

Wreaths Across America

ANNUAL FINANCIAL STATEMENTS

For the Year Ended June 30, 2017
(With comparative totals for 2016)

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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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wreaths Across America as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Report in Summarized Comparative Information

We have previously audited Wreaths Across America's, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rantra Hibbard & Associates

October 18, 2018

Wreaths Across America
Statement of Financial Position
June 30, 2017
(With comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,903,923	\$ 565,981
Accounts receivable	-	25,196
Other receivables	1,320	2,380
Inventory	55,446	30,500
Prepaid expenses	814,763	-
	<u>2,775,452</u>	<u>624,057</u>
PROPERTY AND EQUIPMENT		
Property and equipment	1,133,596	544,510
Accumulated depreciation	(341,611)	(131,403)
	<u>791,985</u>	<u>413,107</u>
Total non-current assets	<u>791,985</u>	<u>413,107</u>
Total assets	<u>\$ 3,567,437</u>	<u>\$ 1,037,164</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,068	\$ 18,828
Accrued payroll	15,253	6,366
Deferred revenues	3,271,300	1,302,660
Accrued expenses	4,670	20,474
Current portion of notes payable	47,403	40,301
	<u>3,359,694</u>	<u>1,388,629</u>
Total current liabilities	<u>3,359,694</u>	<u>1,388,629</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	<u>213,856</u>	<u>220,848</u>
Total liabilities	<u>3,573,550</u>	<u>1,609,477</u>
NET ASSETS		
Unrestricted (deficit)	<u>(6,113)</u>	<u>(572,313)</u>
Total liabilities and net assets	<u>\$ 3,567,437</u>	<u>\$ 1,037,164</u>

Wreaths Across America
Statement of Activities
Year Ended June 30, 2017
(With comparative totals for year ended June 30, 2016)

	Year Ended June 30, 2017			Year Ended June 30, 2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND OTHER SUPPORT				
Wreath sponsorships	\$ 14,476,062	\$ -	\$ 14,476,062	\$ 10,491,767
In-kind donations	389,845	-	389,845	334,053
Specialty wreath sales	945	-	945	107,901
Other merchandise sales	330,404	-	330,404	113,650
Prepaid shipping revenues	7,001	-	7,001	60,229
Contributions	110,667	2,977	113,644	57,263
Advertising sales	-	-	-	50,000
Rental income	6,900	-	6,900	6,900
Other	475	-	475	1,431
Net assets released from restrictions	2,977	(2,977)	-	-
	<u>15,325,276</u>	<u>-</u>	<u>15,325,276</u>	<u>11,223,194</u>
EXPENSES				
Cost of goods sold - wreaths	\$ 10,080,809	\$ -	\$ 10,080,809	\$ 7,532,677
Cost of goods sold - specialty wreaths and other items	156,684	-	156,684	238,278
Trucking expenses	351,246	-	351,246	140,804
Distributions to outside groups	1,320,139	-	1,320,139	1,162,004
In-kind expenses	389,845	-	389,845	334,053
Salaries and wages	669,793	-	669,793	478,965
Payroll taxes	60,943	-	60,943	43,600
Employee benefits	65,821	-	65,821	35,235
Travel, meetings and trade shows	77,088	-	77,088	61,025
Advertising and promotion	106,572	-	106,572	14,294
Processing and usage fees	250,048	-	250,048	320,542
Legal and accounting fees	8,997	-	8,997	18,908
Professional fees	369,920	-	369,920	511,166
Software fees	18,821	-	18,821	10,934
Office supplies	75,115	-	75,115	48,131
Printing and copying	18,969	-	18,969	5,677
Shipping and postage	77,755	-	77,755	124,032
Occupancy	86,810	-	86,810	56,918
Insurance	30,408	-	30,408	22,384
Maintenance	61,807	-	61,807	71,457
Dues and subscriptions	11,969	-	11,969	9,345
Awards and donations	32,150	-	32,150	20,390
Depreciation	241,846	-	241,846	74,122
Website	-	-	-	4,886
Vehicle expenses	28,039	-	28,039	18,752
Special events	91,849	-	91,849	68,755
Interest expense	5,113	-	5,113	15,037
Bad debt expense	6,194	-	6,194	-
Miscellaneous	64,326	-	64,326	35,181
	<u>14,759,076</u>	<u>-</u>	<u>14,759,076</u>	<u>11,477,552</u>
Change in net assets	566,200	-	566,200	(254,358)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(572,313)</u>	<u>-</u>	<u>(572,313)</u>	<u>(317,955)</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (6,113)</u>	<u>\$ -</u>	<u>\$ (6,113)</u>	<u>\$ (572,313)</u>

