

VETS HELPING HEROES, INC.

**REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED APRIL 30, 2020 AND 2019**

VETS HELPING HEROES, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vets Helping Heroes, Inc.

We have audited the accompanying financial statements of Vets Helping Heroes, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Vets Helping Heroes, Inc. as of April 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Parks & Company, LLC

Coconut Creek, Florida

June 25, 2020

VETS HELPING HEROES, INC.

STATEMENTS OF FINANCIAL POSITION

April 30, 2020 and 2019

	ASSETS	
	2020	(Restated) 2019
Current assets:		
Cash and Cash Equivalents	\$ 336,867	\$ 260,733
Other receivables	-	15,000
Deposits	1,577	1,577
Total current assets	338,444	277,310
Furniture and equipment, net of \$1,228 and \$766 accumulated depreciation	1,757	2,220
Total assets	\$ 340,201	\$ 279,530
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,886	\$ 64,000
Current portion of long-term debt	4,334	-
Total current liabilities	6,220	64,000
Long-term liabilities:		
Note payable, net of current portion	8,666	-
Net assets:		
Without donor restrictions	325,315	215,530
	325,315	215,530
Total liabilities and net assets	\$ 340,201	\$ 279,530

See auditors' report and accompanying notes to financial statements.

VETS HELPING HEROES, INC.

STATEMENTS OF ACTIVITIES
For the Years Ended April 30, 2020 and 2019

	<u>2020</u>	<u>(Restated)</u> <u>2019</u>
Support and revenue - without donor restrictions:		
Grants and contributions	\$ 365,794	\$ 525,644
Interest and other revenue	1,074	1,120
	<u>366,868</u>	<u>526,764</u>
Total support and revenue		
Expenses:		
Program services	226,422	425,656
Supporting services:		
Mangement and general	14,256	11,811
Fundraising	16,405	1,494
	<u>257,083</u>	<u>438,961</u>
Total expense		
Increase in net assets - without donor restrictions	109,785	87,803
Net assets without restrictions at beginning of year	<u>215,530</u>	<u>127,727</u>
Net assets without restrictions at end of year	<u><u>\$ 325,315</u></u>	<u><u>\$ 215,530</u></u>

See auditors' report and accompanying notes to financial statements.

VETS HELPING HEROES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended April 30, 2020 and 2019

	2020				2019			
	Program Services	Supporting Services		Total	(Restated) Program Services	Supporting Services		Total
		Management and General	Fundraising			Management and General	Fundraising	
Bank fees	\$ 2,058	\$ 656	\$ -	\$ 2,714	\$ 2,193	\$ 162	\$ -	\$ 2,355
Contract services	74,934	5,994	-	80,928	55,149	5,409	-	60,558
Insurance	534	94	-	628	-	-	-	-
Legal and professional	12,778	3,195	-	15,973	9,566	2,392	-	11,958
Licenses	10,807	131	-	10,938	5,484	131	-	5,615
Office supplies	5,422	2,324	-	7,746	4,946	2,116	-	7,062
Rent	9,587	1,862	-	11,449	9,075	1,601	-	10,676
Service dog sponsorships	108,454	-	-	108,454	335,533	-	-	335,533
Travel and meetings	1,386	-	-	1,386	3,310	-	-	3,310
Depreciation	462	-	-	462	400	-	-	400
Fundraising	-	-	16,405	16,405	-	-	1,494	1,494
Total Expenses	\$ 226,422	\$ 14,256	\$ 16,405	\$ 257,083	\$ 425,656	\$ 11,811	\$ 1,494	\$ 438,961

See auditors' report and accompanying notes to financial statements.

VETS HELPING HEROES, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended April 30, 2020 and 2019

	<u>2020</u>	(Restated) <u>2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 109,785	\$ 87,803
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	462	400
(Increase) decrease in operating assets		
Other receivables	15,000	(15,000)
Deposits	-	(902)
Increase (decrease) in operating liabilities		
Accounts payable	<u>(62,113)</u>	<u>64,000</u>
Net cash provided by operating activities	63,134	136,301
Cash flows from investing activities:		
Purchases of property and equipment	<u>-</u>	<u>(627)</u>
Net cash used in investing activities	-	(627)
Cash flows from financing activities:		
Proceeds from note payable	<u>13,000</u>	<u>-</u>
Net cash provided by financing activities	<u>13,000</u>	<u>-</u>
Net increase in cash and cash equivalents	76,134	135,674
Cash and Cash Equivalents, beginning of year	<u>260,733</u>	<u>125,059</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 336,867</u></u>	<u><u>\$ 260,733</u></u>

See auditors' report and accompanying notes to financial statements.

