

ADOPT-A-SOLDIER PLATOON, INC.
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020

Luisi & Company
Certified Public Accountants

ADOPT-A-SOLDIER PLATOON, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Adopt-A-Soldier Platoon, Inc.

Opinion

We have audited the financial statements of Adopt-A-Soldier Platoon, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities by fund allocation, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Adopt-A-Soldier Platoon, Inc. as of December 31, 2020 and 2019 and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Adopt-A-Soldier Platoon, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of Adopt-A-Soldier Platoon, Inc. to continue as a going concern one year from the date of the financial statements.

Auditors' Responsibility For the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Luisi & Company

March 26, 2021

Adopt-a-Soldier Platoon, Inc.
Statements of Financial Position
December 31, 2020 and 2019

| | 2020 | 2019 |
|---------------------------------------|-------------|-------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 390,778 | \$ 456,056 |
| Contributions receivable | 15,000 | 5,250 |
| Inventory | 18,187 | 43,612 |
| Prepaid expenses | 1,677 | 1,655 |
| Equipment, net | 5,753 | 8,155 |
| Total Assets | \$ 431,395 | \$ 514,728 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 11,825 | \$ 13,532 |
| Total Liabilities | 11,825 | 13,532 |
| Net Assets | | |
| Without donor restrictions | 325,558 | 258,333 |
| With donor restrictions | 94,012 | 242,863 |
| Total Net Assets | 419,570 | 501,196 |
| Total Liabilities and Net Assets | \$ 431,395 | \$ 514,728 |

The accompanying notes are an integral part of these financial statements.

Adopt-a-Soldier Platoon, Inc.
Statements of Activities
For the Years Ended December 31, 2020 and 2019

| | 2020 | | Total | 2019 |
|--|---|--|-------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | | |
| Operating revenues and other support: | | | | |
| Contributions | \$ 166,183 | \$ 35,770 | \$ 201,953 | \$ 214,982 |
| Non-government grants | | | | 100,000 |
| In-kind contributions | | 72,607 | 72,607 | 164,627 |
| Special event revenue, net of direct costs of \$114,350 in 2019 | | | | 106,200 |
| Special event In-kind contributions | | | | 42,806 |
| Interest income | 691 | | 691 | 464 |
| Net assets released from restrictions | 257,228 | (257,228) | | |
| Total revenues and support | <u>424,102</u> | <u>(148,851)</u> | <u>275,251</u> | <u>629,079</u> |
| Operating expenses: | | | | |
| Program services: | | | | |
| Soldier weffare and morale, including in-kind expenses | 326,782 | | 326,782 | 488,354 |
| Total program services expenses | <u>326,782</u> | <u>-</u> | <u>326,782</u> | <u>488,354</u> |
| Supporting services | | | | |
| Fundraising | 5,552 | | 5,552 | 6,886 |
| Management and general | 24,543 | | 24,543 | 26,526 |
| Total supporting services expenses | <u>30,095</u> | <u>-</u> | <u>30,095</u> | <u>33,412</u> |
| Total expenses | <u>356,877</u> | <u>-</u> | <u>356,877</u> | <u>521,766</u> |
| Increase (decrease) in net assets | 67,225 | (148,851) | (81,626) | 107,313 |
| Net assets - beginning of year | 258,333 | 242,863 | 501,196 | 393,883 |
| Net assets - end of year | <u>\$ 325,558</u> | <u>\$ 94,012</u> | <u>\$ 419,570</u> | <u>\$ 501,196</u> |

The accompany notes are an integral part of these financial statements.

Adopt-a-Soldier Platoon, Inc
Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