**Wreaths Across America
Statement of Cash Flows
Year Ended June 30, 2017
(With comparative totals for 2016)**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 566,200	\$ (254,358)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	241,846	74,122
(Increase) decrease in operating assets		
Accounts receivable	25,196	(20,191)
Dues receivable	1,060	(2,380)
Inventory	(24,946)	(3,800)
Prepaid expenses	(814,763)	-
Increase (decrease) in operating liabilities		
Accounts payable	2,240	8,028
Other payables	-	(5,000)
Accrued payroll payable	8,887	1,018
Accrued expenses	(15,804)	20,474
Deferred revenue	1,968,640	723,430
	<u>1,392,356</u>	<u>795,701</u>
Total adjustments		
	<u>1,958,556</u>	<u>541,343</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of capital assets	(40,158)	-
Capital outlay	(580,566)	(201,062)
	<u>(620,724)</u>	<u>(201,062)</u>
Net cash used by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	66,416	-
Repayments of long-term debt	(66,306)	133,570
	<u>110</u>	<u>133,570</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	1,337,942	473,851
CASH AT BEGINNING OF YEAR	<u>565,981</u>	<u>92,130</u>
CASH AT END OF YEAR	<u>\$ 1,903,923</u>	<u>\$ 565,981</u>
SUPPLEMENTAL DISCLOSURE		
Interest paid during the year	<u>\$ 5,113</u>	<u>\$ 15,037</u>

Wreaths Across America
Notes to Financial Statements
June 30, 2017
(With comparative totals for year ended June 30, 2016)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Wreaths Across America was incorporated in 2007 as a nonprofit organization whose mission is to Remember, Honor, Teach, in part by coordinating wreath laying ceremonies at veteran's cemeteries and other locations in all 50 states and beyond. The Organization's expenses and operations are funded primarily through wreath sponsorships, other contributions, and fundraising.

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Restricted contributions whose restrictions are met in the period they are received are reported as restricted contributions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and recorded as promises to give on the statement of financial position. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years experience and management's analysis of specific promises made.

Contributed Services and Goods

During the year ended June 30, 2017 and 2016, 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, 2017
(With comparative totals for year ended June 30, 2016)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

It is the Organization's policy to capitalize property and equipment with a useful life greater than one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, which is 2-20 years.

Collections

The Organization maintains a significant collection of items in the Organization's museum. These items include donated medals, pictures, uniforms, books, other memorabilia, and artwork. The Organization has not capitalized these items, as the value at time of donation was indeterminable.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Fair Value of Financial Instruments

The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, accounts receivable, inventory, accounts payable and other current liabilities approximate the respective fair values due to the short maturities of those instruments.

Inventory

Inventory is reported at the lower of cost or market values in the statement of financial position, determined using the average cost method.

Advertising

The cost of advertising is expensed as incurred in the statement of activities.

Shipping Costs

The cost of shipping is expensed as incurred and reported separately from cost of goods sold in the statement of activities as trucking expenses or as shipping and postage, which totaled \$429,001 in the year ended June 30, 2017 and \$264,836 in the year ended June 30, 2016.

Wreaths Across America
Notes to Financial Statements
June 30, 2017
(With comparative totals for year ended June 30, 2016)

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 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Cash Equivalents

For purposes of the statement of cash flows, when applicable, the Organization considers all highly liquid investments available for current use with initial maturities of three months or less to be cash equivalents.

Comparative Data

The financial statements include certain prior-year summarized comparative information only in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

2. CONCENTRATION OF CREDIT RISK

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

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 06/30/16	Additions	Disposals	Balance 06/30/17
Buildings and improvements	\$ 244,825	\$ -	\$ -	\$ 244,825
Leasehold improvements	21,846	57,150	-	78,996
Vehicles	159,893	68,416	(64,117)	164,192
Software	87,900	420,000	-	507,900
Furniture and fixtures	30,046	-	-	30,046
Equipment	-	107,637	-	107,637
Accumulated depreciation	<u>(131,403)</u>	<u>(241,846)</u>	<u>31,638</u>	<u>(341,611)</u>
Total property and equipment, net	<u>\$ 413,107</u>	<u>\$ 411,357</u>	<u>\$(32,479)</u>	<u>\$ 791,985</u>

Wreaths Across America
Notes to Financial Statements
June 30, 2017
(With comparative totals for year ended June 30, 2016)

4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2017.

NOTES PAYABLE	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Portion due within one year
<i>Bangor Savings Bank</i>					
Software note dated May, 2013, due 2018. Interest at 5.000% with monthly principal and interest payments	\$ 20,676	\$ -	\$ (10,539)	\$ 10,137	\$ 10,137
Vehicle note dated June 27, 2014, due 2019. Interest at 5.125% with monthly principal and interest payments	31,834	-	(31,834)	-	-
Building note dated July 24, 2016, due July, 2035. Interest at 4.75% with monthly principal and interest payments	136,698	-	(3,800)	132,898	3,988
<i>Mercedes-Benz Financing</i>					
Vehicle note dated June 11, 2016, due 2020. Interest at 3.900% with monthly principal and interest payments	45,546	-	(10,732)	34,814	11,081
<i>GM Financial Financing</i>					
Vehicle note dated March 22, 2017, due 2021. Interest at 0.00% with monthly principal payments	-	66,416	(4,151)	62,265	16,604
Vehicle note dated December 31, 2016, due 2020. Interest at 5.900% with monthly principal and interest payments	26,395	-	(5,250)	21,145	5,592
Total notes payable	<u>\$ 261,149</u>	<u>\$ 66,416</u>	<u>\$ (66,306)</u>	<u>\$ 261,259</u>	<u>\$ 47,403</u>

