

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

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED DECEMBER 31, 2018***

## **CONTENTS**

*Independent auditors' report*

*Financial statements*

*Statement of financial position*

*Statement of activities*

*Statement of functional expenses*

*Statement of cash flows*

*Notes to financial statements*

# 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, 2018, 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, 2018, 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 15, 2019

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

**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2018

**Assets:**

Current assets:

Cash	\$ 450,049
Prepaid expenses	95,324
Other assets	<u>2,286</u>

Total current assets 547,659

Property and equipment, net	19,294
Investments	1,803,264
Donated artwork	270,000
Security deposits	<u>3,116</u>

Total assets \$ 2,643,333

**Liabilities and net assets:**

Current liabilities:

Accounts payable	\$ 616,065
Accrued expenses	<u>69,455</u>

Total current liabilities 685,520

Net assets:

Without donor restrictions	<u>1,957,813</u>
----------------------------	------------------

Total liabilities and net assets \$ 2,643,333

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2018

<b>Revenues, gains and other support:</b>	
Contributions	\$ 9,968,842
Gift in-kind	7,111,252
Unrealized loss on investments	(275,361)
Realized gain on investments	54,870
Dividend and interest income	121,035
Other income	<u>217,867</u>
Total revenues gains and other support	<u>17,198,505</u>
<b>Expenses:</b>	
Program services:	
Veterans' emergency financial aid	2,164,381
Veterans' recovery activities	3,574,405
Public awareness of veterans' needs	<u>8,269,363</u>
Total program services	<u>14,008,149</u>
Supporting services:	
Fundraising	3,495,507
Management and general	<u>1,115,619</u>
Total supporting services	<u>4,611,126</u>
Total expenses	<u>18,619,275</u>
Change in net assets	(1,420,770)
Net assets, beginning of year	<u>3,378,583</u>
Net assets, end of year	<u>\$ 1,957,813</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED DECEMBER 31, 2018

	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	\$ 951,503	\$ 2,928,719	\$ -	\$ -	\$ -	\$ 3,880,222
Promotional events & seminars	-	172,336	151,422	-	-	323,758
Promotion production	-	-	203,480	-	-	203,480
Veterans conference production	-	10,000	-	-	-	10,000
PSA media	-	-	4,192,670	-	-	4,192,670
Grants and contributions	-	154,240	-	-	-	154,240
Printing & Mailshop	-	-	1,003,163	937,394	120,679	2,061,236
List rental fees	-	-	238,325	243,510	29,182	511,017
Data processing	-	-	91,727	85,650	11,232	188,609
Premiums	-	-	740,418	679,976	90,663	1,511,057
Miscellaneous	-	-	982	5,852	120	6,954
Caging and escrow	-	-	-	-	236,402	236,402
Rent expense	48,744	4,913	9,958	14,590	7,028	85,233
Salaries and benefits	790,218	79,647	161,439	236,529	113,938	1,381,771
Payroll and other taxes	49,769	5,016	10,169	14,896	7,179	87,029
Telephone and utilities	11,224	1,131	2,510	3,737	1,619	20,221
Accounting	-	-	-	-	44,099	44,099
Bookkeeping	-	-	-	-	137,400	137,400
Legal	-	-	-	-	21,582	21,582
Consulting	34,415	30,363	353,958	301,505	96,436	816,677
Advertising	-	-	2,770	-	-	2,770
Outside services	132,858	10,510	80,001	9,452	30,381	263,202
Travel expense	107,093	7,814	39,497	47,141	11,179	212,724
Postage and delivery	10,240	166,863	948,914	872,656	117,324	2,115,997
Office expenses	18,031	1,817	5,150	7,941	6,194	39,133
Depreciation expense	4,963	500	1,014	1,486	716	8,679
Bank and credit card fees	-	-	30,709	31,599	31,498	93,806
Insurance	5,323	536	1,087	1,593	768	9,307
	<u>\$ 2,164,381</u>	<u>\$ 3,574,405</u>	<u>\$ 8,269,363</u>	<u>\$ 3,495,507</u>	<u>\$ 1,115,619</u>	<u>\$ 18,619,275</u>

See accompanying notes to financial statements.

