

SUPPORT THE ENLISTED PROJECT, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

SUPPORT THE ENLISTED PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Support The Enlisted Project, Inc.

We have audited the accompanying financial statements of Support The Enlisted Project, Inc. a nonprofit organization, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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.

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Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Support The Enlisted Project, Inc., a nonprofit organization, as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Considine & Considine". The script is cursive and fluid, with the ampersand being a simple, stylized cross.

CONSIDINE & CONSIDINE
An accountancy corporation

December 1, 2020

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

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	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 75,954	\$ 212,949
Certificate of deposit	655,022	210,731
Pledges receivable	5,000	108,360
Prepaid expenses	13,048	6,009
	749,024	538,049
PROPERTY AND EQUIPMENT (note 3)	41,054	53,562
OTHER ASSETS		
Endowment investments (note 4)	20,480	-
Deposits	15,162	3,869
Inventory	5,600	2,550
	41,242	6,419
TOTAL ASSETS	831,320	598,030
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	3,409	2,135
Accrued liabilities (note 5)	141,266	119,670
Deferred revenue	-	190
	144,675	121,995
LONG-TERM LIABILITIES		
Note payable (note 6)	140,281	-
TOTAL LIABILITIES	284,956	121,995
NET ASSETS (note 7)		
Without donor restrictions	420,845	408,976
With donor restrictions	125,519	67,059
TOTAL NET ASSETS	546,364	476,035
TOTAL LIABILITIES AND NET ASSETS	\$ 831,320	\$ 598,030

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
REVENUES			
In-kind goods and services (note 8)	\$ 1,118,901	\$ -	\$ 1,118,901
Grants	720,887	-	720,887
Contributions	468,933	238,750	707,683
Interest	4,825	-	4,825
Gain on endowment investment, net	421	-	421
	<u>2,313,967</u>	<u>238,750</u>	<u>2,552,717</u>
NET ASSETS RELEASED FROM RESTRICTIONS (note 7)			
Satisfaction of program restrictions	180,290	(180,290)	-
	<u>180,290</u>	<u>(180,290)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	2,494,257	58,460	2,552,717
EXPENSES			
Program services	2,107,446	-	2,107,446
Management and general	166,626	-	166,626
Development	208,316	-	208,316
	<u>2,482,388</u>	<u>-</u>	<u>2,482,388</u>
CHANGE IN NET ASSETS	11,869	58,460	70,329
NET ASSETS, BEGINNING	408,976	67,059	476,035
NET ASSETS, ENDING	<u>\$ 420,845</u>	<u>\$ 125,519</u>	<u>\$ 546,364</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	Total
REVENUES			
In-kind goods and services (note 8)	\$ 811,958	\$ -	\$ 811,958
Grants	610,740	-	610,740
Contributions	334,720	199,530	534,250
Special events, net	105,112	-	105,112
Interest	5,885	-	5,885
	<u>1,868,415</u>	<u>199,530</u>	<u>2,067,945</u>
NET ASSETS RELEASED FROM RESTRICTIONS (note 7)			
Satisfaction of program restrictions	<u>135,260</u>	<u>(135,260)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	2,003,675	64,270	2,067,945
EXPENSES			
Program services	1,697,208	-	1,697,208
Management and general	139,064	-	139,064
Development	195,641	-	195,641
	<u>2,031,913</u>	<u>-</u>	<u>2,031,913</u>
CHANGE IN NET ASSETS	(28,238)	64,270	36,032
NET ASSETS, BEGINNING	<u>437,214</u>	<u>2,789</u>	<u>440,003</u>
NET ASSETS, ENDING	<u><u>\$ 408,976</u></u>	<u><u>\$ 67,059</u></u>	<u><u>\$ 476,035</u></u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Personnel				
Salaries	\$ 473,610	\$ 112,663	\$ 158,582	\$ 744,854
Payroll taxes	36,913	8,781	12,360	58,053
Health benefits	11,446	2,723	3,832	18,001
Active duty assistance				
Auto assistance	61,565	-	-	61,565
Food, furniture and appliance assistance	112,485	-	-	112,485
Housing assistance	60,579	-	-	60,579
Other program assistance	47,900	-	-	47,900
Veterans' assistance				
Auto assistance	6,454	-	-	6,454
Food assistance	2,666	-	-	2,666
Housing assistance	35,899	-	-	35,899
Advertising	21,700	4,340	2,893	28,933
Depreciation	9,381	1,876	1,251	12,508
Dues and subscriptions	87	19	23	129
Employee development	3,714	743	495	4,952
Equipment rent and repairs and maintenance	6,055	951	807	7,813
Information technology	16,669	3,234	2,222	22,125
Insurance	15,296	3,059	2,040	20,395
Meetings and special events	-	-	1,085	1,085
Morale support programs	140,746	-	-	140,746
Occupancy (note 8)	228,968	10,968	7,313	247,249
Other secondary support programs (note 9)	688,434	-	-	688,434
Outside services	30,447	-	-	30,447
Postage, shipping and delivery	2,039	362	241	2,642
Printing, copying and publications	23,190	3,168	9,082	35,440
Professional fees	18,013	3,348	2,231	23,592
Supplies	32,138	6,291	1,089	39,518
Telephone	4,823	964	643	6,430
Travel and meals	16,230	3,137	2,127	21,494
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	<u>\$ 2,107,446</u>	<u>\$ 166,626</u>	<u>\$ 208,316</u>	<u>\$ 2,482,388</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

