

Wreaths Across America

ANNUAL FINANCIAL STATEMENTS

For the Year Ended June 30, 2021
(With comparative totals for 2020)

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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, 2021, 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, 2021, 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Brantley Thibodeau & Associates

Bangor, Maine
October 18, 2022

Wreaths Across America
Statement of Financial Position
June 30, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,252,091	\$ 903,828
Accounts receivable	29,330	30,380
Inventory	245,420	480,500
Prepaid expenses	1,330,690	1,246,000
Total current assets	3,857,531	2,660,708
PROPERTY AND EQUIPMENT		
Property and equipment	5,250,637	4,262,985
Accumulated depreciation	(3,364,527)	(2,696,432)
Total property and equipment	1,886,110	1,566,553
Total assets	\$ 5,743,641	\$ 4,227,261
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 238,517	\$ 154,673
Other payables	-	9,912
Accrued payroll	53,346	38,690
Deferred revenues	6,400,000	4,980,000
Current portion of notes payable	103,910	68,279
Total current liabilities	6,795,773	5,251,554
LONG-TERM LIABILITIES		
Notes payable, net of current portion	455,084	257,791
Total liabilities	7,250,857	5,509,345
NET ASSETS		
Without donor restrictions (deficit)	(1,507,216)	(1,282,084)
Total net assets (deficits)	(1,507,216)	(1,282,084)
Total liabilities and net assets	\$ 5,743,641	\$ 4,227,261

Wreaths Across America
Statement of Activities
Year Ended June 30, 2021
(With comparative totals for year ended June 30, 2020)

	Year Ended June 30, 2021			Year Ended June 30, 2020
	Without donor restrictions	With donor restrictions	Total	Total
REVENUES AND OTHER SUPPORT				
Wreath sponsorships	\$ 21,834,564	\$ -	\$ 21,834,564	\$ 24,972,488
In-kind donations	361,732	-	361,732	491,715
Other merchandise sales	906,500	-	906,500	708,954
Contributions	320,495	-	320,495	475,685
Fundraising	1,000	-	1,000	-
Conditional Contribution - Paycheck Protection Program	-	-	-	311,600
Interest	5,701	-	5,701	5,496
Other	-	-	-	293
Total revenues and other support	23,429,992	-	23,429,992	26,966,231
EXPENSES				
Sponsorship related costs	\$ 14,773,859	\$ -	\$ 14,773,859	\$ 19,009,383
Cost of goods sold - specialty wreaths and other items	771,046	-	771,046	510,744
Cost of goods sold - salaries, wages and benefits	65,000	-	65,000	-
Trucking expenses	50,493	-	50,493	35,936
Distributions to outside groups	1,976,724	-	1,976,724	2,437,862
In-kind expenses	362,034	-	362,034	479,730
Salaries and wages	1,683,456	-	1,683,456	1,563,189
Payroll taxes	135,914	-	135,914	131,138
Employee benefits	375,128	-	375,128	220,521
Travel, meetings and trade shows	98,161	-	98,161	178,456
Advertising and promotion	444,189	-	444,189	587,126
Processing and usage fees	71,483	-	71,483	372,001
Legal and accounting fees	16,583	-	16,583	14,777
Professional fees	463,799	-	463,799	308,646
Software fees	747,798	-	747,798	215,119
Office expenses	129,164	-	129,164	89,217
Printing and copying	3,509	-	3,509	3,814
Postage and mailing costs	268,458	-	268,458	222,860
Occupancy	73,631	-	73,631	64,478
Insurance	47,322	-	47,322	59,793
Cleanup of wreaths maintenance	117,306	-	117,306	131,908
Dues and subscriptions	17,537	-	17,537	7,487
Awards and donations	3,720	-	3,720	4,252
Depreciation	668,095	-	668,095	953,985
Vehicle expenses	65,412	-	65,412	59,246
Promotional and special events	151,757	-	151,757	270,673
Interest expense	17,547	-	17,547	15,980
Miscellaneous	55,999	-	55,999	92,715
Total expenses	23,655,124	-	23,655,124	28,041,036
Change in net assets	(225,132)	-	(225,132)	(1,074,805)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	(1,282,084)	-	(1,282,084)	150,083
NET ASSETS (DEFICIT), END OF YEAR	\$ (1,507,216)	\$ -	\$ (1,507,216)	\$ (1,282,084)

Wreaths Across America
Statement of Functional Expenses
Year Ended June 30, 2021
(With comparative totals for year ended June 30, 2020)

