

Wreaths Across America

**ANNUAL FINANCIAL STATEMENTS**

For the Year Ended June 30, 2015  
(With comparative totals for 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, 2015, 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.

**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, 2015, 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.

**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Report in Summarized Comparative Information**

We have previously audited Wreaths Across America, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Grant Thornton & Associates*

September 22, 2016

**Wreaths Across America**  
**Statement of Financial Position**  
**June 30, 2015**  
**(With comparative totals for 2014)**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 92,130	\$ 445,336
Accounts receivable	5,005	15,726
Inventory	26,700	51,350
Prepaid expenses	-	105,307
	<u>123,835</u>	<u>617,719</u>
<b>PROPERTY AND EQUIPMENT</b>		
Property and equipment	343,448	138,162
Accumulated depreciation	(57,281)	(28,791)
	<u>286,167</u>	<u>109,371</u>
Total current assets	<u>123,835</u>	<u>617,719</u>
Total non-current assets	<u>286,167</u>	<u>109,371</u>
Total assets	<u>\$ 410,002</u>	<u>\$ 727,090</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,800	\$ 28,535
Other payables	5,000	-
Accrued payroll	5,348	17,246
Deferred revenues	579,230	571,347
Current portion of notes payable	29,765	18,600
	<u>630,143</u>	<u>635,728</u>
Total current liabilities	<u>630,143</u>	<u>635,728</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of current portion	<u>97,814</u>	<u>72,079</u>
Total liabilities	<u>727,957</u>	<u>707,807</u>
<b>NET ASSETS</b>		
Unrestricted (deficit)	<u>(317,955)</u>	<u>19,283</u>
Total liabilities and net assets	<u>\$ 410,002</u>	<u>\$ 727,090</u>

**Wreaths Across America**  
**Statement of Activities**  
**Year Ended June 30, 2015**  
(With comparative totals for year ended June 30, 2014)

	Year Ended June 30, 2015			Year Ended June 30, 2014
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES AND OTHER SUPPORT</b>				
Wreath sponsorships	\$ 7,789,600	\$ -	\$ 7,789,600	\$ 6,480,400
In-kind donations	530,046	-	530,046	338,970
Specialty wreath sales	48,240	-	48,240	75,243
Other merchandise sales	133,928	-	133,928	48,856
Prepaid shipping revenues	38,506	-	38,506	50,598
Contributions	80,049	2,000	82,049	26,257
Fundraising	-	-	-	1,500
Advertising sales	50,000	-	50,000	-
Rental income	6,900	-	6,900	-
Other	23,061	-	23,061	368
Net assets released from restrictions	2,000	(2,000)	-	-
<b>Total revenues and other support</b>	<b>8,702,330</b>	<b>-</b>	<b>8,702,330</b>	<b>7,022,192</b>
<b>EXPENSES</b>				
Cost of goods sold - wreaths	\$ 5,780,000	\$ -	\$ 5,780,000	\$ 4,645,849
Cost of goods sold - specialty wreaths and other items	177,812	-	177,812	145,859
Trucking expenses	199,191	-	199,191	37,288
Distributions to outside groups	995,172	-	995,172	731,710
In-kind expenses	480,046	-	480,046	338,970
Salaries and wages	334,536	-	334,536	272,521
Payroll taxes	28,188	-	28,188	27,719
Employee benefits	25,715	-	25,715	4,206
Travel, meetings and trade shows	75,914	-	75,914	33,845
Advertising and promotion	50,139	-	50,139	12,685
Processing and usage fees	147,697	-	147,697	134,530
Legal and accounting fees	13,755	-	13,755	22,905
Professional fees	305,957	-	305,957	241,603
Software fees	7,470	-	7,470	7,270
Office supplies	42,318	-	42,318	31,358
Printing and copying	16,753	-	16,753	6,320
Shipping and postage	67,074	-	67,074	111,225
Occupancy	63,558	-	63,558	37,727
Insurance	23,748	-	23,748	8,335
Maintenance	56,930	-	56,930	30,396
Dues and subscriptions	12,062	-	12,062	5,914
Awards and donations	20,083	-	20,083	3,920
Depreciation	29,122	-	29,122	18,020
Website	11,225	-	11,225	25,502
Vehicle expenses	9,769	-	9,769	-
Special events	50,169	-	50,169	10,462
Interest expense	4,235	-	4,235	2,310
Miscellaneous	10,930	-	10,930	10,848
<b>Total expenses</b>	<b>9,039,568</b>	<b>-</b>	<b>9,039,568</b>	<b>6,959,297</b>
<b>Change in net assets</b>	<b>(337,238)</b>	<b>-</b>	<b>(337,238)</b>	<b>62,895</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>19,283</b>	<b>-</b>	<b>19,283</b>	<b>(43,612)</b>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ (317,955)</b>	<b>\$ -</b>	<b>\$ (317,955)</b>	<b>\$ 19,283</b>

