

Wreaths Across America

ANNUAL FINANCIAL STATEMENTS

For the Year Ended June 30, 2020
(With comparative totals for 2019)

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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, 2020, 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, 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, 2020, 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.

Change in Accounting Principle

Report in Summarized Comparative Information

We have previously audited Wreaths Across America's, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Arthur Hibbard & Associates

Bangor, Maine
July 19, 2021

Wreaths Across America
Statement of Financial Position
June 30, 2020
(With comparative totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 903,828	\$ 2,237,413
Accounts receivable	30,380	-
Inventory	480,500	142,415
Prepaid expenses	1,246,000	1,136,935
	<u>2,660,708</u>	<u>3,516,763</u>
Total current assets		
PROPERTY AND EQUIPMENT		
Property and equipment	4,262,985	3,425,300
Accumulated depreciation	<u>(2,696,432)</u>	<u>(1,742,447)</u>
Total property and equipment	<u>1,566,553</u>	<u>1,682,853</u>
Total assets	<u>\$ 4,227,261</u>	<u>\$ 5,199,616</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 154,673	\$ 221,538
Other payables	9,912	26,704
Accrued payroll	38,690	27,656
Deferred revenues	4,980,000	4,718,850
Current portion of notes payable	68,279	82,298
	<u>5,251,554</u>	<u>5,077,046</u>
Total current liabilities		
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>257,791</u>	<u>329,849</u>
Total liabilities	<u>5,509,345</u>	<u>5,406,895</u>
NET ASSETS		
Without donor restrictions (deficit)	(1,282,084)	(222,279)
With donor restrictions	<u>-</u>	<u>15,000</u>
Total net assets (deficits)	<u>(1,282,084)</u>	<u>(207,279)</u>
Total liabilities and net assets	<u>\$ 4,227,261</u>	<u>\$ 5,199,616</u>

See accompanying notes to financial statements.

Wreaths Across America
Statement of Activities
Year Ended June 30, 2020
(With comparative totals for year ended June 30, 2019)

	Year Ended June 30, 2020			Year Ended June 30, 2019
	Without donor restrictions	With donor restrictions	Total	Total
REVENUES AND OTHER SUPPORT				
Wreath sponsorships	\$ 24,972,488	\$ -	\$ 24,972,488	\$ 21,556,256
In-kind donations	491,715	-	491,715	393,987
Other merchandise sales	708,954	-	708,954	623,463
Contributions	475,685	-	475,685	278,483
Fundraising	-	-	-	13,100
Conditional Contribution - Paycheck Protection Program	311,600	-	311,600	-
Interest	5,496	-	5,496	4,433
Other	293	-	293	-
Net assets released from restrictions	15,000	(15,000)	-	-
Total revenues and other support	26,981,231	(15,000)	26,966,231	22,869,722
EXPENSES				
Sponsorship related costs	\$ 19,009,383	\$ -	\$ 19,009,383	\$ 15,364,430
Cost of goods sold - specialty wreaths and other items	510,744	-	510,744	613,732
Trucking expenses	35,936	-	35,936	51,687
Distributions to outside groups	2,437,862	-	2,437,862	2,161,446
In-kind expenses	479,730	-	479,730	380,987
Salaries and wages	1,563,189	-	1,563,189	1,286,507
Payroll taxes	131,138	-	131,138	110,012
Employee benefits	220,521	-	220,521	121,990
Travel, meetings and trade shows	178,456	-	178,456	120,122
Advertising and promotion	587,126	-	587,126	322,963
Processing and usage fees	372,001	-	372,001	295,883
Legal and accounting fees	14,777	-	14,777	88,749
Professional fees	308,646	-	308,646	185,838
Software fees	215,119	-	215,119	160,336
Office supplies	89,217	-	89,217	245,496
Printing and copying	3,814	-	3,814	3,166
Shipping and postage	222,860	-	222,860	79,686
Occupancy	64,478	-	64,478	116,210
Insurance	59,793	-	59,793	46,328
Cleanup of wreaths maintenance	131,908	-	131,908	123,204
Dues and subscriptions	7,487	-	7,487	15,955
Awards and donations	4,252	-	4,252	22,613
Depreciation	953,985	-	953,985	847,544
Website	-	-	-	59
Vehicle expenses	59,246	-	59,246	60,349
Special events	267,957	-	267,957	277,972
Interest expense	15,980	-	15,980	9,243
Miscellaneous	95,431	-	95,431	114,577
Total expenses	28,041,036	-	28,041,036	23,227,084
Change in net assets	(1,059,805)	(15,000)	(1,074,805)	(357,362)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(222,279)	15,000	(207,279)	150,083
NET ASSETS (DEFICIT), END OF YEAR	\$ (1,282,084)	\$ -	\$ (1,282,084)	\$ (207,279)

See accompanying notes to financial statements.

