

**Iraq and Afghanistan Veterans  
of America, Inc.**

Financial Statements

December 31, 2017

## Independent Auditors' Report

### Board of Directors

#### Iraq and Afghanistan Veterans of America, Inc.

We have audited the accompanying financial statements of Iraq and Afghanistan Veterans of America, Inc. ("IAVA") which comprise the statement of financial position as of December 31, 2017, 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 of 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 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 Iraq and Afghanistan Veterans of America, Inc. as of December 31, 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 Matter***

IAVA incurred a decrease in net assets over the past two years which resulted predominantly from a significant reduction in revenue and support combined with a significant reduction in total expenses. Management's plans to alleviate this matter are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

***Report on Summarized Comparative Information***

We have previously audited Iraq and Afghanistan Veterans of America, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

September 24, 2018

**Iraq and Afghanistan Veterans of America, Inc.**

Statement of Financial Position  
December 31, 2017  
(with comparative amounts at December 31, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 231,610	\$ 551,109
Investments	-	10,936
Pledges and grants receivable	891,712	319,429
Prepaid expenses	48,243	45,237
Property and equipment, net	71,612	112,406
Security deposits	<u>26,223</u>	<u>26,223</u>
	<u>\$ 1,269,400</u>	<u>\$ 1,065,340</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 1,015,705	\$ 559,911
Due to Related Parties:		
Loan payable	-	10,057
Other	<u>-</u>	<u>56,869</u>
Total Liabilities	<u>1,015,705</u>	<u>626,837</u>
Net Assets (Deficit)		
Unrestricted	(96,305)	169,654
Temporarily restricted	<u>350,000</u>	<u>268,849</u>
Total Net Assets	<u>253,695</u>	<u>438,503</u>
	<u>\$ 1,269,400</u>	<u>\$ 1,065,340</u>

See notes to financial statements

## Iraq and Afghanistan Veterans of America, Inc.

### Statement of Activities Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 2,123,035	\$ 1,230,000	\$ 3,353,035	\$ 4,985,979
Grants	50,000	-	50,000	-
Special events, less costs of direct benefit to donors of \$348,419 and \$381,718	1,007,471	-	1,007,471	1,130,202
Donated goods and services	310,904	-	310,904	290,437
Licensing fee	127,500	-	127,500	-
Realized and unrealized gain (loss) on investments	690	-	690	(872)
Miscellaneous income	19,086	-	19,086	111
Net assets released from restriction	<u>1,148,849</u>	<u>(1,148,849)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>4,787,535</u>	<u>81,151</u>	<u>4,868,686</u>	<u>6,405,857</u>
<b>EXPENSES</b>				
Program	3,664,024	-	3,664,024	5,283,209
Management and general	849,722	-	849,722	1,131,874
Fundraising	<u>676,225</u>	<u>-</u>	<u>676,225</u>	<u>1,027,069</u>
Total Expenses	<u>5,189,971</u>	<u>-</u>	<u>5,189,971</u>	<u>7,442,152</u>
Change in Net Assets before Nonoperating Activities	(402,436)	81,151	(321,285)	(1,036,295)
<b>NONOPERATING ACTIVITIES</b>				
Debt forgiveness	<u>136,477</u>	<u>-</u>	<u>136,477</u>	<u>-</u>
Change in Net Assets (Deficit)	(265,959)	81,151	(184,808)	(1,036,295)
<b>NET ASSETS (DEFICIT)</b>				
Beginning of year	<u>169,654</u>	<u>268,849</u>	<u>438,503</u>	<u>1,474,798</u>
End of year	<u>\$ (96,305)</u>	<u>\$ 350,000</u>	<u>\$ 253,695</u>	<u>\$ 438,503</u>

See notes to financial statements

**Iraq and Afghanistan Veterans of America, Inc.**

Statement of Functional Expenses  
Year Ended December 31, 2017  
(with summarized totals for the year ended December 31, 2016)

