

Audited Financial Statements

Wreaths Across America

June 30, 2012



Proven Expertise and Integrity

WREATHS ACROSS AMERICA

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INDEPENDENT AUDITORS' REPORT

September 24, 2012

Board of Directors
Wreaths Across America
Columbia Falls, Maine

We have audited the accompanying statements of financial position of Wreaths Across America (a nonprofit organization), as of and for the year ended June 30, 2012 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wreaths Across America, at June 30, 2012 and the results of its changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

RHR Smith & Company

Certified Public Accountants

WREATHS ACROSS AMERICA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS:

Cash	\$ 143,814
Inventory	67,606
Prepaid expenses	406
Total current assets	<u>211,826</u>

FIXED ASSETS:

Leasehold improvements	21,846
Less: accumulated depreciation	<u>(4,369)</u>
Net fixed assets	<u>17,477</u>

TOTAL ASSETS	<u>\$ 229,303</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 4,751
Payroll liabilities	8,066
Total current liabilities	<u>12,817</u>

OTHER LIABILITIES:

Deferred payments	51,418
Total other liabilities	<u>51,418</u>

NET ASSETS

Unrestricted	165,068
Total Net Assets	<u>165,068</u>

TOTAL NET LIABILITIES AND NET ASSETS	<u>\$ 229,303</u>
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See accompanying independent auditors' report and notes to financial statements.

WREATHS ACROSS AMERICA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	
Wreath Sponsorships	\$ 3,260,312
Inventory Sales	54,456
In-Kind Income	705,597
Other Revenue	7,484
Total Revenues	<u>4,027,849</u>
EXPENSES	
Operating Expenses	<u>3,779,656</u>
Total Expenses	<u>3,779,656</u>
INCREASE (DECREASE) IN NET ASSETS	248,193
NET ASSETS - JULY 1, 2011	(83,125)
NET ASSETS - JUNE 30, 2012	<u>\$ 165,068</u>

See accompanying independent auditors' report and notes to financial statements.

WREATHS ACROSS AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING EXPENSES		
Cost of Goods Sold	\$	749,275
Cost of Sponsored Wreaths		1,748,357
Salaries & Wages		148,340
Payroll Taxes		17,764
Accounting Fees		7,553
Advertising		36,194
Legal Fees		2,679
Other Professional Fees		102,731
Postage		30,836
Printing & Copying		1,957
Supplies		14,112
Website Expenses		21,887
Bank Charges		6,840
Depreciation expense		4,369
Insurance		8,218
Miscellaneous		14,548
Communications		7,113
Gala		83
Promotional Items		19,202
Office Expenses		41,837
Travel Expenses		26,771
Processing Fees		27,950
Newsletter		9,750
Charitable Registrations		13,131
Museum		12,562
In-Kind Expenses		705,597
Total Expenses	\$	<u>3,779,656</u>

See accompanying independent auditors' report and notes to financial statements.

WREATHS ACROSS AMERICA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Excess of revenues over (under) expenses	\$ 248,193
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	4,369
Changes in operating assets and liabilities:	
(Increase) decrease in inventory	(209,171)
(Increase) decrease in prepaid expenses	15,332
Increase (decrease) in accounts payable	(13,590)
Increase (decrease) in payroll liabilities	2,579
Increase (decrease) in deferred payments	48,250
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>95,962</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	-
NET CASH PROVIDED (USED BY) INVESTING ACTIVITIES	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from loans	-
NET CASH PROVIDED (USED BY) FINANCING ACTIVITIES	<u>-</u>
NET INCREASE (DECREASE) IN CASH	95,962
CASH - JULY 1, 2011	<u>47,852</u>
CASH - JUNE 30, 2012	<u>\$ 143,814</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ -</u>

See accompanying independent auditors' report and notes to financial statements.

WREATHS ACROSS AMERICA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Wreaths Across America (a nonprofit corporation) was organized for the primary purpose of coordinating wreath placement on the headstones of United States veterans nationwide.

Basis of Presentation

The accounts of the Organization have been prepared on the accrual basis of accounting.

Display of Net Assets by Class

The Organization displays net assets in each of the following three classes: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At June 30, 2012, the Organization had only unrestricted net assets.

Fixed Asset Acquisition

Fixed Assets are stated at cost. Additions and improvements of fixed assets in amounts exceeding \$5,000 are capitalized. Assets are depreciated by using the straight-line method over their estimated useful lives.

In-Kind Support

The Organization records various types of in-kind support including contributed facilities, professional services, and materials. Contributed professional services are recognized if the services received create or enhance long-lived assets or require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet one of the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

WREATHS ACROSS AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 – CASH

The Organization maintains cash balances in primarily one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during the year, the bank balances exceeded the FDIC limit. The Organization has not experienced any losses in this account and believes it is not exposed to any significant risk on cash.

NOTE 3 – ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts was estimated to be \$ -0- at June 30, 2012.

NOTE 4 – INVENTORIES

Inventories are valued at the lower of cost or market using the average cost method.

NOTE 5 - INCOME TAXES

The Organization is exempt from income and other taxes under the provisions of Internal Revenue Code Section 501(c)(3). Management believes there were no unrelated activities subject to tax on unrelated business income for the year ended June 30, 2012. Accordingly, no provision for income taxes has been made.

NOTE 6 – RELATED PARTIES

Wreaths Across America purchased wreaths from Worcester Wreath Company through a competitive pricing process resulting in payments of \$2,427,931 in 2012. Two Wreaths Across America board member are employed by Worcester Wreath Company. The Executive Director is currently a volunteer and is held by one of the founders. The common members do not participate in the competitive pricing process.

NOTE 7 – LEASES

Wreaths Across America entered into a rental lease on September 1, 2010 for five years ending on August 31, 2015. Rental per month is \$1,700 and annual for the next three fiscal years is \$20,400, with fiscal year 2015 \$3,400.

Wreaths Across America entered into a copier lease on October 4, 2011 for \$200 a month for 63 monthly payments. Rent per month is \$200 or \$2,400 annual until 2016.

NOTE 8 – RESTATEMENT

Wreaths Across America beginning net assets were restated due to a different method of carrying inventory and the associated cost of goods sold in past years.

WREATHS ACROSS AMERICA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 – SUBSEQUENT EVENTS

Wreaths Across America has evaluated subsequent events as of September 24, 2012 with no events of significance taken place since the fiscal year end.