Wreaths Across America
Statement of Functional Expenses
Year Ended June 30, 2020
(With comparative totals for year ended June 30, 2019)

	Year Ended June 30, 2020			(Comparative Total Only)
	Program Services	Management and General	Fundraising	Year Ended June 30, 2019
EXPENSES				
Sponsorship related costs	\$ 19,009,383	\$ -	\$ -	\$ 19,009,383
Cost of goods sold - specialty wreaths and other items	510,744	-	-	596,847
Shipping expenses	35,936	-	-	51,687
Distributions to outside groups	2,437,862	-	-	2,161,446
In-kind expenses	265,575	214,155	-	479,730
Salaries and wages	507,172	816,357	239,660	1,563,189
Payroll taxes	51,144	59,012	20,982	131,138
Employee benefits	86,004	99,234	35,283	220,521
Travel, meetings and trade shows	60,824	62,460	55,172	178,456
Advertising and promotion	-	293,563	293,563	587,126
Processing and usage fees	356,678	15,323	-	372,001
Legal and accounting fees	-	14,777	-	14,777
Professional fees	-	308,646	-	308,646
Software fees	-	215,119	-	215,119
Office supplies	100	89,117	-	89,217
Printing and copying	-	3,814	-	3,814
Postage and mailing costs	222,860	-	-	222,860
Occupancy	-	64,478	-	64,478
Insurance	-	59,793	-	59,793
Cleanup of wreaths maintenance	131,908	-	-	131,908
Dues and registrations	7,487	-	-	7,487
Awards and donations	4,252	-	-	4,252
Depreciation	476,993	476,992	-	953,985
Website	-	-	-	59
Vehicle expenses	40,287	-	18,959	59,246
Special events	229,124	-	38,833	267,957
Interest expense	-	15,980	-	15,980
Miscellaneous	47,716	47,715	-	95,431
Total expenses	\$ 24,482,049	\$ 2,856,535	\$ 702,452	\$ 28,041,036
				\$ 23,227,084

Wreaths Across America
Statement of Cash Flows
Year Ended June 30, 2020
(With comparative totals for 2018)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,074,805)	\$ (357,362)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	953,985	847,544
(Increase) decrease in operating assets		
Accounts receivable	(30,380)	67,500
Inventory	(338,085)	(75,164)
Prepaid expenses	(109,065)	(476,152)
Increase (decrease) in operating liabilities		
Accounts payable	(66,865)	179,687
Other payables	(16,792)	26,704
Accrued payroll payable	11,034	6,114
Deferred revenue	261,150	1,345,101
	<u>664,982</u>	<u>1,921,334</u>
Total adjustments		
	<u>(409,823)</u>	<u>1,563,972</u>
Net cash (used) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale or disposal of capital assets	-	37,914
Capital outlay	(837,685)	(1,108,876)
	<u>(837,685)</u>	<u>(1,070,962)</u>
Net cash used by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt- PPP loan	311,600	248,512
Repayments of long-term debt	(86,077)	(50,144)
	<u>225,523</u>	<u>198,368</u>
Net cash provided by financing activities		
CASH FLOWS FROM NON-CASH FINANCING ACTIVITIES		
Forgiveness of debt - PPP loan	(311,600)	-
	<u>(311,600)</u>	<u>-</u>
Net change in cash and cash equivalents	<u>(1,333,585)</u>	<u>691,378</u>
CASH AT BEGINNING OF YEAR	2,237,413	1,580,689
Restatement of balance	-	(34,654)
CASH AT BEGINNING OF YEAR (RESTATED)	<u>2,237,413</u>	<u>1,546,035</u>
CASH AT END OF YEAR	<u>\$ 903,828</u>	<u>\$ 2,237,413</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid during the year	<u>\$ 15,980</u>	<u>\$ 9,243</u>

See accompanying notes to financial statements.

Wreaths Across America
Notes to Financial Statements
June 30, 2020
(With comparative totals for year ended June 30, 2019)

NOTE 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 and grants received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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, 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, 2020 and 2019, 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, 2020
(With comparative totals for year ended June 30, 2019)

NOTE 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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

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 \$415,123 in the year ended June 30, 2019 and \$290,205 in the year ended June 30, 2019.

Wreaths Across America
Notes to Financial Statements
June 30, 2020
(With comparative totals for year ended June 30, 2019)

NOTE 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 2019, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Cash and 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, 2019, from which the summarized information was derived.

NOTE 2. LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 903,828	\$2,237,413
Accounts receivable	<u>30,380</u>	<u>-</u>
	<u>\$ 934,208</u>	<u>\$2,237,413</u>

NOTE 3. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at financial institutions located in Maine. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's account balances at times exceed FDIC insured limits. At June 30, 2020 the Organizations cash balances exceeded FDIC insured limits by \$484,687. It has not experienced any losses in such accounts. Management believes it is not exposed to significant risk on its cash deposits.

Wreaths Across America
Notes to Financial Statements
June 30, 2020
(With comparative totals for year ended June 30, 2019)

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 06/30/19	Additions	Disposals	Balance 06/30/19
Buildings and improvements	\$ 244,825	\$ -	\$ -	\$ 244,825
Leasehold improvements	206,551	106,367	-	312,918
Vehicles	481,945	-	-	481,945
Software	2,182,563	685,076	-	2,867,639
Furniture and fixtures	56,543	8,576	-	65,119
Equipment	252,873	37,666	-	290,539
Accumulated depreciation	<u>(1,742,447)</u>	<u>(953,985)</u>	-	<u>(2,696,432)</u>
Total property and equipment, net	<u>\$1,682,853</u>	<u>\$ (116,300)</u>	<u>\$ -</u>	<u>\$1,566,553</u>

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2020.