| | <u>Program Services</u> | <u>Supporting Services</u> | | <u>2020 Total</u> | <u>2019 Total</u> |
|--|---|---------------------------------------|--------------------|-----------------------|-----------------------|
| | <u>Soldier Welfare and Morale</u> | <u>Management and General</u> | <u>Fundraising</u> | | |
| Direct Program Expenses | | | | | |
| Care Packages | \$ 58,275 | \$ - | \$ - | \$ 58,275 | \$ 130,692 |
| Troop Morale | 62,285 | | | 62,285 | 30,793 |
| Operation Wounded Care | 160,786 | | | 160,786 | 210,654 |
| Total Direct Program Expenses | 281,346 | - | - | 281,346 | 372,139 |
| Other Expenses | | | | | |
| Postage | 25,664 | 668 | 15 | 26,347 | 95,308 |
| Donated warehouse facilities | 12,324 | | | 12,324 | 11,908 |
| Travel and meetings | 3,594 | | | 3,594 | 5,246 |
| Supplies | 1,787 | 781 | | 2,568 | 2,172 |
| Advertising | | | 600 | 600 | 600 |
| Fundraising | | | 4,689 | 4,689 | 5,392 |
| Accounting fees | | 10,000 | | 10,000 | 10,000 |
| Insurance | | 2,100 | | 2,100 | 2,567 |
| Equipment rental and maintenance | 2,067 | | | 2,067 | 2,157 |
| Telephone and communications | | 2,397 | | 2,397 | 3,200 |
| Depreciation expense | | 2,402 | | 2,402 | 1,199 |
| Data processing | | 4,197 | | 4,197 | 4,984 |
| State registration fees | | 668 | | 668 | 528 |
| Registered agent fees | | 148 | | 148 | 139 |
| Miscellaneous expenses | | 1,182 | 248 | 1,430 | 4,227 |
| Total Expenses | \$ 326,782 | \$ 24,543 | \$ 5,552 | \$ 356,877 | \$ 521,766 |
| Per cent of total expenses - 2020 | 91.6% | 6.9% | 1.5% | | |
| Per cent of total expenses - 2019 | 93.6% | 5.1% | 1.3% | | |

The accompanying notes are an integral part of these financial statements.

ADOPT-A-SOLDIER PLATOON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Changes in net assets | \$ (81,626) | \$ 107,313 |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities— | | |
| Depreciation | 2,402 | 1,219 |
| Change in operating assets and liabilities— | | |
| Contributions receivable | (9,750) | 500 |
| Inventory | 25,424 | (26,241) |
| Prepaid expenses | (22) | 859 |
| Accounts payable and accrued expenses | (1,706) | (4,423) |
| Other liabilities | - | (280) |
| Net Cash Provided (Used) By Operating Activities | <u>(65,278)</u> | <u>78,947</u> |
| Cash Flows From Investing Activities | | |
| Purchase of equipment | <u>-</u> | <u>(7,508)</u> |
| Net Cash Used for Investing Activities | <u>-</u> | <u>(7,508)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (65,278) | 71,439 |
| Cash and Cash Equivalents - Beginning of Year | <u>456,056</u> | <u>384,617</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 390,778</u> | <u>\$ 456,056</u> |

The accompanying notes are an integral part of these financial statements.

**ADOPT-A-SOLDIER PLATOON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

1. ORGANIZATION AND NATURE OF ACTIVITIES

Adopt-A-Soldier Platoon, Inc. (the "Organization") is a New Jersey domestic non-profit entity which was incorporated in 2007 for the purpose of lifting the morale and supporting the welfare of active members and veterans of the United States Armed Forces, their immediate families, and the immediate families of deceased veterans.

The By-Laws of the Organization prohibit salaries and benefits. Accordingly, the Organization does not have any employees. Rather it is staffed by volunteers who are reimbursed for any expenses incurred on behalf of the Organization.

Contributions are received primarily from a network of individual and business supporters that have grown mostly by word-of-mouth. In addition, the Organization maintains a public website (<https://aasp.vet>) to inform the public about its mission and to solicit contributions from individuals and businesses. The Organization is registered to solicit donations in New Jersey and the Commonwealth of Massachusetts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• ***Basis of Accounting and Use of Estimates***

The accompanying financial statements include all accounts of the Organization and are prepared on the accrual basis of accounting. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

• ***Basis of Presentation***

The Organization follows established standards for external financial reporting by not-for-profit entities based on recommendations of the Financial Accounting Standards Board (*Accounting Standards Update ASU 2016-14*). ASU 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's financial resources along with its management of liquidity risk and availability of its financial assets for general expenses for one year from the date of the statement of financial position.

• ***Net Asset Classifications***

Net assets and revenues and support are classified based on the existence or absence of donor-imposed restrictions. Therefore, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions are net assets available for use in general operations by the Organization and are not subject to any donor-imposed restrictions.