	Program	Management and General	Fundraising	2017 Total	2016 Total
Salaries	\$ 2,059,063	\$ 264,543	\$ 315,442	\$ 2,639,048	\$ 3,700,560
Employee benefits and payroll taxes	434,512	55,729	66,452	556,693	870,841
Staff development	531	97	77	705	112,222
Advertising	3,127	-	12,508	15,635	25,965
Dues and subscriptions	23,647	419	2,919	26,985	23,421
Research reports	-	-	-	-	34,007
Professional fees	116,605	317,349	15,092	449,046	557,575
Office expense	10,829	706	6,006	17,541	49,522
Supplies	-	-	-	-	20,334
Insurance	22,862	4,159	3,330	30,351	24,147
Other taxes and fees	5,702	1,037	19,512	26,251	73,762
Travel	48,660	1,917	5,382	55,959	138,625
Rental/purchases	23,367	4,251	3,404	31,022	34,522
Telecommunications	35,318	6,425	5,145	46,888	71,326
Miscellaneous	14,657	-	-	14,657	4,300
Web development	63,377	-	-	63,377	75,124
Software and online tools	73,701	372	297	74,370	74,745
Information and promotion materials	342	-	254	596	62,950
Donated goods and services	211,388	97,041	2,475	310,904	290,437
Fundraising costs	-	-	71,271	71,271	-
Consultants	-	-	71,400	71,400	257,290
Event planning	-	-	-	-	47,293
Outreach events	-	-	-	-	1,092
Depreciation	30,728	5,590	4,476	40,794	45,493
Bad debt expense	-	-	-	-	144,359
Rent and utilities	482,608	90,087	70,783	643,478	702,240
Grant	3,000	-	-	3,000	-
	<u>\$ 3,664,024</u>	<u>\$ 849,722</u>	<u>\$ 676,225</u>	<u>\$ 5,189,971</u>	<u>\$ 7,442,152</u>

See notes to financial statements

**Iraq and Afghanistan Veterans of America, Inc.**

Statement of Cash Flows  
Year Ended December 31, 2017  
(with comparative totals for year ended December 31, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (184,808)	\$ (1,036,295)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	40,794	45,493
Bad debt expense	-	144,359
Foregiveness of debt	(55,544)	(100,000)
Realized and unrealized (gain) loss on investments	(690)	872
Change in operating assets and liabilities		
Pledges and grants receivable	(572,283)	743,442
Prepaid expenses	(3,006)	(29,745)
Security deposits	-	(4,281)
Accounts payable	455,794	262,186
Due to related parties	(11,382)	-
Net Cash from Operating Activities	(331,125)	26,031
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	11,626	82,000
Purchase of investments	-	(72,091)
Net Cash from Investing Activities	11,626	9,909
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease	-	(3,103)
Proceeds from related party borrowings	-	66,926
Net Cash from Financing Activities	-	63,823
 Net Change in Cash	(319,499)	99,763
 <b>CASH</b>		
Beginning of year	551,109	451,346
End of year	\$ 231,610	\$ 551,109

See notes to financial statements

# Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements  
December 31, 2017

## 1. Organization and Tax Status

Iraq and Afghanistan Veterans of America, Inc. ("IAVA"), is a non-profit corporation which was organized in Washington, D.C. in 2004. IAVA had operated under the name Operation Truth Foundation, Inc. until July 1, 2005.

IAVA strives to build an empowered generation of veterans who provide sustainable leadership for the United States of America and its local communities. IAVA works toward this vision through programs in four key impact areas: supporting new veterans in health, education, employment and building a lasting community for veterans and their families. IAVA creates impact in those critical areas through assistance to veterans and their families, raising awareness about veterans' issues and advocacy for supportive policy from the federal to the local level.

IAVA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

## 2. Management's Plan

In response to experiencing operating losses in 2016 and 2017, the IAVA Board of Directors decided to reorganize and reduce expenditures during 2016 and 2017 and continuing into 2018.

As a result, management successfully reduced expenses by approximately \$2,500,000 in 2017 as compared to 2016, and is projecting an additional \$1,700,000 in reduced expenditures in 2018 as compared to 2017, primarily in salaries, professional fees and rent and utility expenses. This reduction represents approximately 35% of IAVA's total operating expenses over the prior year.

