH performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by CSAH at December 31, 2017. The inputs and techniques used in measuring fair value were not changed in 2016.

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

	Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Domestic equities	\$ 10,062	\$ 10,062	\$ -
Mutual funds:			
Open end mutual funds	<u>2,623,908</u>	<u>2,623,908</u>	<u>-</u>
Total	<u>\$ 2,633,970</u>	<u>\$ 2,633,970</u>	<u>\$ -</u>

Domestic equities and mutual funds are publicly traded on various open markets and are considered a Level 1 item. CSAH investments also hold \$19,117 of money market accounts which are reported at cost.

**7. Retirement plan**

CSAH established a profit sharing plan in accordance with Section 401(k) of the Internal Revenue Code. Substantially all employees age 21 and over that complete one year of service are eligible to participate. Participants may defer an amount of compensation not exceeding the limit under Federal law. CSAH has the discretion to match each participant's elective deferral. During 2017, CSAH contributed \$86,727 to the plan.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

*DECEMBER 31, 2017*

**8. Contributed materials and services**

During 2017, CSAH produced Public Service Announcements (PSA's). In connection with the airing of the PSAs, CSAH received airtime with a fair value of \$4,229,140 for the year ended December 31, 2017. The amount was recognized as gift in-kind revenue and public awareness of veterans' needs expense in the statement of activities, and as part of PSA media in the statement of functional expenses.

CSAH received other miscellaneous materials, including books, food, quilts, and other promotional items, with a fair value of \$1,465,792 during the year ended December 31, 2017. The items were used to increase public awareness of veterans' issues and in the veterans' recovery activities. The fair value of these items was recognized as gift in-kind revenue and as veterans' recovery activities expense in the statement of activities, and veteran assistance and gifts and promotion production expense in the statement of functional expenses.

During 2017, CSAH received contributed use of office space with a fair value of \$37,200 during the year ended December 31, 2017. The space was used for the operations of CSAH. The fair value of the rent was recognized as gift in-kind revenue and allocated to the program and supporting services expenses in the statement of activities, and rent expense in the statement of functional expenses.

**9. Allocation of joint costs**

CSAH incurred joint costs of \$5,879,917 during the 2017 fiscal year for direct mail and electronic communication materials and activities that include fundraising appeals. During the 2017 fiscal year, \$2,865,499 was allocated to public awareness of veterans' needs, \$2,605,446 was allocated to fundraising, and \$408,972 was allocated to management and general.

**10. Allocations**

CSAH allocates costs between program and supporting services using several methods based on management's best estimate. These estimates include how management spent their time and purpose of services. It is reasonable that these estimates will change in the near term.

**COALITION TO SALUTE AMERICA'S HEROES FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2017

**11. Lease**

CSAH has a lease for office space. Future minimum rental payments for this operating lease are as follows:

<u>For the year ended</u>	
2018	\$ 47,489
2019	48,863
2020	50,277
2021	<u>21,197</u>
	<u>\$ 167,826</u>

For the year ended December 31, 2017, rent expense was \$83,753 of which \$37,200 was a gift-in-kind.

**12. Internet fundraising**

On February 1, 2007, CSAH entered into a contract with a direct mail consultant for direct mail consultation services. On July 24, 2013, CSAH and the consulting firm executed an addendum to the contract to include consultation services related to internet and social media fundraising. The addendum calls for revenue from the internet fundraising to be used first to pay direct costs, such as caging fees and list rental fees, before being used to pay consulting fees. In the event that the revenue is insufficient to cover all of the consulting firm's fees, CSAH is not obligated to pay such fees. As of December 31, 2017, all fees due under the internet fundraising agreement had been paid or accrued.

**13. Subsequent events**

Management has evaluated subsequent events through May 23, 2018, the date which the financial statements were available to be issued.