

Wreaths Across America
ANNUAL FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

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Independent Auditor's Report

To the Board of Directors of
Wreaths Across America

We have audited the accompanying financial statements of Wreaths Across America (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities 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.

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 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.

Board of Directors
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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, 2014, 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.

Charlene Shibodeau & Associates

March 15, 2016

Wreaths Across America
Statement of Financial Position
June 30, 2014

ASSETS

CURRENT ASSETS

Cash	\$ 445,336
Accounts receivable	15,726
Inventory	51,350
Prepaid expenses	<u>105,307</u>

Total current assets 617,719

PROPERTY AND EQUIPMENT

Property and equipment	138,162
Accumulated depreciation	<u>(28,791)</u>

Total property and equipment, net 109,371

Total assets \$ 727,090

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 28,535
Accrued payroll	17,246
Deferred revenues	571,347
Current portion of notes payable	<u>18,600</u>

Total current liabilities 635,728

LONG-TERM LIABILITIES

Notes payable, net of current portion 72,079

Total liabilities 707,807

NET ASSETS

Unrestricted 19,283

Total liabilities and net assets \$ 727,090

**Wreaths Across America
Statement of Activities
Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Wreath sponsorships	\$ 6,484,717	\$ -	\$ 6,484,717
In-kind donations	338,970	-	338,970
Specialty wreath sales	75,243	-	75,243
Other merchandise sales	48,856	-	48,856
Prepaid shipping revenues	50,598	-	50,598
Contributions	16,940	5,000	21,940
Fundraising	1,500	-	1,500
Other	368	-	368
Net assets released from restrictions	5,000	(5,000)	-
Total revenues and other support	7,022,192	-	7,022,192
EXPENSES			
Cost of goods sold - wreaths	4,645,849	-	4,645,849
Cost of goods sold - specialty wreaths and other items	145,859	-	145,859
Trucking expenses	37,288	-	37,288
Distributions to outside groups	731,710	-	731,710
In-kind expenses	338,970	-	338,970
Salaries and wages	272,521	-	272,521
Payroll taxes	27,719	-	27,719
Employee benefits	4,206	-	4,206
Travel, meetings and trade shows	33,845	-	33,845
Advertising and promotion	12,685	-	12,685
Processing and usage fees	134,530	-	134,530
Legal and accounting fees	22,905	-	22,905
Professional fees	241,603	-	241,603
Software fees	7,270	-	7,270
Office supplies	31,358	-	31,358
Printing and copying	6,320	-	6,320
Shipping and postage	111,225	-	111,225
Occupancy	37,727	-	37,727
Insurance	8,335	-	8,335
Maintenance	30,396	-	30,396
Dues and subscriptions	5,914	-	5,914
Awards and donations	3,920	-	3,920
Depreciation	18,020	-	18,020
Website	25,502	-	25,502
Special events	10,462	-	10,462
Interest expense	2,310	-	2,310
Miscellaneous	10,848	-	10,848
Total expenses	6,959,297	-	6,959,297
Change in net assets	62,895	-	62,895
NET ASSETS, BEGINNING OF YEAR	(43,612)	-	(43,612)
NET ASSETS, END OF YEAR	\$ 19,283	\$ -	\$ 19,283

See accompanying notes to financial statements.

**Wreaths Across America
Statement of Cash Flows
Year Ended June 30, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	<u>\$ 62,895</u>
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities	
Depreciation	18,020
(Increase) decrease in operating assets	
Accounts receivable	(12,470)
Inventory	24,115
Prepaid expenses	(65,899)
Increase (decrease) in operating liabilities	
Accounts payable	20,460
Accrued payroll payable	8,120
Accrued expenses	(231,073)
Deferred revenue	<u>491,439</u>
 Total adjustments	 <u>252,712</u>
 Net cash provided by operating activities	 <u>315,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital outlay	<u>(80,432)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of long-term debt	<u>41,416</u>
 Net increase in cash and cash equivalents	 276,591
CASH AT BEGINNING OF YEAR	<u>168,745</u>
CASH AT END OF YEAR	<u>\$ 445,336</u>
SUPPLEMENTAL DISCLOSURE	
Interest paid during the year	<u>\$ 2,310</u>

Wreaths Across America
Notes to Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Wreaths Across America was incorporated in 2007 as a nonprofit organization whose mission is to Remember, Honor, Teach, in part by coordinating wreath laying ceremonies at veteran's cemeteries and other locations in all 50 states and beyond. The Organization's expenses and operations are funded primarily through wreath sponsorships, other contributions, and fundraising.

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Restricted contributions whose restrictions are met in the period they are received are reported as restricted contributions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and recorded as promises to give on the statement of financial position. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years experience and management's analysis of specific promises made.

Contributed Services and Goods

During the year ended June 30, 2014, many individuals volunteered their time and performed a variety of tasks to assist the Organization in coordinating wreath laying ceremonies. These services do not meet the criteria for recognition as contributed services and therefore have not been recorded in the financial statements. Certain other 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Wreaths Across America
Notes to Financial Statements
June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

It is the Organization's policy to capitalize property and equipment with a useful life greater than one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, which is 2-20 years.