NOTES PAYABLE	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Portion due within one year
<i>Bangor Savings Bank</i>					
Building note dated July 24, 2016, due July, 2035. Interest at 4.75% with monthly principal and interest payments	\$ 129,382	\$ -	\$ (3,406)	\$ 125,976	\$ 5,204
<i>Mercedes-Benz Financing</i>					
Vehicle note dated June 11, 2016, due 2020. Interest at 3.900% with monthly principal and interest payments	12,059	-	(12,059)	-	-
<i>GM Financial Financing</i>					
Vehicle note dated March 22, 2017, due 2021. Interest at 0.00% with monthly principal payments	30,441	-	(17,988)	12,453	12,453
Vehicle note dated December 31, 2016, due 2020. Interest at 5.900% with monthly principal and interest payments	9,584	-	(6,298)	3,286	3,286
Vehicle note dated December 27, 2019, due 2024. Interest at 7.110% with monthly principal payments	59,419	-	(12,406)	47,013	12,179
Vehicle note dated December 27, 2019, due 2024. Interest at 6.990% with monthly principal payments	38,665	-	(7,608)	31,057	8,124
Vehicle note dated December 27, 2019, due 2024. Interest at 6.990% with monthly principal payments	38,665	-	(7,579)	31,086	8,124

Wreaths Across America
Notes to Financial Statements
June 30, 2020
(With comparative totals for year ended June 30, 2019)

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

NOTES PAYABLE (CONTINUED)	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Portion due within one year
<i>GM Financial Financing</i>					
Vehicle note dated December 27, 2019, due 2024. Interest at 7.110% with monthly principal payments	59,419	-	(12,402)	47,017	12,179
<i>Ally Financial</i>					
Vehicle note dated December 27, 2019, due 2024. Interest at 6.990% with monthly principal payments	<u>34,513</u>	<u>-</u>	<u>(6,331)</u>	<u>28,182</u>	<u>6,730</u>
Total notes payable	<u>\$ 412,147</u>	<u>\$ -</u>	<u>\$ (86,077)</u>	<u>\$ 326,070</u>	<u>\$ 68,279</u>

Notes Payable

Future maturities of notes payable are as follows:

Year ended June 30	Principal	Interest	Total
2021	\$ 68,279	\$ 16,919	\$ 85,198
2022	56,302	13,067	69,369
2023	60,335	9,034	69,369
2024	37,821	5,562	43,383
2025	6,481	3,820	10,301
2026-2030	38,320	13,185	51,505
2031-2035	50,418	3,779	54,197
2036	<u>8,114</u>	<u>1,268</u>	<u>9,382</u>
Total	<u>\$ 326,070</u>	<u>\$ 66,634</u>	<u>\$ 392,704</u>

NOTE 6. FUNCTIONAL EXPENDITURES

The cost of providing the program and supporting services have been summarized on a functional basis in the statement of activities. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits and payroll taxes, which are allocated on the basis of estimates of time and effort.

The Organization's expenditures by function are as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Program	\$ 24,482,049	\$ 20,444,550
Management and general	2,856,535	2,292,402
Fundraising	<u>702,452</u>	<u>490,132</u>
Total expenditures	<u>\$ 28,041,036</u>	<u>\$ 23,227,084</u>

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

Wreaths Across America
Notes to Financial Statements
June 30, 2020
(With comparative totals for year ended June 30, 2019)

NOTE 7. RELATED PARTY TRANSACTIONS

During the year ending June 30, 2020 the Organization paid Worcester Resources, Inc. for wreaths, shipping and other services. 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, 2020 were approximately \$18,849,087 and \$15,939,578 during the year ended June 30, 2019 for inventory. At June 30, 2020 and 2019, no amounts were owed to Worcester Resources, Inc. for goods or services provided.

NOTE 8. CONCENTRATIONS

Worcester Resources, Inc., as the sole supplier of wreaths for the Organization, accounted for approximately 98% or \$18,849,087 of the sponsorship related costs for the year ended June 30, 2020 and 99% or \$15,361,826 for the year ended June 30, 2019. The Organization is committed to maintain the relationship disclosed with this vendor in Note 6 through the December, 2020 wreath laying event.

Wreath sponsorships, as the major source of revenue, accounted for approximately 93% or \$24,972,497 of total revenues for the year ended June 30, 2020 and 94% or \$21,556,256 for the year ended June 30, 2019. The Organization has no plans to significantly diversify its revenue sources.

NOTE 9. FORGIVABLE LOAN

On April 28, 2020, the Organization was granted a loan under the Paycheck Protection Program "PPP" in the amount of \$311,600 through the Federal Small Business Association, facilitated by First National Bank. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization met the qualifications for forgiveness and recognized \$311,600 as conditional contributions revenue for the year ended June 30, 2020.

NOTE 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 19, 2021 the date on which the financial statements were available to be issued.