

VETS TO VETS UNITED, INC.

Financial Statements

Year Ended December 31, 2018



Rives & Associates, LLP
Certified Public Accountants and Consultants



Member:
American Institute of
Certified Public Accountants

Rives & Associates, LLP
Certified Public Accountants

Member:
North Carolina Association of
Certified Public Accountants

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Independent Auditors' Report

To the Board of Directors
Vets to Vets United, Inc.
Raleigh, North Carolina

We have audited the accompanying financial statements of Vets To Vets United, Inc., a nonprofit organization (the Organization), which comprise the statement of financial position as of December 31, 2018 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.

Auditors' 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 auditors' 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 Organization'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 Organization'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 Vets to Vets United, Inc. as of December 31, 2018, 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.

Rives & Associates LLP

Raleigh, North Carolina
July 30, 2019

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VETS TO VETS UNITED, INC.
Statement of Financial Position
December 31, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 17,507
Total current assets	<u>17,507</u>
Property and equipment, net	<u>1,280</u>
Total assets	<u><u>\$ 18,787</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Payroll tax accrual	\$ 5,885
Total current liabilities	<u>5,885</u>
Net assets:	
Without donor restriction:	<u>12,902</u>
Total net assets	<u>12,902</u>
Total liabilities and net assets	<u><u>\$ 18,787</u></u>

The accompanying notes to the financial statements are an integral part of these statements

VETS TO VETS UNITED, INC.
Statement of Activities
Year Ended December 31, 2018

SUPPORT AND REVENUES WITHOUT DONOR RESTRICTIONS:

Direct public support	\$	68,429
Gifts in kind - goods		1,526
Indirect public support		7,710
Other income		142
		77,807
Total support and revenues without donor restrictions		77,807

EXPENSES:

Program services		78,569
		78,569
Supporting services		
Fundraising and development		3,882
General and administrative		11,715
Total supporting services		15,597
Total expenses		94,165
Change in net assets		(16,358)
Net assets at beginning of year		29,260
Net assets at end of year	\$	12,902

The accompanying notes to the financial statements are an integral part of these statements

VETS TO VETS UNITED, INC.
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services	Supporting Services		Total Expenses
		Fundraising & Development	General & Administrative	
Salaries	\$ 24,648	\$ 1,590	\$ 5,566	\$ 31,804
Payroll taxes	3,856	249	871	4,976
Animal supplies & training	32,933	-	-	32,933
Facilities & equipment	2,925	-	2,925	5,850
Travel	6,188	-	-	6,188
Professional fees	727	-	-	727
Contract services	1,800	-	-	1,800
Miscellaneous expenses	779	-	-	779
Depreciation expenses	-	-	320	320
Fundraising expenses	-	957	-	957
Operational expenses	4,712	1,086	2,033	7,831
Total	\$ 78,569	\$ 3,882	\$ 11,715	\$ 94,165

The accompanying notes to the financial statements are an integral part of these statements

VETS TO VETS UNITED, INC.
Statement of Cash Flows
Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (16,358)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Depreciation expense	320
Changes in assets and liabilities that provided (used) cash:	
Payroll tax accrual	<u>3,434</u>
Net cash used by operating activities	<u>(12,604)</u>
Net decrease in cash and cash equivalents	(12,604)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>30,111</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 17,507</u></u>

The accompanying notes to the financial statements are an integral part of these statements

VETS TO VETS UNITED, INC.
Notes to Financial Statements
December 31, 2018

1. BUSINESS OPERATIONS

Nature of the Organization

Vets to Vets United, Inc. (the “Organization”), a nonprofit organization, was incorporated under the laws of North Carolina in March of 2012. It was created to unite veterans and dogs for a common purpose to improve and save lives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

The Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Basis of Presentation

The accompanying financial statements have, in all material respects, been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets without donor restrictions include resources which are available for the support of the Organization’s operating activities without donor-imposed stipulations.

Net assets with donor restriction - Net assets with donor restrictions include resources that have been donated to the Organization that are subject to stipulations as defined by the donor. These restrictions are met either by the actions of the Organization and/or the passage of time. When the restriction expires as a result of the lapse of time requirement or achievement of the specified purpose stipulated, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets releases from restrictions. There are no net assets with donor restrictions at December 31, 2018.

