

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

Financial Statements

December 31, 2018

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, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, IAVA adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Iraq and Afghanistan Veterans of America, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

October 2, 2019

Iraq and Afghanistan Veterans of America, Inc.

Statement of Financial Position
December 31, 2018
(with comparative amounts at December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 4,888,829	\$ 231,610
Pledges and grants receivable	455,585	891,712
Prepaid expenses	32,873	48,243
Property and equipment, net	19,118	71,612
Security deposits	<u>56,523</u>	<u>26,223</u>
	<u>\$ 5,452,928</u>	<u>\$ 1,269,400</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	<u>\$ 591,568</u>	<u>\$ 1,015,705</u>
Net Assets (Deficit)		
Without donor restrictions	4,661,360	(96,305)
With donor restrictions	<u>200,000</u>	<u>350,000</u>
Total Net Assets	<u>4,861,360</u>	<u>253,695</u>
Total Liabilities and Net Assets	<u>\$ 5,452,928</u>	<u>\$ 1,269,400</u>

See notes to financial statements

Iraq and Afghanistan Veterans of America, Inc.

Statement of Activities Year Ended December 31, 2018 (with summarized totals for the year ended December 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Contributions	\$ 6,716,570	\$ 95,000	\$ 6,811,570	\$ 3,353,035
Grants	-	-	-	50,000
Special events, less costs of direct benefit to donors of \$296,585 and \$348,419	973,083	-	973,083	1,007,471
Donated goods and services	252,020	-	252,020	310,904
Licensing fee	-	-	-	127,500
Investment income	6,628	-	6,628	690
Miscellaneous income	37,039	-	37,039	19,086
Net assets released from restrictions	<u>245,000</u>	<u>(245,000)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>8,230,340</u>	<u>(150,000)</u>	<u>8,080,340</u>	<u>4,868,686</u>
EXPENSES				
Program	2,396,027	-	2,396,027	3,664,024
Management and general	508,137	-	508,137	849,722
Fundraising	<u>550,164</u>	<u>-</u>	<u>550,164</u>	<u>676,225</u>
Total Expenses	<u>3,454,328</u>	<u>-</u>	<u>3,454,328</u>	<u>5,189,971</u>
Change in Net Assets before Nonoperating Activities	4,776,012	(150,000)	4,626,012	(321,285)
NONOPERATING ACTIVITIES				
Debt forgiveness	-	-	-	136,477
Loss on disposal of property and equipment	<u>(18,347)</u>	<u>-</u>	<u>(18,347)</u>	<u>-</u>
Change in Net Assets (Deficit)	4,757,665	(150,000)	4,607,665	(184,808)
NET ASSETS (DEFICIT)				
Beginning of year	<u>(96,305)</u>	<u>350,000</u>	<u>253,695</u>	<u>438,503</u>
End of year	<u>\$ 4,661,360</u>	<u>\$ 200,000</u>	<u>\$ 4,861,360</u>	<u>\$ 253,695</u>

See notes to financial statements

Iraq and Afghanistan Veterans of America, Inc.

Statement of Functional Expenses
 Year Ended December 31, 2018
 (with summarized totals for the year ended December 31, 2017)

	Program	Management and General	Fundraising	2018 Total	2017 Total
Salaries	\$ 1,328,159	\$ 237,695	\$ 241,683	\$ 1,807,537	\$ 2,639,048
Employee benefits and payroll taxes	240,160	42,980	43,702	326,842	556,693
Staff development	10,604	1,450	1,212	13,266	705
Advertising	-	-	-	-	15,635
Dues and subscriptions	19,214	280	280	19,774	26,985
Professional fees	81,879	166,354	9,312	257,545	449,046
Office expense	7,394	445	633	8,472	17,541
Insurance	23,592	3,227	2,696	29,515	30,351
Other taxes and fees	10,390	1,421	23,626	35,437	26,251
Travel	41,643	898	7,731	50,272	55,959
Rental/purchases	8,148	1,115	931	10,194	31,022
Telecommunications	30,983	4,238	3,540	38,761	46,888
Miscellaneous	1,291	638	-	1,929	14,657
Web development	3,687	-	-	3,687	63,377
Software and online tools	39,134	633	529	40,296	74,370
Information and promotion materials	11,991	-	1,635	13,626	596
Donated goods and services	222,035	12,000	17,985	252,020	310,904
Indirect gala expenses	-	-	109,811	109,811	71,271
Donor and community cultivation events	-	-	30,511	30,511	-
Donation fees	-	-	25,933	25,933	-
Consultants	-	-	-	-	71,400
Outreach events	67,051	-	-	67,051	-
Venue expense	-	-	296,585	296,585	348,419
Depreciation	27,295	3,733	3,119	34,147	40,794
Bad debt expense	-	750	-	750	-
Rent and utilities	221,377	30,280	25,295	276,952	643,478
Grant	-	-	-	-	3,000
Total Expenses By Function	<u>2,396,027</u>	<u>508,137</u>	<u>846,749</u>	<u>3,750,913</u>	<u>5,538,390</u>
Less Expenses Applied Against Operating Revenues					
Venue expense	<u>-</u>	<u>-</u>	<u>(296,585)</u>	<u>(296,585)</u>	<u>(348,419)</u>
	<u>\$ 2,396,027</u>	<u>\$ 508,137</u>	<u>\$ 550,164</u>	<u>\$ 3,454,328</u>	<u>\$ 5,189,971</u>

See notes to financial statements

Iraq and Afghanistan Veterans of America, Inc.