VETS HELPING HEROES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of Activities and Other Information

Vets Helping Heroes, Inc. (the Organization) was incorporated as a Florida not-for-profit corporation in 2007. The Organization provides financial support for assistance dogs trained by certified professionals both for veterans who have served honorably and active duty military personnel who have been injured during service in the U.S Armed Forces. The Organization provides for the training of assistance dogs by funding other organizations that are directly responsible for training and placing dogs with qualifying recipients. The Organization receives support for its operations in the form of donations from the general public, including grants and contributions from private foundations and other not-for-profit organizations. The Organization inspects the dog training facilities to make sure they are providing quality training of the dogs and veterans as the Organization looks to add additional facilities to keep up with the demand.

Note 2 – Summary of Significant Accounting Policies

A summary of significant accounting policies used by the Organization in preparing its financial statements follows:

Basis of presentation

The Organization financial statements are prepared on the accrual basis of accounting and in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, which prescribes standards for financial statements for all not-for-profit organizations.

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions - These are assets that are not subject to donor imposed or grantor-imposed restrictions. During 2016, the Board decided to voluntarily maintain not less than \$100,000 in cash accounts. Such designated assets are included in net assets without donor restrictions.

Net assets with donor restrictions - These are assets that are subject to donor imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, these net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization does not have any net assets with donor restrictions during the years ended April 30, 2020 and 2019, respectively.

Use of estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates and the differences could be material.

VETS HELPING HEROES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash received with donor-imposed restrictions limiting its use to long-term purposes is not considered cash.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“Topic 606”), with several clarifying updates issued subsequently. In conjunction with Topic 606, a new subtopic, Accounting Standards Codification (“ASC”) 340-40, *Other Assets and Deferred Costs- Contracts with Customers*, was also issued. The updated standards replace most existing revenue recognition and certain cost guidance under U.S. GAAP. Collectively, we refer to Topic 606 and Subtopic 340-40 as “ASC 606.” ASC 606 amends existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods and services. The Organization adopted ASC 606 effective May 1, 2019, using the modified retrospective method which means the Organization’s comparative periods prior to initial application are not restated. The Organization has determined that the standard did not have a material impact on the results of operations or change in net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Organization adopted ASU 2018-08 effective May 1, 2019, using the modified prospective method. Under the modified prospective method, the amendments are applied to agreements that are either not completed as of the effective date or entered into after the effective date. The Organization has determined that the application of the amendments of ASU 2018-08 did not have a material impact on the Organization’s financial statements and related disclosures.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)* (“ASU 2016-18”). ASU 2016-18 requires that a statement of cash flows explain the change during the period in cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents to reconcile to the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The Organization adopted the provisions of ASU 2016-18 as of May 1, 2019.

VETS HELPING HEROES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (Continued)

Contributions and revenue

Contributions are generally available for use without restrictions in the year received unless specifically restricted by the donor. Contributions of cash and donated assets without restrictions, as well as unconditional promises to give, are recorded when received. Unconditional promises to give are recorded at present value using a risk-based discount rate for promises expected to be received greater than one year from the date of the financial statements.

Grants, unconditional promises to give, and other contributions of cash and other assets are reported as support with restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when either the stipulated time restriction ends or the purpose restriction is accomplished, restricted net assets are reclassified and reported in the statements of activities as net assets released from restrictions. Grants and contributions that are restricted by the grantor or contributor are reported as an increase in net assets without restrictions if the restriction expired in the reporting period in which the support is recognized.

Contributed services

The Organization receives a substantial amount of services donated by various volunteers in carrying out the program activities that are not reflected in the accompanying financial statements because the services do not meet the criteria for recognition under FASB ASC 958-605-05 *Not-for-Profit-Entities: Revenue Recognition*.

