

Audited Financial Statements

Wreaths Across America

June 30, 2013



Proven Expertise and Integrity

WREATHS ACROSS AMERICA

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Proven Expertise and Integrity

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wreaths Across America
Columbia Falls, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the Wreaths Across America (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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, where due to fraud or error.

Auditor's 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 misstatements.

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 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 Wreaths Across America as of June 30, 2013, 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.

RHR Smith & Company

Certified Public Accountants

December 6, 2013

STATEMENT A

WREATHS ACROSS AMERICA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS:

Cash	\$	168,745
Accounts Receivable (net of allowance)		3,256
Inventory		75,465
Prepaid expenses		39,408
Total current assets		<u>286,874</u>

FIXED ASSETS:

Leasehold improvements		57,730
Less: accumulated depreciation		<u>(10,771)</u>
Net fixed assets		<u>46,959</u>

TOTAL ASSETS	\$	<u>333,833</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	8,075
Accrued expense		231,073
Payroll liabilities		9,126
Current portion of long-term debt		9,087
Total current liabilities		<u>257,361</u>

LONG-TERM LIABILITIES

Non-current portion of long-term debt		<u>40,176</u>
TOTAL LONG-TERM LIABILITIES		<u>40,176</u>

OTHER LIABILITIES:

Deferred payments		<u>79,908</u>
Total other liabilities		<u>79,908</u>

NET ASSETS

Unrestricted		<u>(43,612)</u>
Total Net Assets		<u>(43,612)</u>

TOTAL NET LIABILITIES AND NET ASSETS	\$	<u>333,833</u>
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See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

WREATHS ACROSS AMERICA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	
Wreath Sponsorships	\$ 4,634,335
Inventory Sales	29,905
In-Kind Income	518,720
Other Revenue	3,819
Total Revenues	<u>5,186,779</u>
EXPENSES	
Operating Expenses	<u>5,169,480</u>
Total Expenses	<u>5,169,480</u>
INCREASE (DECREASE) IN NET ASSETS	17,299
NET ASSETS - JULY 1, 2012 (RESTATED)	(60,911)
NET ASSETS - JUNE 30, 2013	<u>\$ (43,612)</u>

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

WREATHS ACROSS AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING EXPENSES		
Cost of Goods Sold	\$	524,433
Cost of Sponsored Wreaths		3,353,457
Salaries & Wages		185,705
Payroll Taxes		25,877
Accounting Fees		13,112
Advertising		41,427
Legal Fees		1,776
Other Professional Fees		186,829
Wreath Contingency		34,000
Postage		36,065
Printing & Copying		12,351
Supplies		12,260
Website Expenses		27,029
Donations		67
Bank Charges		12,193
Depreciation expense		10,771
Insurance		11,603
Miscellaneous		4,575
Communications		7,258
Promotional Items		11,574
Office Expenses		34,311
Travel Expenses		30,519
Processing Fees		40,127
Newsletter		29,250
Charitable Registrations		2,881
Museum		1,310
In-Kind Expenses		518,720
Total Expenses	\$	<u>5,169,480</u>

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

STATEMENT D

WREATHS ACROSS AMERICA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Excess of revenues over (under) expenses	\$ 17,299
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	10,771
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(2,850)
(Increase) decrease in inventory	(7,859)
(Increase) decrease in prepaid expenses	(39,408)
Increase (decrease) in accounts payable	3,324
Increase (decrease) in accrued payable	725
Increase (decrease) in payroll liabilities	1,060
Increase (decrease) in deferred payments	28,490
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>11,552</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	<u>(35,884)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(35,884)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from loans	50,000
Payment on loans	<u>(737)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>49,263</u>
NET INCREASE (DECREASE) IN CASH	24,931
CASH - JULY 1, 2012	<u>143,814</u>
CASH - JUNE 30, 2013	<u>\$ 168,745</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	<u>\$ 208</u>

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

WREATHS ACROSS AMERICA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, 2013, 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, 2013

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, 2013.

NOTE 4 – INVENTORIES

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

NOTE 5 – NOTE PAYABLE

The Organization has a loan the purchase of new software. The term of the loan is five years with monthly payments are \$945 for principal and interest at 5%. The balance at June 30, 2013 was \$49,263. The following are the principal and interest payments for the life of the loan.

	Principal	Interest	Total
2014	\$ 9,087	\$ 2,257	\$ 11,344
2015	9,552	1,792	11,344
2016	10,041	1,303	11,344
2017	10,554	789	11,344
2018	10,029	1,315	11,344
	<u>\$ 49,263</u>	<u>\$ 7,456</u>	<u>\$ 56,719</u>

NOTE 6 - 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, 2013. Accordingly, no provision for income taxes has been made.

WREATHS ACROSS AMERICA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 – RELATED PARTIES

Wreaths Across America purchased wreaths from Worcester Wreath Company through a competitive pricing process resulting in payments of \$3,552,842 in 2013. 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 8 – 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 two fiscal years is \$20,400, with fiscal year 2016 being \$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 9 – 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 that crossed fiscal years.

NOTE 10 – SUBSEQUENT EVENTS

Wreaths Across America has evaluated subsequent events as of December 6, 2013 with no events of significance taken place since the fiscal year end.