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	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	Total
EXPENSES				
Personnel				
Salaries	\$ 392,423	\$ 90,559	\$ 120,746	\$ 603,728
Payroll taxes	34,300	7,915	10,554	52,769
Health benefits	12,421	2,866	3,822	19,109
Active duty assistance				
Auto assistance	87,408	-	-	87,408
Food, furniture and appliance assistance	297,377	-	-	297,377
Housing assistance	84,705	-	-	84,705
Other program assistance	91,298	-	-	91,298
Veterans' assistance				
Auto assistance	12,421	-	-	12,421
Food assistance	3,250	-	-	3,250
Housing assistance	39,933	-	-	39,933
Advertising	5,659	1,132	754	7,545
Depreciation	6,410	1,287	858	8,555
Dues and subscriptions	3,516	703	469	4,688
Employee development	5,786	1,157	771	7,714
Equipment rent and repairs and maintenance	1,976	396	264	2,636
Information technology	12,696	2,512	1,674	16,882
Insurance	10,792	2,158	1,439	14,389
Meetings and special events	-	-	40,092	40,092
Morale support programs	93,374	-	-	93,374
Occupancy (note 8)	165,528	9,622	6,414	181,564
Other secondary support programs (note 9)	186,537	-	-	186,537
Outside services	10,095	-	-	10,095
Postage, shipping and delivery	1,885	457	201	2,543
Printing, copying and publications	15,772	2,153	6,414	24,339
Professional fees	100,213	10,020	6,680	116,913
Supplies	3,045	2,578	394	6,017
Telephone	4,210	842	561	5,613
Travel and meals	14,178	2,706	1,828	18,712
TOTAL EXPENSES	1,697,208	139,063	203,935	2,040,206
Less: direct benefit to donors at special events included in revenue	-	-	(8,293)	(8,293)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	<u>\$ 1,697,208</u>	<u>\$ 139,063</u>	<u>\$ 195,642</u>	<u>\$ 2,031,913</u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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	2020	2019
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 70,329	\$ 36,032
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation expense	12,508	8,555
Change in operating assets and liabilities:		
Pledges receivable	103,360	(83,360)
Prepaid expenses	(7,039)	(3,143)
Deposits	(11,293)	-
Inventory	(3,050)	(1,800)
Accounts payable	1,274	(15,772)
Accrued liabilities	21,596	27,189
Deferred revenue	(190)	(183)
	<u>117,166</u>	<u>(68,514)</u>
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES	187,495	(32,482)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Net purchases of certificates of deposit	(464,771)	(110,053)
Purchase of property and equipment	-	(31,528)
	<u>(464,771)</u>	<u>(141,581)</u>
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from note payable	<u>140,281</u>	<u>-</u>
NET DECREASE IN CASH	(136,995)	(174,063)
CASH, BEGINNING OF YEAR	<u>212,949</u>	<u>387,012</u>
CASH, END OF YEAR	<u><u>\$ 75,954</u></u>	<u><u>\$ 212,949</u></u>

See accompanying notes

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 THE ORGANIZATION

Support The Enlisted Project, Inc. (the "Organization") is a California non-profit organization that was incorporated in 2005. The Organization assists junior active duty enlisted members and recently discharged enlisted veterans and their families facing financial crisis achieve long term financial self-sufficiency through counseling, education and grants to alleviate critical near term obligations. The Organization provides aid to those in and from the lower six military pay grades. Many of these active duty military families living on meager incomes and struggle each month trying to make ends meet as they are directed to live and work in areas commonly with high costs of living. The Organization also offers emergency financial assistance to veterans and their immediate families within the first 18 months after honorable discharge from service to assist in their successful reintegration back into civilian life. The Organization offers a multitude of services and programs to strengthen health and well-being for these families who demonstrate verified need. The Organization provides the following services and programs to active duty and recently discharged military families per board approved standard operating procedures:

Emergency Financial Assistance Grants - Emergency food, rent and mortgage, utilities assistance, critical baby items, emergency dental care, vision care, emergency child care and in-home health care, auto repair, auto payment and insurance, emergency travel, essential home items and other emergency financial assistance.