Statement of Cash Flows
Year Ended December 31, 2018
(with comparative totals for year ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,607,665	\$ (184,808)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	34,147	40,794
Loss on disposal of property and equipment	18,347	-
Bad debt expense	750	-
Forgiveness of debt	-	(136,477)
Realized and unrealized gain on investments	-	(690)
Change in operating assets and liabilities		
Pledges and grants receivable	435,377	(572,283)
Prepaid expenses	15,370	(3,006)
Security deposits	(30,300)	-
Accounts payable	(424,137)	536,727
Due to related parties	-	(11,382)
Net Cash from Operating Activities	4,657,219	(331,125)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	11,626
 Net Change in Cash	4,657,219	(319,499)
 CASH		
Beginning of year	231,610	551,109
 End of year	\$ 4,888,829	\$ 231,610

See notes to financial statements

Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements

December 31, 2018

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 these 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. **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).

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.

Change in Accounting Principle

On January 1, 2018, IAVA adopted new guidance regarding the *Presentation of Financial Statements for Not-for-Profit Entities*. This guidance requires IAVA to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires IAVA to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted net assets are now presented as net assets with donor restrictions.

Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements

December 31, 2018

2. Summary of Significant Accounting Policies (*continued*)

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 doubt exists 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.

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:

Net assets without donor restrictions represent resources that are not subject to donor-imposed restrictions.

Net assets with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying statement of activities as "net assets released from restrictions."

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.

Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies *(continued)*

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 \$252,000 and \$311,000 of noncash assets recognized for the years ended December 31, 2018 and 2017.

Advertising Costs

IAVA expenses the costs of advertising as they are incurred. Advertising costs for the years ended December 31, 2018 and 2017 amounted to \$0 and \$15,635. These costs are included in program and fundraising expenses in the statement of activities.

Functional Expense Allocations

IAVA allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure; these expenses include certain salaries, professional fees, and travel. Costs that are common to several functions are allocated among the program and supporting services based on time and effort records, square footage, and estimates made by IAVA's management; these include salaries, employee benefits and payroll taxes, professional fees and rent and utilities.

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, 2015.

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, 2017, from which the summarized information was derived.

Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements
December 31, 2018

2. Summary of Significant Accounting Policies *(continued)*

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 October 2, 2019.

3. 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.

A concentration of credit risk existed with respect to contributions. In 2018, approximately 71% of contributions and special events revenue and support was received from one board member.

4. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 167,325	\$ 293,537
Leasehold improvements	<u>-</u>	<u>19,674</u>
	167,325	313,211
Less: accumulated depreciation	<u>(148,207)</u>	<u>(241,599)</u>
	<u>\$ 19,118</u>	<u>\$ 71,612</u>

5. Related Party Transactions

During 2018 and 2017 contributions from members of the Board totaled approximately \$5,811,000 and \$788,000. There were no outstanding receivables from these Board Members as of December 31, 2018 and 2017.

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.

Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements
December 31, 2018

6. Net Assets With Donor Restrictions

Net assets with donor restrictions are time restricted as of December 31, 2018 and 2017.

Net assets with donor restrictions were released for the following during the years ended December 31:

	<u>2018</u>	<u>2017</u>
Member services	\$ 10,000	\$ 528,849
Advocacy	10,000	520,000
Time restricted	225,000	50,000
Other	-	50,000
	<u>\$ 245,000</u>	<u>\$ 1,148,849</u>

7. Non-cash Donations

During the years ended December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Advocacy	\$ 83,509	\$ 166,438
Professional fees - legal	-	104,466
Member services	119,509	40,000
General	21,509	-
Event items/fundraising	27,493	-
Total Non-cash Donations	<u>\$ 252,020</u>	<u>\$ 310,904</u>

8. 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, which is included in accounts payable in the statement of financial position. 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.

Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements
December 31, 2018

8. Commitments (*continued*)

In May 2018, IAVA entered into a membership agreement (the “agreement”) which provides for office space at a new location in New York City, which also includes other office services such as internet accessibility, use of common office facilities, office equipment and utilities. The terms of this agreement was for six months at a monthly fee of approximately \$12,000. The agreement was renewed in October 2018 for an additional six months at a monthly fee of approximately \$12,400, and subsequently renewed in April 2019 at the same monthly fee for an additional twenty-four months.

IAVA currently rents another facility in Washington, D.C. Rent expense for this facility was approximately \$164,000 and \$157,000 for the years ended December 31, 2018 and 2017. This lease obligated IAVA to incremental rental payments through December 2018.

In October 2018, IAVA entered into a membership agreement (the “agreement”) which provides for a second office space in Washington, D.C., which also includes other office services such as internet accessibility, use of common office facilities, office equipment and utilities. The terms of this agreement was for six months at a monthly fee of approximately \$3,800 beginning in December 2018. This agreement was renewed in May 2019 for an additional twelve months at a monthly fee of approximately \$4,000.

These leases include real estate taxes and insurance. Rent expense for the years ended December 31, 2018 and 2017 amounted to approximately \$264,000 and \$615,000 and is included in rent and utilities.

Future minimum rental commitments as of December 31, 2018 is \$68,400 for 2019.

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.

9. Current Vulnerability Due to Certain Concentrations

IAVA relies heavily on contributions and support from the Board 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.

Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements
December 31, 2018

10. Liquidity and Availability of Financial Assets

IAVA's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows:

Financial assets:	
Cash	\$ 4,888,829
Pledges and grants receivable	<u>455,585</u>
Total Financial Assets	5,344,414
Less: donor restricted for time	(200,000)
Net assets with time restrictions to be met in less than a year	<u>200,000</u>
	<u>-</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u>\$ 5,344,414</u>

As part of IAVA's liquidity management strategy, IAVA structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. IAVA's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of grants from donors (including board members) and pledges and grants receivable. General expenditures over the next twelve months are financed through donor contributions and special event revenue.

* * * * *