Notes Payable

Future maturities of notes payable are as follows:

Year ended June 30	Principal	Interest	Total
2018	\$ 47,403	\$ 8,922	\$ 56,325
2019	38,276	7,652	45,928
2020	39,462	6,605	46,067
2021	20,372	5,754	26,126
2022	4,832	5,469	10,301
2023-2027	27,956	23,549	51,505
2028-2032	35,547	15,958	51,505
2033-2036	<u>47,411</u>	<u>5,169</u>	<u>52,580</u>
Total	<u>\$ 261,259</u>	<u>\$ 79,078</u>	<u>\$ 340,337</u>

Wreaths Across America
Notes to Financial Statements
June 30, 2017
(With comparative totals for year ended June 30, 2016)

5. FUNCTIONAL EXPENDITURES

The Organization's expenditures by function are as follows for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Program	\$ 12,713,223	\$ 10,183,404
Management and general	1,779,360	1,118,824
Fundraising	<u>266,493</u>	<u>175,324</u>
Total expenditures	<u>\$ 14,759,076</u>	<u>\$ 11,477,552</u>

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

6. RELATED PARTY TRANSACTIONS

During the year ending June 30, 2017 the Organization paid Worcester Resources, Inc. for inventory items. The founder of Wreaths Across America is the owner of Worcester Resources, Inc. Total payments to Worcester Resources, Inc. during the year ended June 30, 2017 were approximately \$10,080,809 and \$7,505,582 during the year ended June 30, 2016 for inventory. At June 30, 2017 and 2016, no amounts were owed to Worcester Resources, Inc. for goods or services provided.

7. CONCENTRATIONS

Worcester Resources, Inc., as the sole supplier of wreaths for the Organization, accounted for approximately 98% or \$10,080,809 of cost of sales for the year ended June 30, 2017 and 96% or \$7,532,677 for the year ended June 30, 2016. The Organization is committed, as disclosed in Note 6, to maintain the relationship with this vendor through the December, 2017 wreath laying event.

Wreath sponsorships, as the major source of revenue, accounted for approximately 95% or \$14,476,062 of total revenues for the year ended June 30, 2017 and 94% or \$10,491,797 for the year ended June 30, 2016. The Organization has no plans to significantly diversify its revenue sources.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 18, 2018 the date on which the financial statements were available to be issued.

Wreaths Across America
Statement of Functional Expenses
Year Ended June 30, 2017
(With comparative totals for year ended June 30, 2016)

	Year Ended June 30, 2017			(Comparative Total Only)	
	Program Services	Management and General	Fundraising	Total Expenses	Year Ended June 30, 2016
EXPENSES					
Cost of goods sold - wreaths	\$ 10,080,809	\$ -	\$ -	\$ 10,080,809	\$ 7,532,677
Cost of goods sold - specialty wreaths and other items	156,684	-	-	156,684	238,278
Trucking expenses	351,246	-	-	351,246	140,804
Distributions to outside groups	1,320,139	-	-	1,320,139	1,162,004
In-kind expenses	336,845	42,400	10,600	389,845	334,053
Salaries and wages	133,959	468,855	66,979	669,793	478,965
Payroll taxes	42,660	12,189	6,094	60,943	43,600
Employee benefits	46,075	13,164	6,582	65,821	35,235
Travel, meetings and trade shows	-	45,985	31,103	77,088	61,025
Advertising and promotion	-	53,286	53,286	106,572	14,294
Processing and usage fees	-	250,048	-	250,048	320,542
Legal and accounting fees	-	8,997	-	8,997	18,908
Professional fees	-	369,920	-	369,920	511,166
Software fees	-	18,821	-	18,821	10,934
Office supplies	-	75,115	-	75,115	48,131
Printing and copying	-	18,969	-	18,969	5,677
Shipping and postage	77,755	-	-	77,755	124,032
Occupancy	9,442	77,368	-	86,810	56,918
Insurance	-	30,408	-	30,408	22,384
Maintenance	61,807	-	-	61,807	71,457
Dues and subscriptions	-	11,969	-	11,969	9,345
Awards and donations	-	32,150	-	32,150	20,390
Depreciation	-	241,846	-	241,846	74,122
Website	-	-	-	-	4,886
Vehicle expenses	28,039	-	-	28,039	18,752
Special events	-	-	91,849	91,849	68,755
Interest expense	-	5,113	-	5,113	15,037
Bad debt expense	6,194	-	-	6,194	-
Miscellaneous	61,569	2,757	-	64,326	35,183
Total expenses	\$ 12,713,223	\$ 1,779,360	\$ 266,493	\$ 14,759,076	\$ 11,477,554