	Year Ended June 30, 2021			(Comparative Total Only)	
	Program Services	Management and General	Fundraising	Total Expenses	Year Ended June 30, 2020
EXPENSES					
Sponsorship related costs	\$ 14,773,859	\$ -	\$ -	\$ 14,773,859	\$ 19,009,383
Cost of goods sold - specialty wreaths and other items	771,046	-	-	771,046	510,744
Cost of goods sold - salaries, wages and benefits	65,000	-	-	65,000	-
Shipping expenses	50,493	-	-	50,493	35,936
Distributions to outside groups	1,976,724	-	-	1,976,724	2,437,962
In-kind expenses	203,579	126,764	31,691	362,034	479,730
Salaries and wages	452,703	965,535	265,218	1,683,456	1,563,189
Payroll taxes	35,865	78,489	21,560	135,914	131,138
Employee benefits	101,687	214,516	58,925	375,128	220,521
Travel, meetings and trade shows	70,301	25,166	2,694	98,161	178,456
Advertising and promotion	222,095	222,094	-	444,189	587,126
Processing and usage fees	-	71,483	-	71,483	372,001
Legal and accounting fees	-	16,583	-	16,583	14,777
Professional fees	25,510	438,289	-	463,799	308,646
Software fees	616,879	130,919	-	747,798	215,119
Office expenses	58,371	70,793	-	129,164	89,217
Printing and copying	-	3,509	-	3,509	3,814
Postage and mailing costs	268,458	-	-	268,458	222,860
Occupancy	23,891	49,740	-	73,631	64,478
Insurance	-	47,322	-	47,322	59,793
Cleanup of wreaths and trailer maintenance	116,132	1,174	-	117,306	131,908
Dues and registrations	-	17,537	-	17,537	7,487
Awards and donations	-	3,720	-	3,720	4,252
Depreciation	334,047	334,048	-	668,095	953,985
Vehicle expenses	65,412	-	-	65,412	59,246
Promotional and special events	104,213	-	47,544	151,757	270,673
Interest expense	-	17,547	-	17,547	15,980
Miscellaneous	-	55,999	-	55,999	92,715
Total expenses	<u>\$ 20,336,265</u>	<u>\$ 2,891,227</u>	<u>\$ 427,632</u>	<u>\$ 23,655,124</u>	<u>\$ 28,041,136</u>

**Wreaths Across America
Statement of Cash Flows
Year Ended June 30, 2021
(With comparative totals for 2020)**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (225,132)	\$ (1,074,805)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	668,095	953,985
(Increase) decrease in operating assets		
Accounts receivable	1,050	(30,380)
Inventory	235,080	(338,085)
Prepaid expenses	(84,690)	(109,065)
Increase (decrease) in operating liabilities		
Accounts payable	83,844	(66,865)
Other payables	(9,912)	(16,792)
Accrued payroll payable	14,656	11,034
Deferred revenue	1,420,000	261,150
Total adjustments	<u>2,328,123</u>	<u>664,982</u>
Net cash provided (used) by operating activities	<u>2,102,991</u>	<u>(409,823)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital outlay	<u>(987,652)</u>	<u>(837,685)</u>
Net cash used by investing activities	<u>(987,652)</u>	<u>(837,685)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt- PPP loan	-	311,600
Proceeds from long-term debt	447,088	-
Repayments of long-term debt	<u>(214,164)</u>	<u>(86,077)</u>
Net cash provided by financing activities	<u>232,924</u>	<u>225,523</u>
CASH FLOWS FROM NON-CASH FINANCING ACTIVITIES		
Forgiveness of debt - PPP loan	<u>-</u>	<u>(311,600)</u>
Net change in cash and cash equivalents	1,348,263	(1,333,585)
CASH AT BEGINNING OF YEAR	<u>903,828</u>	<u>2,237,413</u>
CASH AT END OF YEAR	<u>\$ 2,252,091</u>	<u>\$ 903,828</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid during the year	<u>\$ 17,547</u>	<u>\$ 15,980</u>

Wreaths Across America
Notes to Financial Statements
June 30, 2021
(With comparative totals for year ended June 30, 2020)

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, 2021 and 2020, 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, 2021
(With comparative totals for year ended June 30, 2020)

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 \$486,558 in the year ended June 30, 2021 and \$415,123 in the year ended June 30, 2020.

Wreaths Across America
Notes to Financial Statements
June 30, 2021
(With comparative totals for year ended June 30, 2020)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

Revenue is recognized when earned. Wreath sponsorships received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 2020, 2021, and 2022 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, 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$2,252,091	\$ 903,828
Accounts receivable	<u>29,330</u>	<u>30,380</u>
	<u>\$2,281,421</u>	<u>\$ 934,208</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, 2021 the Organizations cash balances exceeded FDIC insured limits by \$2,336,521. 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, 2021
(With comparative totals for year ended June 30, 2020)

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 06/30/20	Additions	Disposals	Balance 06/30/21
Buildings and improvements	\$ 244,825	\$ 39,473	\$ -	\$ 284,298
Leasehold improvements	312,918	34,160	-	347,078
Vehicles	481,945	331,464	-	814,409
Software	2,867,639	582,555	-	3,450,194
Furniture and fixtures	65,119	-	-	65,119
Equipment	290,539	-	-	290,539
Accumulated depreciation	<u>(2,696,432)</u>	<u>(668,095)</u>	<u>-</u>	<u>(3,364,527)</u>
Total property and equipment, net	<u>\$1,566,553</u>	<u>\$ 319,557</u>	<u>\$ -</u>	<u>\$1,886,110</u>

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2021.