VETS TO VETS UNITED, INC.
Notes to Financial Statements
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Donor Imposed Restrictions

Contributions of cash and other assets are recorded as increases in net assets without restrictions unless specifically restricted by the donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is received.

Contributions In-kind

Organization members donate time in volunteer services on various committees and boards. No amounts have been reflected in the financial statements for volunteer hours since these service do not meet the requirements for recognition in the financial statements.

The Organization received discounted veterinary services to maintain the care and health of the dogs. The benefits of these discounted services of \$1,526 was reported on the statement of activities for the year-ended December 31, 2018.

Income Taxes

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

It is the Organization's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the benefit of any uncertain tax position should be recognized in the financial statements. Any changes in the amount of a tax position are recognized in the period the change occurs. The Organization has evaluated all of its tax positions and determined that it had no uncertain income tax positions as of December 31, 2018.

The Organization files its Form 990 series tax returns in the U.S. Federal jurisdiction. The Organization's returns are subject to examination by the Internal Revenue Service for a period of three years after the respective filing deadlines. In addition, the Organization's state tax returns for the same years are subject to examination by state tax authorities for similar time periods.

VETS TO VETS UNITED, INC.
Notes to Financial Statements
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Program services – Comprise activities that contribute to the Organization’s mission to provide service, therapeutic, and emotional support animals, and discounted veterinary care to U.S. Military Veterans.

Management and general – Includes activities such as management and general services required to ensure an adequate working environment, provide administrative support and manage the Organization’s financial and budgetary functions.

Fundraising – Expenses associated with the activities to solicit donations.

Advertising Expense

Advertising costs are expensed as incurred and reported as a component of fundraising expenses on the statement of functional expenses. Advertising expense totaled \$372 for the year ended December 31, 2018.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. However, management does not believe that the actual results will be materially different from those estimates.

Property and Equipment

Property and equipment are stated at cost, except for donated assets, which are recorded at fair market value on the date of gift. There was no donated assets received during the 2018 fiscal year.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Vehicles	5 years
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Depreciation expense for the year ended December 31, 2018 was \$320.

VETS TO VETS UNITED, INC.
Notes to Financial Statements
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Assets

Accounting principles generally accepted in the United States of America require that long-lived assets and certain identifiable tangible assets held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. The Organization did not identify any long-lived assets as being impaired during the year ended December 31, 2018.

3. RELATED PARTY TRANSACTIONS

Operating Leases

The Organization entered an operating lease for facilities, without a determined expiration to the lease. The facility is the private residence of the Executive Director and the Organization intends to maintain their operations at this location for the foreseeable future. Rent expense was \$5,638 for the year ended December 31, 2018.

Operating Expenses

The Executive Director is reimbursed for certain operating expenses associated with Organizational activities like insurance and certain vehicle costs.

4. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

Cash and cash equivalents	\$ 17,507
Less: Payroll tax accrual	<u>(5,885)</u>
Total financial assets available to meet general expenditures	<u>\$ 12,902</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

At December 31, 2018, all net assets without donor restrictions are available to meet cash needs for general expenditures of the Organization within one year.

5. MAJOR SOURCES OF REVENUE AND SUPPORT

During year ended December 31, 2018, donations from individuals made up 89% of the Organization's total revenue.

VETS TO VETS UNITED, INC.
Notes to Financial Statements
December 31, 2018

6. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through July 30, 2019, the date the financial statements were available to be issued.

7. MANAGEMENT ASSESSMENT OF CURRENT OPERATIONS

The Organization reported a significant decrease of net assets for the year ended December 31, 2018 as expenses exceeded revenue. The Organization reported a \$5,885 payroll tax accrual obligation at December 31, 2018 and the obligation was paid in the subsequent period. Management will evaluate the operational expenses going forward and implement cost saving plans as needed. The Organization intends to pursue other revenue sources going forward as the concentration of the 2018 fiscal year revenue was individual donations as described in Note 5 of the financial statements. Management believes these step will help stabilize the future fiscal health of the Organization.