Morale Programs - Holiday assistance, financial planning seminars/classes, and distribution of in-kind goods.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) in the United States.

Estimates - The preparation of financial statements in conformity with GAAP requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Financial statement presentation - The Organization follows the recommendation of Financial Accounting Standards Board's (FASB) Financial Statements of Not-for-Profit Organizations for presentation of its financial statements which requires that net assets, support, revenue and gains, expenses and losses be classified as with donor restrictions and without donor restrictions.

Net assets without donor restriction – Net assets without donor restriction represent expendable funds available for operations that are not otherwise limited by donor restrictions. Net assets without donor restriction also include amounts designated for certain purposes by the Board of Directors. At June 30, 2020 and 2019 the Organization had \$420,845 and \$408,976 of net assets without donor restriction, respectively.

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JUNE 30, 2020 AND 2019

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Net assets with donor restriction – Net assets with donor restriction consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may recognize the funds or recognized the support. At June 30, 2020 and 2019, the Organization had net assets with donor restrictions of \$125,519 and \$67,059, respectively.

Cash and cash equivalents - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Organization maintains two checking accounts at a national bank and a cash account at a national investment firm. At various times, cash balances may exceed federally insured deposit limits. As of June 30, 2020, the Organization's cash and cash equivalents were fully insured. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Certificate of deposit – The Organization held certificates of deposit totaling at \$655,022 June 30, 2020. The certificates of deposit included accrued interest of \$497 for the year ended June 30, 2020. The certificates of deposit matured between July and April 2021. Certificates of deposit are insured by the FDIC up to \$250,000.

Pledges receivable – The pledges receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. As of June 30, 2020 and 2019, all pledges are considered collectible.

Conditional promises to give – During the year, the Organization received a restricted grant of \$240,000 from Walter J. and Betty C. Zable Foundation (Zable) that contained donor conditions. Since the grant represents conditional promises to give, it is not recorded as a contribution revenue until the donor conditions are met. The grant from Zable provides the Organization with a three-year rent subsidy, therefore the funds are restricted for rent of the new office space. During the year ended June 30, 2019, the Organization received a restricted grant of \$50,000 that contained donor conditions. The Organization recognized the amount as revenue in the current year once the conditions were met.

Inventory - Inventory is comprised of gift cards and is stated at cost.

Property and equipment - Property and equipment are stated at cost or fair market value at the date of donation, if donated. Depreciation is calculated on a straight line basis over the estimated useful lives of the depreciable assets of 3 to 5 years. Repairs and maintenance are charged to expense as incurred. It is the Organization's policy to capitalize all property and equipment greater than or equal to a cost or fair value of \$1,000. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

Revenue recognition - The financial statements of the Organization are presented on the accrual method of accounting. Under this method of accounting, revenues are recognized when earned or a donor makes a promise to give that is, in substance, unconditional. Revenue from cost reimbursement of grants is generally recorded when the costs are billed to the granting agency.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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Donor-imposed restrictions - All contributions received are considered to be without donor restrictions and available for general use unless designated by the donor for a specific purpose. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as an increase in net assets with donor restrictions. 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 and changes in net assets as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as net assets with donor restrictions and then released from restriction in the same period.

In-kind goods - The Organization recognizes the value of donated goods by recording the donations at fair value. The fair value of donated goods has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). See note 6 for additional information.

In-kind services - The Organization follows standards relating to contributions received and contributions made as consistent with FASB codification. These standards require recording the value of donated services that create or enhance non-financial assets or require specialized skills. Volunteers have contributed significant amounts of their time to activities of the Organization; however, only the services that meet the above requirements are recorded in the financial statements. The fair value of donated services has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs). See note 6 for additional information.

Advertising - Advertising expenses are charged to expense as incurred.

Functional expense allocation – The Organization allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. There are certain categories of expenses that are attributable to more than one program or supporting function and require allocation on a reasonable basis. Expenses like compensation and benefits, utilities, advertising and marketing and rent are allocated on the basis of estimates of time and effort. Other expenses related to more than one function are charged to program and supporting services on the basis of periodic and expense studies.