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Portion due within one year
NOTES PAYABLE					
<i>Bangor Savings Bank</i>					
Building note dated July 24, 2016, due July, 2035. Interest at 4.75% with monthly principal and interest payments	\$ 125,976	\$ -	(125,976)	\$ -	\$ -
<i>First National Bank</i>					
Note dated November 20, 2020, due 2045. Interest at 3.297% with monthly principal and interest payments	-	250,000	(3,863)	246,137	6,608
<i>GM Financial Financing</i>					
Vehicle note dated November 20, 2019, due 2021. Interest at 0.00% with monthly principal payments	12,453	-	(12,453)	-	-
Vehicle note dated December 31, 2016, due 2021. Interest at 5.900% with monthly principal and interest payments	3,286	-	(2,699)	587	587
Vehicle note dated December 27, 2019, due 2024. Interest at 7.110% with monthly principal payments	47,013	-	(12,288)	34,725	13,073
Vehicle note dated December 27, 2019, due 2024. Interest at 6.990% with monthly principal payments	31,057	-	(8,088)	22,969	8,711
Vehicle note dated December 27, 2019, due 2024. Interest at 6.990% with monthly principal payments	31,086	-	(8,147)	22,939	8,711

Wreaths Across America
Notes to Financial Statements
June 30, 2021
(With comparative totals for year ended June 30, 2020)

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

NOTES PAYABLE (CONTINUED)	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	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	47,017	-	(7,296)	34,721	13,073
Vehicle note dated December 28, 2020, due 2025. Interest at 5.89% with monthly principal payments	-	68,960	(7,836)	61,124	15,993
Vehicle note dated December 28, 2020, due 2025. Interest at 5.89% with monthly principal payments	-	63,498	(6,932)	56,566	14,791
Vehicle note dated December 28, 2020, due 2025. Interest at 5.89% with monthly principal payments	-	64,931	(7,125)	57,806	15,125
<i>Ally Financial</i>					
Vehicle note dated December 27, 2019, due 2024. Interest at 6.990% with monthly principal payments	<u>28,182</u>	-	<u>(6,762)</u>	<u>21,420</u>	<u>7,238</u>
Total notes payable	<u>\$ 326,070</u>	<u>\$ -</u>	<u>\$ (86,077)</u>	<u>\$ 558,994</u>	<u>\$ 103,910</u>

Notes Payable

Future maturities of notes payable are as follows:

Year ended June 30	Principal	Interest	Total
2022	\$ 103,910	\$ 25,863	\$ 129,773
2023	110,700	18,486	129,186
2024	90,227	12,746	102,973
2025	36,657	8,106	44,763
2026	7,638	7,055	14,693
2027-2031	43,730	29,738	73,468
2032-2036	51,838	21,629	73,467
2037-2041	59,300	14,168	73,468
2042-2045	<u>54,994</u>	<u>3,780</u>	<u>58,774</u>
Total	<u>\$ 558,994</u>	<u>\$ 141,571</u>	<u>\$ 700,565</u>

Wreaths Across America
Notes to Financial Statements
June 30, 2021
(With comparative totals for year ended June 30, 2020)

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, 2021 and 2020:

	2021	2020
Program	\$ 20,545,329	\$ 24,482,049
Management and general	2,902,916	2,856,535
Fundraising	427,632	702,452
Total expenditures	\$ 23,875,877	\$ 28,041,036

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

NOTE 7. RELATED PARTY TRANSACTIONS

During the year ending June 30, 2021 the Organization paid Worcester Resources, Inc. for wreaths, balsam products, shipping and other services. The husbands of an officer and an employee are majority owners of Worcester Resources, Inc. Total payments to Worcester Resources, Inc. during the year ended June 30, 2021 were approximately \$14,750,217 and \$18,849,087 during the year ended June 30, 2020 for wreaths. At June 30, 2021 and 2020, 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 99% or \$14,750,000 of the sponsorship related costs for the year ended June 30, 2021 and 98% or \$18,849,087 for the year ended June 30, 2020. The Organization is committed to maintain the relationship disclosed with this vendor in Note 7 through the December, 2021 wreath laying event.

Wreath sponsorships, as the major source of revenue, accounted for approximately 93% or \$21,834,564 of total revenues for the year ended June 30, 2021 and 93% or \$24,972,497 for the year ended June 30, 2020. The Organization has no plans to significantly diversify its revenue sources.

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2022 the date on which the financial statements were available to be issued.