Net assets with donor restrictions are net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature and will be released by incurring expenses that satisfy the restricted purposes or by occurrence of the passage of time or other events specified by donors. Other donor-imposed restrictions may be permanent or perpetual in nature and may or may not specify how

restrictions may be permanent or perpetual in nature and may or may not specify how any income on these net assets may be applied. The Organization does not have any net assets that are permanent or perpetual in nature.

- ***Cash and Cash Equivalents***

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For purposes of the Statement of Cash Flows, cash consists of demand deposits held in banks and funds in the Organization's Pay Pal account as of December 31, 2020 and 2019.

- ***Concentration of Credit Risk***

The Organization maintains its regular cash balances and investments with a highly respected financial institution. Cash and cash equivalent deposits at times during the year exceed the National Credit Union Administration (NCUA) limit of \$250,000. Management believes that the Organization is not exposed to any significant credit risk due to the credit quality of the financial institution holding these investments.

- ***Investment Income Recognition***

The Organization records interest as income is earned.

- ***Grants and Cash Contributions***

The Organization records income from grants in the period received, unless designated otherwise by the grantors. Contributions are also recorded in the period when cash is received or in the period when an unconditional promise has been made.

- ***In-Kind Contributions***

In-kind gifts are recorded at fair value on the date of the contribution. The Organization receives donated personal care and comfort items, foodstuffs, and recreation equipment. The valuation of these contributed goods is based on management's estimate of the fair value of each item received, which is based on such factors as the amount specified by the donor based on the wholesale selling price or management's own subjective appraisal based on research. In addition, items of a unique or personal nature which do not have readily determinable fair values and goods which do not conform to the Organization's size or quality requirements for shipping are either assigned a nominal value or no value at all.

Donated services are recognized in the financial statements at their fair value as contributions if the services create or enhance non-financial assets or require specialized skills which would otherwise be purchased and are performed by individuals with these skills.

- ***Inventory***

Inventory consists of both purchased and donated products. Purchased products are stated at the lower of FIFO (first-in, first-out) cost method or market value whereas donated inventory is stated at the lower of estimated fair value on the date of receipt or market value.

- ***Fixed Assets***

The Organization follows the policy of capitalizing furniture and equipment at cost or fair value if acquired by gift for those assets with a value of \$1,000 or more. Depreciation is computed on a straight-line basis over 5 years. Assets are removed from the records at the time of disposal.

- **Functional Expenses**

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Costs have been allocated to direct program and supporting services benefited as follows:

(1) Direct Program Services

Operation Care Cartons is a program activity that involves the distribution of personal care supplies and foodstuffs to United States military units serving abroad, primarily those stationed in combat zones.

Operation Morale, Welfare and Recreation (MWR) is a program that includes the distribution of recreational items such as sports equipment, physical fitness equipment, video game systems, and musical instruments to troops serving abroad. In addition, on occasion the Organization conducts Military Appreciation Tours that include video game tournaments, celebrity "meet and greet sessions" and entertainment shows.

Operation Wounded Care is a program activity that provides aid and support to combat surgical hospitals in Afghanistan, Kuwait and Germany, and to military personal and veterans who were wounded or injured during their service. This activity encompasses hospitalized troops both home and abroad as well as personnel transitioning to civilian life with permanent injuries.

(2) Fundraising

Fundraising includes all expenses associated with raising funds, promoting public awareness of the programs of the Organization, and recognizing donor contributions.

(3) Management and General

All other indirect operating expenses incurred by the Organization in achieving its tax exempt mission are classified as management and general.

- **Income Taxes**

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to Federal income tax although it is taxed on business income that is not substantially related to the Organization's exempt purpose. The Organization did not have any unrelated business income for the years ended December 31, 2020 and 2019. Furthermore, Federal tax law requires that the Organization be operated in a manner consistent with its initial exemption application in order to maintain exempt status. Management annually analyzes its operations, and has concluded that they remain in compliance with the requirements for exemption.

The accounting standard on accounting for uncertainty in income taxes requires tax effects of an uncertain tax position be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by the taxing authority.

The Organization's management has analyzed its tax positions, and has concluded that as of December 31, 2020 and 2019, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, currently there are no audits for any tax periods in progress.