Income taxes - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Organization follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of June 30, 2020, the Organization has no accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

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Recent accounting pronouncements

Accounting Standards Update No. 2014-9, 2016-08, 2016-10, 2016-12, and 2016-20, collectively implemented as Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, provides guidance for revenue recognition. The Organization's financial statements reflect the application of ASC 606 guidance beginning on January 1, 2019. No cumulative-effect adjustment in net assets was recorded because the adoption of Accounting Standards (ASU) 2014-09 did not significantly impact the Organization's reported historical revenue.

There was not a material impact to fiscal 2020 net assets as a result of applying ASC 606, and there have not been significant changes to the Organization's business processes, systems, or internal controls as a result of implementing the standard. The Organization adopted the standard on July 1, 2019, using the modified retrospective transition method.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU includes the clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions. The Organization adopted ASU 2018-08, under the modified prospective approach to agreements that were either not completed as of July 1, 2019 or entered into after July 1, 2019. The adoption of this ASU did not have a material effect on the financial statements for contributions received. The Organization does not make significant contributions and the impact of ASU 2019-08 related to contributions made and contributions received did not have a material effect on the financial statements or disclosures.

In February 2016, FASB issued ASU 2016-02 Leases (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, Codification Improvements to Topic 842 Leases, and ASU 2018-11, Leases (Topic 812): Targeted Improvements. The new standard is effective for fiscal years beginning after December 15, 2021. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the balance sheet as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. The Organization is still assessing the impact this standard will have on its financial statements.

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NOTE 3 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	2020	2019
Vehicles	\$ 110,721	\$ 110,721
Office equipment	8,981	8,981
Furniture and fixtures	4,552	4,552
	124,254	124,254
Accumulated depreciation	(83,200)	(70,692)
	<u>\$ 41,054</u>	<u>\$ 53,562</u>

Depreciation expense was \$12,508 and \$8,555 for the years ended June 30, 2020 and 2019, respectively.

NOTE 4 ENDOWMENT FUND

Effective January 1, 2009, California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Organization classifies as net assets without donor restrictions the value of its initial investment.

Amounts are to be given by the Organization to the Rancho Santa Fe Foundation (the "Foundation") for the establishment of an endowment fund to support the mission of the Organization (see note 1). The nature of the promises to give require the amounts to be classified as net assets without donor restrictions. These funds are to help support the general purpose of the Organization. The Foundation makes all investment decisions related to the endowment fund.

The Policy Manual of the Foundation states their primary goals as preservation of capital with appropriate liquidity, sufficient growth of capital to offset the effects of inflation and provide for future needs, and enhancement of the realization of the philanthropic goals of the Foundation and its constituent organizations.

Losses on the investments of the funds reduce the net assets without donor restrictions. The Organization's unrestricted endowment fund investments are held and managed by the Foundation. Investments are stated at fair value, measured at quoted market price, and consist of the long-term pool of investments with the Foundation. Cost basis information is not provided by the Foundation.

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Composition of and changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning Balance	\$ -	\$ -	\$ -
Donations	20,000	-	20,000
Earnings on Investments	67	-	67
Investments fees	(8)	-	(8)
Realized and unrealized gain	421	-	421
Net special events revenue	<u>\$ 20,480</u>	<u>\$ -</u>	<u>\$ 20,480</u>

NOTE 5 ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	2020	2019
Accrued vacation	\$ 41,396	\$ 23,178
Credit cards payable	37,813	27,850
Accrued payroll	37,938	31,444
Accrued payroll taxes	15,931	11,327
Funds held in trust for joint events	8,188	20,871
Employee Development	-	5,000
	<u>\$ 141,266</u>	<u>\$ 119,670</u>

NOTE 6 NOTE PAYABLE

On May 6, 2020, the Organization entered into note payable agreement with Bank of America for \$140,281, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note matures two years from the disbursement date and bears interest at a rate of 1.00% per annum, with the first six months of interest deferred. Principal and interest are payable monthly commencing six months after the disbursement date and may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Under the terms of the CARES Act, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (qualifying expenses), pursuant to the terms and limitations of the PPP. The Organization believes that it used all of the proceeds from the note for the qualifying expenses. However, no assurance is provided that the Organization will obtain forgiveness of the note in whole or

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in part. The Organization is accounting for the loan as debt and if forgiveness is granted, the Organization will recognize income upon forgiveness.