IAVA has also refocused its leadership to continue its focus on multi-year and major commitments from donors in order to increase and diversify support and revenue. In 2017, IAVA raised in excess of \$4,500,000 and is projected to raise approximately \$3,000,000 in 2018. IAVA's Board of Directors in 2017 remain extremely committed and personally gave or solicited approximately \$788,000 in support of IAVA's mission and the organization is expecting a similar amount for 2018.

## 3. Summary of Significant Accounting Policies

### *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).



## **Iraq and Afghanistan Veterans of America, Inc.**

Notes to Financial Statements  
December 31, 2017

### **3. Summary of Significant Accounting Policies (*continued*)**

#### ***Use of Estimates***

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

#### ***Fair Value Measurements***

IAVA follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investment Valuation***

Investments are carried at fair value.

Dividends are recorded on the ex-dividend date, and interest is recorded when earned. Security transactions are accounted for on a trade date basis. Net realized gains or losses on sales of investments are determined on the basis of average cost.

#### ***Pledges and Grants Receivable***

Unconditional pledges that are expected to be collected within one year are recorded at their net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All pledges and grants receivable are due within one year.

Conditional pledges are not included as support until such time as the conditions are substantially met.

An allowance for doubtful accounts is established for amounts where there exists doubt as to whether an amount will be fully collectible. The determination of this allowance is an estimate based on IAVA's historical experience, review of balances and expectations relative to collections. In the opinion of management, all receivables for which collectability is doubtful have been written off and the remaining receivables are collectible and accordingly no provision for doubtful collection is deemed necessary.

## **Iraq and Afghanistan Veterans of America, Inc.**

Notes to Financial Statements  
December 31, 2017

### **3. Summary of Significant Accounting Policies (*continued*)**

#### ***Property and Equipment***

Property and equipment is recorded at cost, if purchased, or fair value, if donated. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. IAVA capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from 5-10 years.

#### ***Presentation of Net Assets***

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

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions.

Temporarily restricted net assets represent net assets subject to donor-imposed restrictions that expire by the passage of time, or actions of IAVA. When a donor's time-restriction expires or a purpose-restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statement of activities as "net assets released from restrictions."

Permanently restricted net assets represent net assets restricted by donors to be maintained by IAVA in perpetuity. IAVA had no permanently restricted net assets as of December 31, 2017 and 2016.

#### ***Contributions and Special Events***

Contributions and special events are recognized as revenue when they are received or unconditionally pledged. IAVA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

#### ***Donated Goods and Services***

Contributions of noncash assets are recorded at their fair values in the period received. Donated contributions of services that create or enhance nonfinancial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. There was approximately \$311,000 and \$290,000 of noncash assets recognized for the years ended December 31, 2017 and 2016.

## **Iraq and Afghanistan Veterans of America, Inc.**

Notes to Financial Statements  
December 31, 2017

### **3. Summary of Significant Accounting Policies (*continued*)**

#### ***Advertising Costs***

IAVA expenses the costs of advertising as they are incurred. Advertising costs for the years ended December 31, 2017 and 2016 amounted to \$15,635 and \$25,965. These costs are included in program and fundraising expenses in the statement of activities.

#### ***Functional Expense Allocations***

The costs of providing the various program services and supporting services of the IAVA have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on estimates made by management.

#### ***Accounting for Uncertainty in Income Taxes***

IAVA recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the IAVA had no uncertain tax positions that would require financial statement recognition or disclosure. IAVA is no longer subject to examinations by the applicable taxing jurisdictions for the periods prior to December 31, 2014.

#### ***Summarized Comparative Information***

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with IAVA's financial statements as of and for the year ended December 31, 2016, from which the summarized information was derived.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 24, 2018.

