

SUPPORT THE ENLISTED PROJECT, INC.
FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

SUPPORT THE ENLISTED PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Support The Enlisted Project, Inc. a nonprofit organization, which comprise of the statements of financial position as of June 30, 2018 and 2017, 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 audit. 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 audits 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.

Earning Your Trust Since 1946

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, 2018 and 2017, 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.

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An accountancy corporation

December 3, 2018

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

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	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 387,012	\$ 268,604
Certificate of deposit	100,678	125,190
Receivables	25,000	35,875
Prepaid expenses	2,866	1,542
	515,556	431,211
PROPERTY AND EQUIPMENT (note 3)	30,589	1,485
OTHER ASSETS		
Inventory	750	1,250
Deposits	3,869	3,869
	4,619	5,119
TOTAL ASSETS	550,764	437,815
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	17,907	7,826
Accrued liabilities (note 4)	92,481	65,907
Deferred revenue	373	-
TOTAL LIABILITIES	110,761	73,733
NET ASSETS (note 5)		
Unrestricted	437,214	352,588
Temporarily restricted	2,789	11,494
TOTAL NET ASSETS	440,003	364,082
TOTAL LIABILITIES AND NET ASSETS	\$ 550,764	\$ 437,815

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

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	Unrestricted	Temporarily Restricted	Total
REVENUES			
In-kind goods and services (note 6)	\$ 880,631	\$ -	\$ 880,631
Grants	600,991	-	600,991
Contributions	453,288	74,151	527,439
Special events, net (note 7)	44,511	-	44,511
Interest	2,626	-	2,626
Net assets released from restriction	82,856	(82,856)	-
	2,064,903	(8,705)	2,056,198
EXPENSES			
Program	1,665,287	-	1,665,287
Management and general	137,758	-	137,758
Development	177,232	-	177,232
	1,980,277	-	1,980,277
CHANGE IN NET ASSETS	84,626	(8,705)	75,921
NET ASSETS, BEGINNING	352,588	11,494	364,082
NET ASSETS, ENDING	\$ 437,214	\$ 2,789	\$ 440,003

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

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	Unrestricted	Temporarily Restricted	Total
REVENUES			
In-kind goods and services (note 6)	\$ 851,514	\$ -	\$ 851,514
Grants	694,829	-	694,829
Contributions	219,106	40,000	259,106
Special events, net (note 7)	29,185	-	29,185
Interest	358	-	358
Net assets released from restriction	104,042	(104,042)	-
	1,899,035	(64,042)	1,834,993
EXPENSES			
Program	1,537,192	-	1,537,192
Management and general	120,053	-	120,053
Development	155,042	-	155,042
	1,812,287	-	1,812,287
CHANGE IN NET ASSETS	86,748	(64,042)	22,706
NET ASSETS, BEGINNING	265,840	75,536	341,376
NET ASSETS, ENDING	\$ 352,588	\$ 11,494	\$ 364,082

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

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EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
Personnel				
Salaries	\$ 295,056	\$ 91,569	\$ 122,092	\$ 508,717
Payroll taxes	27,821	8,635	11,512	47,968
Health benefits	10,949	3,398	4,531	18,878
Active duty assistance				
Auto assistance	69,725	-	-	69,725
Food, furniture and appliance assistance	395,558	-	-	395,558
Housing assistance	66,212	-	-	66,212
Other program assistance	79,468	-	-	79,468
Veterans' assistance				
Auto assistance	11,571	-	-	11,571
Food assistance	1,503	-	-	1,503
Housing assistance	59,805	-	-	59,805
Advertising	11,830	2,203	1,469	15,502
Depreciation	238	48	32	318
Dues and subscriptions	2,525	505	337	3,367
Employee development	1,665	333	222	2,220
Equipment rent and repairs and maintenance	4,378	75	50	4,503
Information technology	13,528	2,635	1,757	17,920
Insurance	10,690	2,139	1,425	14,254
Meetings and special events	-	-	14,616	14,616
Morale programs	32,674	-	-	32,674
Occupancy	129,515	8,534	5,689	143,738
Other secondary support programs	280,799	-	-	280,799
Outside services	4,266	-	-	4,266
Postage, shipping and delivery	1,807	469	217	2,493
Printing, copying and publications	17,385	2,211	7,802	27,398
Professional fees	106,754	7,934	5,170	119,858
Supplies	5,811	2,405	442	8,658
Telephone	8,993	1,798	1,199	11,990
Travel and meals	14,761	2,867	1,832	19,460
TOTAL EXPENSES	1,665,287	137,758	180,394	1,983,439
Less: direct benefit to donors at special events included in revenue	-	-	(3,162)	(3,162)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	\$ 1,665,287	\$ 137,758	\$ 177,232	\$ 1,980,277