NOTE 7 NET ASSETS

Net assets were available for the following purposes as of June 30:

	<u>2020</u>	<u>2019</u>
With donor restrictions:		
Subject to expenditure for specific purpose:		
General program restrictions	\$ 125,519	\$ 67,059
Without donor restrictions		
Board designated	20,480	-
Unrestricted and undesignated	<u>400,365</u>	<u>408,976</u>
	<u>420,845</u>	<u>408,976</u>
Total net assets	<u>\$ 546,364</u>	<u>\$ 476,035</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the years ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Emergency financial assistance	\$ 116,433	\$ 26,576
Operational assistance	36,919	86,184
Baby supplies	15,000	17,000
COVID-19 Reponse	11,938	-
School supplies	-	5,500
	<u>\$ 180,290</u>	<u>\$ 135,260</u>

NOTE 8 IN-KIND GOODS AND SERVICES

Donated goods of \$904,201 and \$619,745 were recognized for the years ended June 30, 2020 and 2019, respectively, which included clothing, event tickets, gift cards, household items, infant items, school supplies and toys. Donated services of \$214,700 and \$192,213 were recognized for the years ended June 30, 2020 and 2019, respectively, which included facilities, auto repair, outside services and professional services.

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Donated services include, donated office and warehouse space valued at \$117,421 and \$72,341 for the years ended June 30, 2020 and 2019, respectively. These amounts are included under occupancy on the statements of functional expenses.

NOTE 9 OTHER SECONDARY SUPPORT PROGRAMS

Other secondary support programs consist of the following:

	2020	2019
Clothing, toys, school and household items	\$ 661,679	\$ 164,797
Event tickets	9,598	16,485
Gift cards	9,864	5,255
Office furniture	7,293	-
	<u>\$ 688,434</u>	<u>\$ 186,537</u>

NOTE 10 COMMITMENTS

The Organization leases its office space in San Diego under an operating lease. In August 2018 the Organization renewed its existing operating lease agreement for office equipment for an additional 39 months.

In April 2020, the Organization entered in a new lease agreement for its office space beginning August 2020 with monthly rent of \$9,508 expiring in 2025.

Minimum future lease contract payments under non-cancelable operating leases and contracts having remaining terms in excess of one year for the years ended June 30 are as follows:

2021	\$ 105,619
2022	119,467
2023	123,278
2024	127,611
2025	127,611
	<u>\$ 603,586</u>

The rent expense under the office space agreement described above for the years ending June 30, 2020 and 2019 was \$62,558 and \$44,821, respectively.

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NOTE 11 LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contributions without restrictions. Contributions and expenses are monitored on a monthly basis by the Organization's leadership and board. The level of assets are monitored on a quarterly basis. The Organization has historically had an average of \$1,500,000 in donations without restrictions every year. The Organization's goal is to be able to function within the boundaries of the income received throughout the year.

Occasionally, the Organization receives contributions with restrictions. As of June 30, 2020 and 2019, the Organization has approximately \$567,000 and \$500,000, respectively, of net assets, of which \$126,000 and \$67,000 is classified as net assets with donor restrictions as of June 30, 2020 and 2019, respectively (see note 7). These restricted funds can be used for expenditures within the guidelines established by the donor with time or purpose restrictions. Amounts without restrictions total approximately \$420,800 and \$409,000 as of June 30, 2020 and 2019.

As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization manages its liquidity following these guiding principles: operating within a prudent range of financial stewardship and stability and maintaining adequate liquid assets to fund near-term operating needs, to provide reasonable assurance that long-term obligations will be discharged. For evaluating financial assets that meet the criteria for general expenditures over the next fiscal year, the Organization considers all expenditures related to its program activities including services performed to facilitate those activities to be general expenditures.

The following reflect the Organization's financial assets as of June 30, 2020 and 2019, reduced by the amounts not available for general expenditures because of donor-imposed restrictions within one year of the statement of financial position date:

Financial assets, at year-end	<u>2020</u>	<u>2019</u>
Cash	\$ 75,954	\$ 212,949
Certificates of deposit	655,022	210,731
Pledges receivable	5,000	108,360
Endowment investments	<u>20,480</u>	<u>-</u>
	756,456	532,040
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions		
Donor-restricted to specific programs	(125,519)	(29,059)
Board designated	<u>(20,480)</u>	<u>-</u>
	(145,999)	(29,059)
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 610,457</u></u>	<u><u>\$ 502,981</u></u>

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NOTE 12 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 1, 2020, the date which the financial statements were available to be issued. As a result of the spread of COVID-19 Coronavirus and the resulting orders issued by the State of California, the state in which the Organization operates, the Organization is experiencing reduced revenues. The duration of the reduction in revenues may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.