### **4. Concentration of Credit Risk and Other**

IAVA's financial instruments that are potentially exposed to concentrations of credit risk consist principally of receivables, which are expected to be collected in the normal course of business, and cash. IAVA maintains its cash in bank deposits in one financial institution. At times, these accounts may exceed the federal insurance limits, and subject IAVA to a concentration of credit risk. IAVA has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on uninsured cash.

## Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements  
December 31, 2017

### 5. Investments

Investments consisted of equities as of December 31, 2016 and were valued using Level 1 inputs under the fair value hierarchy.

### 6. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 293,537	\$ 293,537
Leasehold improvements	<u>19,674</u>	<u>19,674</u>
	313,211	313,211
Less: accumulated depreciation	<u>(241,599)</u>	<u>(200,805)</u>
	<u>\$ 71,612</u>	<u>\$ 112,406</u>

### 7. Related Party Transactions

During 2017 and 2016 contributions from certain members of the Board totaled approximately \$788,000 and \$1,300,000. There were no outstanding receivables from these Board Members as of December 31, 2017 and 2016.

Iraq and Afghanistan Veterans of America Action Fund, Inc. ("Action Fund"), a non-profit organization, whose purpose is to develop a connection between the American public and the troops serving in Iraq and Afghanistan, has one common board member and common management. IAVA owed the Action Fund approximately \$67,000 as of December 31, 2016 of which approximately \$56,000 was forgiven in 2017 with the remaining amount repaid. In addition, the Action Fund made contributions of \$150,000 in 2017.

### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Member services	\$ -	\$ 218,849
Time restricted	<u>350,000</u>	<u>50,000</u>
	<u>\$ 350,000</u>	<u>\$ 268,849</u>

## Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements  
December 31, 2017

### 8. Temporarily Restricted Net Assets *(continued)*

Temporarily restricted net assets were released from restrictions for the following during the years ended December 31:

	<u>2017</u>	<u>2016</u>
Member services	\$ 528,849	\$ 1,097,867
Advocacy	520,000	187,500
Time restricted	50,000	-
Other	<u>50,000</u>	<u>13,125</u>
	<u>\$ 1,148,849</u>	<u>\$ 1,298,492</u>

### 9. Non-cash Donations

During the years ended December 31, 2017 and 2016, IAVA received the following non-cash donations of materials and free use of facilities which have been reflected in the financial statements of IAVA:

	<u>2017</u>	<u>2016</u>
Advocacy	\$ 166,438	\$ 160,000
Professional fees - legal	104,466	46,951
Member services	40,000	41,586
Event items/fundraising	-	34,810
Storage and other	-	7,090
Total Non-cash Donations	<u>\$ 310,904</u>	<u>\$ 290,437</u>

### 10. Commitments

IAVA rented facilities under an operating lease in New York City through December 2017. In December 2017, IAVA received a judgment for payment of an amount up to \$438,000. IAVA is no longer obligated under this lease, and operated at another facility in New York City through the receipt of donated space through April 2018.

In March 2017, IAVA entered into a license agreement which provided a portion of its New York City leased facilities including administrative services to an unrelated third party through December 31, 2017. Amounts received under this agreement are reflected as licensing fee in the 2017 statement of activities.

In May 2018, IAVA entered into a membership agreement (the "agreement") which provides for office space at a new location, and also includes other office services such as internet accessibility, use of common office facilities, office equipment and utilities. The terms of the agreement is for six months at a monthly fee of approximately \$12,000.

**Iraq and Afghanistan Veterans of America, Inc.**

Notes to Financial Statements  
December 31, 2017

**10. Commitments (*continued*)**

IAVA currently rents another facility in Washington, D.C. Approximate future annual minimum lease commitments under this lease is \$164,000 for the year ending December 31, 2018.

These leases include real estate taxes and insurance. Rent expense for the years ended December 31, 2017 and 2016 amounted to approximately \$615,000 and \$676,000 and is included in rent and utilities.

**11. Current Vulnerability Due to Certain Concentrations**

IAVA relies heavily on contributions to fund all of its operations. Any changes in the United States political and/or military environment may have a direct result on the IAVA's ability to raise funds.

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