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	DEVELOPMENT	Total
Personnel				
Salaries	\$ 275,569	\$ 76,398	\$ 107,859	\$ 459,826
Payroll taxes	22,730	6,302	8,897	37,929
Health benefits	9,903	2,745	3,876	16,525
Active duty assistance				
Auto assistance	74,532	-	-	74,532
Food, furniture and appliance assistance	455,033	-	-	455,033
Housing assistance	67,960	-	-	67,960
Other program assistance	30,651	-	-	30,651
Veterans' assistance				
Auto assistance	12,303	-	-	12,303
Food assistance	2,875	-	-	2,875
Housing assistance	43,908	-	-	43,908
Advertising	1,148	230	220	1,598
Depreciation	79	16	12	107
Dues and subscriptions	1,185	225	150	1,560
Employee development	742	137	91	970
Equipment rent and repairs and maintenance	2,918	574	382	3,874
Information technology	14,053	2,747	1,831	18,631
Insurance	11,919	2,384	1,589	15,892
Meetings and special events	-	-	17,409	17,409
Morale programs	20,530	-	-	20,530
Occupancy	124,251	8,382	5,588	138,221
Other secondary support programs	263,131	-	-	263,131
Outside services	1,827	-	-	1,827
Postage, shipping and delivery	643	120	79	842
Printing, copying and publications	13,271	1,575	6,446	21,292
Professional fees	66,717	5,374	3,583	75,674
Supplies	1,649	9,555	244	11,448
Telephone	11,729	2,224	1,533	15,486
Travel and meals	5,936	1,065	705	7,706
TOTAL EXPENSES	1,537,192	120,053	160,494	1,817,740
Less: direct benefit to donors at special events included in revenue	-	-	(5,452)	(5,452)
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	<u>\$ 1,537,192</u>	<u>\$ 120,053</u>	<u>\$ 155,042</u>	<u>\$ 1,812,287</u>

SUPPORT THE ENLISTED PROJECT, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2018 AND 2017

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	2018	2017
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 75,921	\$ 22,706
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	318	106
Receivables	10,875	56,320
Prepaid expenses	(1,324)	2,127
Inventory	500	5,800
Accounts payable	10,081	(14,653)
Accrued liabilities	26,574	27,860
Deferred revenue	373	-
	47,397	77,560
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	123,318	100,266
CASH FLOWS USED BY INVESTING ACTIVITIES		
Net proceeds on certificate of deposit	24,512	(125,190)
Purchase of property and equipment	(29,422)	(1,591)
	(4,910)	(126,781)
NET INCREASE/(DECREASE) IN CASH	118,408	(26,515)
CASH, BEGINNING OF YEAR	268,604	295,119
CASH, END OF YEAR	\$ 387,012	\$ 268,604

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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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 in Southern California 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. Southern California has one of the highest cost of living indexes in the country and active duty military families living on meager base incomes struggle each month trying to make ends meet. 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 in Southern California 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, wounded warrior care giver respite events 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 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 unrestricted, temporarily restricted and permanently restricted.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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, 2018, approximately \$47,000 was in excess of FDIC limits. 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 a certificate of deposit through Merrill Lynch totaling \$100,678 at June 30, 2018. This certificate of deposit included accrued interest of \$696 for the year ended June 30, 2018. The certificate of deposit matured in July 2018. Certificates of deposit are insured by the FDIC up to \$250,000.

Receivables - Receivables consist of donations and are stated at the outstanding balances. All receivables are considered collectible as of June 30, 2018.

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.

Donor-imposed restrictions - All contributions are considered to be unrestricted unless specifically restricted by donor. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as temporarily or permanently restricted, increasing those net assets classes. However, if a restriction is fulfilled in the same fiscal period in which the contribution is received, the support is reported as unrestricted.

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.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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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.

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, 2018, 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.

Recent Accounting Pronouncement – In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 3 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	<u>2018</u>	<u>2017</u>
Vehicles	\$ 79,193	\$ 49,771
Office equipment	8,981	8,981
Furniture and fixtures	<u>4,552</u>	<u>4,552</u>
	92,726	63,304
Accumulated depreciation	<u>(62,137)</u>	<u>(61,819)</u>
	<u>\$ 30,589</u>	<u>\$ 1,485</u>

Depreciation expense was \$318 and \$106 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4 ACCRUED LIABILITIES

Accrued liabilities consisted of the following:

	<u>2018</u>	<u>2017</u>
Accrued payroll	\$ 27,241	\$ 26,930
Funds held in trust for joint events	18,895	10,655
Credit cards payable	18,820	1,625
Accrued vacation	17,679	18,242
Accrued payroll taxes	<u>9,846</u>	<u>8,455</u>
	<u>\$ 92,481</u>	<u>\$ 65,907</u>

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 5 NET ASSETS

Net assets consisted of the following:

	<u>2018</u>	<u>2017</u>
Unrestricted net assets	\$ 437,214	\$ 352,588
Temporarily restricted net assets:		
Client assistance	2,027	11,494
Minivan	762	-
	<u>2,789</u>	<u>11,494</u>
	<u>\$ 440,003</u>	<u>\$ 364,082</u>

NOTE 6 IN-KIND GOODS AND SERVICES

Donated goods of \$734,412 and \$732,854 were recognized for the years ended June 30, 2018 and 2017, respectively, which included clothing, event tickets, gift cards, household items, infant items, school supplies and toys. Donated services of \$146,219 and \$118,660 were recognized for the years ended June 30, 2018 and 2017, respectively, which included facilities, auto repair, outside services and professional services.

SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 7 SPECIAL EVENTS

Special event revenues and expenses consist of the following for the years ended:

	2018	2017
Revenue:		
Donations	\$ 22,077	\$ 5,953
Sponsorship	16,000	17,250
Ticket sales	5,014	6,755
Auction	4,582	4,680
	47,673	34,637
Expenses:		
Direct benefit to donor	3,162	5,452
Other expenses	11,454	11,958
	14,616	17,410
Net special events revenue	\$ 33,057	\$ 17,227

NOTE 8 COMMITMENTS

The Organization leases its office space in San Diego under an operating lease. In August 2015, the Organization entered into a 39 month operating lease agreement for office equipment. 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:

	2019	\$ 44,821
	2020	42,468
	2021	957
	2022	319
		\$ 88,565

The rent expense under the office space agreement described above for the years ending June 30, 2018 and 2017 was \$41,712 and \$37,446, respectively.

**SUPPORT THE ENLISTED PROJECT, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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NOTE 9 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 3, 2018, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.