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

**STATEMENT OF CASH FLOWS**

*FOR THE YEAR ENDED DECEMBER 31, 2018*

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ (1,420,770)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	8,679
Net loss on investments	220,491
Change in prepaid expenses	(35,259)
Change in other assets	(14)
Change in accounts payable	128,654
Change in accrued expenses	<u>(3,119)</u>
Net cash used in operating activities	<u>(1,101,338)</u>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(10,454)
Purchase of investments	(134,109)
Sales of investments	<u>763,441</u>
Net cash provided by investing activities	<u>618,878</u>
Net decrease in cash	(482,460)
Cash, beginning of year	<u>932,509</u>
Cash, end of year	<u>\$ 450,049</u>

See accompanying notes to financial statements.

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

## ***NOTES TO FINANCIAL STATEMENTS***

*DECEMBER 31, 2018*

### **1. Organization**

*Organization* - Coalition to Salute America's Heroes Foundation (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. The Corporate Charter was adopted in the District of Columbia. The name Coalition to Salute America's Heroes Foundation was adopted on August 4, 2004.

### **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. 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.

*Uses of estimates* - Management uses estimates and assumptions in preparing financial statements in conformity 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 differ from those estimates.

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

*Without donor restrictions* - Net assets not subject to donor-imposed stipulations.

*With donor restrictions* - Net assets subject to donor-imposed stipulations that will be met either by actions of CSAH and/or the passage of time or net assets subject to donor-imposed stipulations that they be maintained permanently by CSAH. CSAH does not have any net assets with donor restrictions at December 31, 2018.

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

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2018

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

*Contributions* - CSAH records contributions as with donor restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

*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, 2018, there is no unrelated business income.

Management has evaluated CSAH's tax positions and has concluded that CSAH has taken no uncertain tax positions that required adjustment 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.

*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.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2018

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

*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 net assets without donor restrictions.

*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.

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

*Allocation of expenses* - Expenses directly attributable to a program are charged directly to that program. Expenses that benefit more than one program are allocated between program and supporting services. Salaries and related benefits, rent, telephone, office supplies and depreciation are allocated based on the time and effort spent by the employees. Printing and mailshop, list rental fees, data processing, and premiums are allocated based on a direct line count method of allocating joint costs.

*Functional expenses* - The costs of providing various program and supporting services have been summarized on a functional basis on the statement of functional expenses. The program and supporting services of CSAH are 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.

*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.

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

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2018

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

*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, 2018, advertising expense was \$2,770.

**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.

**4. Property and equipment**

Property and equipment at December 31, 2018 consists of the following:

Furniture and equipment	\$ 113,449
Website	<u>132,603</u>
	246,052
Less: Accumulated depreciation	<u>(226,758)</u>
	<u>\$ 19,294</u>

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

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2018

**5. Investments**

Investments at December 31, 2018, consist of the following:

Money market	\$ 23,170
Mutual funds:	
Open end mutual funds	<u>1,780,094</u>
Total investments	<u>\$ 1,803,264</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.

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, 2018. The inputs and techniques used in measuring fair value were not changed in 2018.

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.

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

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2018

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

	Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Mutual funds	<u>\$ 1,780,094</u>	<u>\$ 1,780,094</u>	<u>\$ -</u>

Mutual funds are publicly traded on various open markets and are considered a Level 1 item. CSAH investments also hold \$23,170 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 2018, CSAH contributed \$77,412 to the plan.

**8. Contributed materials and services**

During 2018, CSAH produced Public Service Announcements (PSA's). In connection with the airing of the PSAs, CSAH received airtime with a fair value of \$4,192,670 for the year ended December 31, 2018. 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 \$2,881,382 during the year ended December 31, 2018. 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.

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

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2018

**8. Contributed materials and services (continued)**

During 2018, CSAH received contributed use of office space with a fair value of \$37,200 during the year ended December 31, 2018. 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 \$6,861,154 during the 2018 fiscal year for direct mail and electronic communication materials and activities that include fundraising appeals. Of those costs, \$3,351,447 was allocated to public awareness of veterans' needs, \$3,101,045 was allocated to fundraising, and \$408,662 was allocated to management and general.

**10. Lease**

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

For the year ended

2019	\$ 48,863
2020	50,277
2021	<u>21,197</u>
	<u>\$ 120,337</u>

For the year ended December 31, 2018, rent expense was \$85,233 of which \$37,200 was a gift-in-kind.

**11. Liquidity**

CSAH has \$2,253,313 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$450,049 and investments of \$1,803,264. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

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

***NOTES TO FINANCIAL STATEMENTS***

*DECEMBER 31, 2018*

**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, 2018, all fees due under the internet fundraising agreement had been paid or accrued.

**13. Subsequent events**

Management has evaluated subsequent events through May 15, 2018, the date which the financial statements were available to be issued.