Furniture and equipment

Furniture and equipment is stated at cost if purchased or, if acquired by contribution, at the estimated fair value on the date of contribution, less accumulated depreciation. The Organization provides for depreciation on furniture and equipment over the estimated useful lives of three to seven years using the straight-line method. Only assets costing \$500 or more are capitalized and depreciated.

Functional expenses

The Organization allocates its expenses on a functional basis among its program and various supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by management.

Income taxes

The Organization is recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the financial statements.

VETS HELPING HEROES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (Continued)

Management analyzes tax positions in the jurisdiction where it is required to file income tax returns. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for the years ended April 30, 2020 and 2019, respectively. The Organization is no longer subject to income tax examinations for years prior to April 30, 2017.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends existing guidance on accounting for leases. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases currently off-balance sheet under current U.S. GAAP. The update is effective, using a modified retrospective approach, for fiscal years beginning after December 15, 2021, with early application permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

Note 3 – Operating Lease Agreement

The Organization leases office space pursuant to a lease agreement that commenced on July 25, 2019 which expires on July 24, 2020. Rent expense for the years ended April 30, 2020 and 2019, was \$11,279 and \$10,676, respectively.

Note 4 – Concentrations of Credit Risk

Cash includes amounts on deposit in general checking and savings accounts. The Organization maintains its cash with generally recognized banking institutions. Cash balances exceeded Federal Deposit Insurance Corporation limits by \$26,994 and \$0 as of April 30, 2020 and 2019, respectively.

Note 5 – Note Payable

The Organization was granted a loan (the “Loan”) from Paradise Bank in the aggregate amount of \$13,000 pursuant to the Paycheck Protection Program (the “PPP”) under the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 15, 2020 matures on April 15, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on November 15, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Company intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

VETS HELPING HEROES, INC.
NOTES TO FINANCIAL STATEMENTS

Note 5 – Note Payable (Continued)

If the loan is not forgiven, principal payments due on the note payable for each of the next five years ending April 30 and thereafter are as follows:

2021		\$	4,334
2022			8,666
2023			-
2024			-
2025			-
Thereafter			-
			-
			\$ 13,000

Note 6 – Liquidity and Availability

The Organization regularly monitors liquidity required to meet its operating needs and other financial commitments. The Organization maintains a financial resources policy that outlines acceptable investment vehicles for working capital. According to that policy, the Organization invests available cash needed for its general expenditures, liabilities, and other obligations in short-term investments, specifically interest bearing checking and savings accounts.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing trained assistance dogs for veterans to be general expenditures. In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient funds to cover general expenditures.

Financial assets for general expenditures available within one year from April 30, 2020 and 2019 are as follows:

	2020	2019
Cash and Cash Equivalents	\$ 336,867	\$ 260,733
Other receivables	-	15,000
Total Financial Assets Available For General Expenditure Within One Year	\$ 336,867	\$ 275,733

VETS HELPING HEROES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7 – Prior Period Adjustment

The audited financial statements for the year ended April 30, 2019 have been restated to increase Other receivables which was understated by \$15,000 as a result of a refund due for overpayment on a service dog contract at April 30, 2019. The following line items changed in 2019 because of this prior period adjustment:

	<u>Original</u>	<u>Restated</u>	<u>Difference</u>
Other receivables	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>
Program services expenses	<u>\$ 440,656</u>	<u>\$ 425,656</u>	<u>\$ (15,000)</u>
Service dog sponsorships	<u>\$ 350,533</u>	<u>\$ 335,533</u>	<u>\$ (15,000)</u>
Net assets without donor restrictions	<u>\$ 200,530</u>	<u>\$ 215,530</u>	<u>\$ 15,000</u>

Note 8 – Subsequent Events

The Organization evaluated events occurring subsequent to April 30, 2020 through June 25, 2020, the date on which the financial statements were available to be issued, for matters that should be recorded in the financial statements or disclosed in the footnotes thereto.

Note 9 – Risks and Uncertainty

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent to which COVID-19 will effect the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain. As the pandemic continues to evolve, it could turn into a worldwide health crisis and the disease could have a material adverse effect on the Organization's activities, results of operations, financial condition, and cash flow.