- **Subsequent Events**

For the year ended December 31, 2020, the Organization has evaluated subsequent events for potential recognition or disclosure through March 26, 2021, the date the financial statements were available for issuance. In March 2020, the World Health Organization declared an outbreak of a novel coronavirus disease (COVID-19) as a pandemic which disrupted businesses across the country. The Organization expects to experience a further disruption of its activities during 2021. However, the duration of the disruption will likely depend on the effectiveness of the vaccines provided to the public by health authorities, restrictions and advisories promulgated by Federal, State and Local governments, and the perception of the general public as to any continuing risks.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of two donations totaling \$15,000, both of which were received prior to issuance of this report.

4. INVENTORY

The inventory balance at December 31, 2020 and 2019 amounted to \$18,187 and \$43,612, respectively. The detail of the inventory for each year is:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Foodstuffs and personal care items | \$ 4,964 | \$ 13,895 |
| Other (coffee makers and exercise gear) | 13,223 | 29,717 |
| | <u>\$ 18,187</u> | <u>\$ 43,612</u> |
| | | |
| Purchased items | \$ 8,696 | \$ 19,941 |
| Donated items | 9,491 | 23,671 |
| | <u>\$ 18,187</u> | <u>\$ 43,612</u> |

5. EQUIPMENT

Fixed assets consist of computer equipment and camera in the amount of \$5,753 net of accumulated depreciation of \$11,692 in 2020 and \$9,290 in 2019. There were no purchases or disposal of equipment in 2020. The useful life of the equipment is 5 years.

6. IN-KIND GIFTS

During the years ended December 31, 2020 and 2019, the Organization received the following non-cash contributions:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|------------------|-------------------|
| Personal care and comfort items | \$ 5,490 | \$ 17,414 |
| Foodstuffs | 37,631 | 117,449 |
| Recreational equipment and supplies | 12,467 | 10,181 |
| Donated warehouse facilities | 12,324 | 11,908 |
| Other | 4,695 | 7,725 |
| | <u>72,607</u> | <u>164,677</u> |
| Special event contributions | - | 42,806 |
| Totals | <u>\$ 72,607</u> | <u>\$ 207,483</u> |

Personal care and comfort items consist of soap, oral hygiene products, shampoo, skin cream, neck pillows and clothing items. Recreation equipment primarily consists of fitness and exercise gear and electronic equipment and supplies to support morale and welfare and recreation programs at military bases. Electronic equipment includes digital movie cameras, computers, webcams, portable DVD players for use by hospital patients, karaoke machines, and video game equipment and software.

The Organization is provided with limited warehouse space donated by a local business. The space is available for use during normal business hours and is used for receiving donated goods and services and preparing care packages to be mailed to the troops. The in-kind value assigned to the warehouse space was determined by quotes from local retail storage facilities. Special event contributions are primarily for auction items for "Salute to American Heroes", the Organization's annual fund raising event. No event was conducted in 2020 due to the COVID-19 pandemic. In addition, a number of unpaid volunteers have made a contribution of their time to the Organization's program. This value of this contributed time is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

7. NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020 and 2019, the Organization had contributions restricted by donors for specified purposes. Purpose restrictions are generally specific to a certain program or use in a specific geographic region. At December 31, 2020 and 2019, the Organization had \$94,012 and \$242,863, respectively, of net assets restricted by donors.

8. CONCENTRATION OF REVENUES

The largest donor of the Organization contributed 20.6% and 15.1% of the total revenues for the years ended December 31, 2020 and 2019. If this donor was lost in the future, management does not believe that it would prevent the Organization from accomplishing its overall mission. Nevertheless, management continues to seek new donors in order to reduce the risk associated with concentration of revenues.

9. CONTINGENCIES

It is possible that the Organization may become involved in legal claims arising in the ordinary course of its activities. In the opinion of management, the outcome of any legal proceedings is covered by the Organization's insurance policies subject to normal deductions, and would not have a material effect on its financial position or changes in net assets.

10. LIQUIDITY AND AVAILABILITY

Financial assets of the Organization available for general expenditures within one year of the statement of financial position date are as follows:

| | |
|---|-------------------|
| Cash and cash equivalents | \$ 390,777 |
| Accounts receivable | 15,000 |
| Less- Net assets restricted by donors | (94,012) |
| Board of Directors designated reserve fund | (5,000) |
| Financial assets available for general expenditures | <u>\$ 306,765</u> |