Collections

The Organization maintains a significant collection of items in the Organization's museum. These items include donated medals, pictures, uniforms, books, other memorabilia, and artwork. The Organization has not capitalized these items, as the value at time of donation was indeterminable.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Fair Value of Financial Instruments

The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, accounts receivable, inventory, accounts payable and other current liabilities approximate the respective fair values due to the short maturities of those instruments.

Inventory

Inventory is reported at the lower of cost or market values in the statement of financial position, determined using the average cost method.

Advertising

The cost of advertising is expensed as incurred in the statement of activities.

Shipping Costs

The cost of shipping is expensed as incurred and reported separately from cost of goods sold in the statement of activities as trucking expenses or as shipping and postage, which totaled \$148,513 in the year ended June 30, 2014.

**Wreaths Across America
Notes to Financial Statements
June 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is an exempt organization as described in Internal Revenue Code Section 501(c)(3) and has been determined not to be a private foundation. Accordingly, no provision for income taxes is shown in the accompanying financial statements. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Cash Equivalents

For purposes of the statement of cash flows, when applicable, the Organization considers all highly liquid investments available for current use with initial maturities of three months or less to be cash equivalents.

2. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at a financial institution located in Maine. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's account balances at times may exceed FDIC insured limits. It has not experienced any losses in such accounts. At June 30, 2014, the Organization had uninsured cash balances of \$217,644.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 06/30/13	Additions	Disposals	Balance 06/30/14
Leasehold improvements	\$ 21,846	\$ -	\$ -	\$ 21,846
Equipment	-	2,214	-	2,214
Vehicles	-	56,464	-	56,464
Software	20,400	17,500	-	37,900
Furniture and fixtures	15,484	4,254	-	19,738
Accumulated depreciation	<u>(10,771)</u>	<u>(18,020)</u>	<u>-</u>	<u>(28,791)</u>
Total property and equipment, net	<u>\$ 46,959</u>	<u>\$ 62,412</u>	<u>\$ -</u>	<u>\$ 109,371</u>

**Wreaths Across America
Notes to Financial Statements
June 30, 2014**

4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2014.

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Portion due within one year
<i>Bangor Savings Bank</i>					
Software note dated May, 2013, due 2018. Interest at 5.000% with monthly principal and interest payments	\$ 49,263	\$ -	\$ (9,048)	\$ 40,215	\$ 9,524
Vehicle note dated June 27, 2014, due 2019. Interest at 5.125% with monthly principal and interest payments	-	50,464	-	50,464	9,076
Total notes payable	<u>\$ 49,263</u>	<u>\$ 50,464</u>	<u>\$ (9,048)</u>	<u>\$ 90,679</u>	<u>\$ 18,600</u>

Notes Payable

Future maturities of notes payable are as follows:

Year ended June 30	Principal	Interest	Total
2015	\$ 18,600	\$ 4,228	\$ 22,828
2016	19,569	3,258	22,827
2017	20,605	2,223	22,828
2018	20,740	1,141	21,881
2019	<u>11,165</u>	<u>317</u>	<u>11,482</u>
Total	<u>\$ 90,679</u>	<u>\$ 11,167</u>	<u>\$ 101,846</u>

Operating Leases

The Organization is currently committed to operating lease payments of \$23,800 for building rent, and \$6,200 for copier rental. Future lease payment requirements are as follows: (See Note 9)

2015	\$ 22,800
2016	5,800
2017	<u>1,400</u>
	<u>\$ 30,000</u>

Operating lease payments were \$22,800 for fiscal year 2014.

Wreaths Across America
Notes to Financial Statements
June 30, 2014

4. FUNCTIONAL EXPENDITURES

The Organization's expenditures by function are as follows for the year ended June 30, 2014:

Program	\$ 6,276,285
Management and general	596,569
Fundraising	<u>86,443</u>
Total expenditures	<u>\$ 6,959,297</u>

The Organization reports their costs by nature of expense on the statement of activities.

5. COMMITMENTS

At June 30, 2014 the Organization was committed to future wreath purchases from Worcester Resources, Inc. through December of 2016.

6. RELATED PARTY TRANSACTIONS

During the year ending June 30, 2014 the Organization paid Worcester Resources, Inc. for inventory items and services performed related to specialty wreath shipping. The founder of Wreaths Across America is the owner of Worcester Resources, Inc. Total payments to Worcester Resources, Inc. during the year ended June 30, 2014 were approximately \$4,706,950 for inventory items and \$93,060 for other services. At June 30, 2014, no amounts were owed to Worcester Resources, Inc. for goods or services provided.

7. CONCENTRATIONS

Worcester Resources, Inc., as the sole supplier of wreaths for the Organization, accounted for approximately 98% and \$4,706,950 of cost of sales for the year ended June 30, 2014. The Organization is committed, as disclosed in Note 6, to maintain the relationship with this vendor through the December, 2016 wreath laying event.

Wreath sponsorships, as the major source of revenue, accounted for approximately 92% and \$6,484,717 of total revenues for the year ended June 30, 2014. The Organization has no plans to significantly diversify its revenue sources.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2016 the date on which the financial statements were available to be issued. In 2015, the Organization received a donation of a building used for office space and other purposes, increasing the assets and revenues of the Organization by \$100,000, the fair value of the asset at the time of donation. The donation will reduce the Organization's future obligations for rent expense under an operating lease in effect as of June 30, 2014.