See accompanying notes to financial statements.

**Wreaths Across America  
Statement of Cash Flows  
Year Ended June 30, 2015  
(With comparative totals for 2014)**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (337,238)	\$ 62,895
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	29,122	18,020
(Increase) decrease in operating assets		
Accounts receivable	10,721	(12,470)
Inventory	24,650	24,115
Prepaid expenses	105,307	(65,899)
Increase (decrease) in operating liabilities		
Accounts payable	(17,735)	20,460
Other payables	5,000	-
Accrued payroll payable	(11,898)	8,120
Accrued expenses	-	(231,073)
Deferred revenue	7,883	491,439
	<u>153,050</u>	<u>252,712</u>
Total adjustments		
Net cash provided (used) by operating activities	<u>(184,188)</u>	<u>315,607</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of capital assets	1,582	-
Capital outlay	<u>(207,500)</u>	<u>(80,432)</u>
Net cash provided by investing activities	<u>(205,918)</u>	<u>(80,432)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of long-term debt	<u>36,900</u>	<u>41,416</u>
Net increase (decrease) in cash and cash equivalents	(353,206)	276,591
<b>CASH AT BEGINNING OF YEAR</b>	<u>445,336</u>	<u>168,745</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 92,130</u>	<u>\$ 445,336</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid during the year	<u>\$ 4,235</u>	<u>\$ 2,310</u>

**Wreaths Across America**  
**Notes to Financial Statements**  
**June 30, 2015**  
**(With comparative totals for year ended 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, 2015 and 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, 2015**  
**(With comparative totals for year ended 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 \$266,265 in the year ended June 30, 2015 and \$148,513 in the year ended June 30, 2014.

**Wreaths Across America**  
**Notes to Financial Statements**  
**June 30, 2015**  
**(With comparative totals for year ended 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 2013, 2014, and 2015 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.

**Comparative Data**

The financial statements include certain prior-year summarized comparative information only in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**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. Management believes it is not exposed to significant risk on its cash deposits.

**3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<b>Balance 06/30/14</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 06/30/15</b>
Buildings and improvements	\$ -	\$ 146,000	\$ -	\$ 146,000
Leasehold improvements	21,846	-	-	21,846
Equipment	2,214	-	(2,214)	-
Vehicles	56,464	55,500	-	111,964
Software	37,900	-	-	37,900
Furniture and fixtures	19,738	6,000	-	25,738
Accumulated depreciation	<u>(28,791)</u>	<u>(29,123)</u>	<u>633</u>	<u>(57,281)</u>
Total property and equipment, net	<u>\$ 109,371</u>	<u>\$ 178,377</u>	<u>\$ (1,581)</u>	<u>\$ 286,167</u>

**Wreaths Across America**  
**Notes to Financial Statements**  
**June 30, 2015**  
**(With comparative totals for year ended June 30, 2014)**

**4. LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities for the year ended June 30, 2015.

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	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	\$ 40,215	\$ -	\$ (9,524)	\$ 30,691	\$ 10,015
Vehicle note dated June 27, 2014, due 2019. Interest at 5.125% with monthly principal and interest payments	50,464	-	(9,076)	41,388	9,554
<i>Mercedes-Benz Financing</i>					
Vehicle note dated June 11, 2015, due 2020. Interest at 3.900% with monthly principal and interest payments	-	55,500	-	55,500	10,196
Total notes payable	<u>\$ 90,679</u>	<u>\$ 55,500</u>	<u>\$ (18,600)</u>	<u>\$ 127,579</u>	<u>\$ 29,765</u>

**Notes Payable**

Future maturities of notes payable are as follows:

Year ended June 30	Principal	Interest	Total
2016	\$ 29,765	\$ 5,378	\$ 35,143
2017	31,234	3,910	35,144
2018	31,821	2,376	34,197
2019	22,717	1,081	23,798
2020	<u>12,042</u>	<u>274</u>	<u>12,316</u>
Total	<u>\$ 127,579</u>	<u>\$ 13,019</u>	<u>\$ 140,598</u>

**4. FUNCTIONAL EXPENDITURES**

The Organization's expenditures by function are as follows for the years ended June 30, 2015 and 2014:

	2015	2014
Program	\$ 8,100,892	\$ 6,276,285
Management and general	757,754	596,569
Fundraising	<u>180,922</u>	<u>86,443</u>
Total expenditures	<u>\$ 9,039,568</u>	<u>\$ 6,959,297</u>

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

**Wreaths Across America**  
**Notes to Financial Statements**  
**June 30, 2015**  
**(With comparative totals for year ended June 30, 2014)**

**5. RELATED PARTY TRANSACTIONS**

During the year ending June 30, 2015 the Organization paid Worcester Resources, Inc. for inventory items. 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, 2015 were approximately \$5,780,000 and \$4,706,950 during the year ended June 30, 2014 for inventory items and \$93,060 for other services at June 30, 2014. At June 30, 2015 and 2014, no amounts were owed to Worcester Resources, Inc. for goods or services provided.

**6. CONCENTRATIONS**

Worcester Resources, Inc., as the sole supplier of wreaths for the Organization, accounted for approximately 97% or \$5,780,000 of cost of sales for the year ended June 30, 2015 and 98% or \$4,706,950 for the year ended June 30, 2014. The Organization is committed, as disclosed in Note 5, 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 90% or \$7,789,600 of total revenues for the year ended June 30, 2015 and 92% or \$6,484,717 for the year ended June 30, 2014. The Organization has no plans to significantly diversify its revenue sources.

**7. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 22, 2016 the date on which the financial statements were available to be issued.

**Wreaths Across America**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2015**  
(With comparative totals for year ended June 30, 2014)

	Year Ended June 30, 2015			Total	(Comparative Total Only)
	Program Services	Management and General	Fundraising	Expenses	Year Ended June 30, 2014
<b>EXPENSES</b>					
Cost of goods sold - wreaths	\$ 5,780,000	\$ -	\$ -	\$ 5,780,000	\$ 4,645,849
Cost of goods sold - specialty wreaths and other items	177,812	-	-	177,812	145,859
Trucking expenses	199,191	-	-	199,191	37,288
Distributions to outside groups	995,172	-	-	995,172	731,710
In-kind expenses	440,046	32,000	8,000	480,046	338,970
Salaries and wages	234,176	66,907	33,453	334,536	272,521
Payroll taxes	19,732	5,837	2,819	28,188	27,719
Employee benefits	15,429	6,429	3,857	25,715	4,206
Travel, meetings and trade shows	-	48,800	27,114	75,914	33,845
Advertising and promotion	-	-	50,139	50,139	12,685
Processing and usage fees	65,077	82,620	-	147,697	134,530
Legal and accounting fees	-	13,755	-	13,755	22,905
Professional fees	2,685	297,901	5,371	305,957	241,803
Software fees	-	7,470	-	7,470	7,270
Office supplies	-	42,318	-	42,318	31,358
Printing and copying	-	16,753	-	16,753	6,320
Shipping and postage	67,074	-	-	67,074	111,225
Occupancy	4,638	58,920	-	63,558	37,727
Insurance	-	23,748	-	23,748	8,335
Maintenance	56,930	-	-	56,930	30,396
Dues and subscriptions	-	12,062	-	12,062	5,914
Awards and donations	-	20,083	-	20,083	3,920
Depreciation	14,561	14,561	-	29,122	18,020
Website	11,225	-	-	11,225	25,502
Vehicle expenses	9,769	-	-	9,769	-
Special events	-	-	50,169	50,169	10,462
Interest expense	-	4,235	-	4,235	2,310
Miscellaneous	7,375	3,555	-	10,930	10,848
Total expenses	<u>\$ 8,100,892</u>	<u>\$ 757,754</u>	<u>\$ 180,922</u>	<u>\$ 9,039,568</u>	<u>\$ 6,959,297</u>