

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

Financial Statements

December 31, 2019

## 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, 2019, 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, 2019, 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.

**Board of Directors**  
**Iraq and Afghanistan Veterans of America, Inc.**  
Page 2

***Report on Summarized Comparative Information***

We have previously audited Iraq and Afghanistan Veterans of America, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

September 16, 2020

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

Statement of Financial Position  
December 31, 2019  
(with comparative amounts at December 31, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 4,283,532	\$ 4,888,829
Pledges and grants receivable	307,402	455,585
Prepaid expenses	217,915	32,873
Property and equipment, net	9,494	19,118
Software development	67,500	-
Security deposits	<u>33,750</u>	<u>56,523</u>
	<u>\$ 4,919,593</u>	<u>\$ 5,452,928</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	<u>\$ 398,741</u>	<u>\$ 591,568</u>
Net Assets		
Without donor restrictions	4,405,852	4,661,360
With donor restrictions	<u>115,000</u>	<u>200,000</u>
Total Net Assets	<u>4,520,852</u>	<u>4,861,360</u>
 Total Liabilities and Net Assets	<u>\$ 4,919,593</u>	<u>\$ 5,452,928</u>

See notes to financial statements

## Iraq and Afghanistan Veterans of America, Inc.

### Statement of Activities Year Ended December 31, 2019 (with summarized totals for the year ended December 31, 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 2,757,800	\$ 125,000	\$ 2,882,800	\$ 6,811,570
Special events, less costs of direct benefit to donors of \$337,434 and \$296,585	316,283	-	316,283	973,083
Donated goods and services	118,035	-	118,035	252,020
Investment income	79,209	-	79,209	6,628
Miscellaneous income	53,501	-	53,501	37,039
Net assets released from restrictions	<u>210,000</u>	<u>(210,000)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>3,534,828</u>	<u>(85,000)</u>	<u>3,449,828</u>	<u>8,080,340</u>
<b>EXPENSES</b>				
Program	3,072,357	-	3,072,357	2,396,027
Management and general	554,185	-	554,185	508,137
Fundraising	<u>601,182</u>	<u>-</u>	<u>601,182</u>	<u>550,164</u>
Total Expenses	<u>4,227,724</u>	<u>-</u>	<u>4,227,724</u>	<u>3,454,328</u>
Change in Net Assets before Nonoperating Activities	(692,896)	(85,000)	(777,896)	4,626,012
<b>NONOPERATING ACTIVITIES</b>				
Debt forgiveness	437,388	-	437,388	-
Loss on disposal of property and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,347)</u>
Change in Net Assets	<u>(255,508)</u>	<u>(85,000)</u>	<u>(340,508)</u>	<u>4,607,665</u>
<b>NET ASSETS</b>				
Beginning of year	<u>4,661,360</u>	<u>200,000</u>	<u>4,861,360</u>	<u>253,695</u>
End of year	<u>\$ 4,405,852</u>	<u>\$ 115,000</u>	<u>\$ 4,520,852</u>	<u>\$ 4,861,360</u>

See notes to financial statements

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

Statement of Functional Expenses  
Year Ended December 31, 2019  
(with summarized totals for the year ended December 31, 2018)

	Program	Management and General	Fundraising	2019 Total	2018 Total
Salaries	\$ 1,628,060	\$ 205,687	\$ 297,762	\$ 2,131,509	\$ 1,807,537
Employee benefits and payroll taxes	245,403	31,004	44,883	321,290	326,842
Staff development	10,695	1,357	1,782	13,834	13,266
Dues and subscriptions	15,990	2,029	2,665	20,684	19,774
Professional fees	595,777	251,632	80,702	928,111	257,545
Office expense	15,735	1,996	2,622	20,353	8,472
Insurance	14,243	1,807	2,374	18,424	29,515
Other taxes and fees	7,126	904	13,593	21,623	35,437
Travel	48,083	6,100	8,014	62,197	50,272
Rental/purchases	10,841	1,375	1,807	14,023	10,194
Telecommunications	11,288	1,432	1,881	14,601	38,761
Miscellaneous	190	24	32	246	1,929
Repairs and maintenance	4,826	612	804	6,242	-
Web development	-	-	-	-	3,687
Software and online tools	35,634	4,521	5,939	46,094	40,296
Information and promotion materials	8,666	1,099	1,444	11,209	13,626
Donated goods and services	99,018	9,509	9,508	118,035	252,020
Indirect gala expenses	-	-	67,516	67,516	109,811
Donor and community cultivation events	49,331	6,258	8,222	63,811	30,511
Donation fees	-	-	-	-	25,933
Outreach events	93,660	-	-	93,660	67,051
Venue expense	-	-	337,434	337,434	296,585
Depreciation	9,666	1,226	1,611	12,503	34,147
Bad debt expense	-	4,284	20,000	24,284	750
Rent and utilities	168,125	21,329	28,021	217,475	276,952
Total Expenses By Function	<u>3,072,357</u>	<u>554,185</u>	<u>938,616</u>	<u>4,565,158</u>	<u>3,750,913</u>
Less Expenses Applied Against Operating Revenues	<u>-</u>	<u>-</u>	<u>(337,434)</u>	<u>(337,434)</u>	<u>(296,585)</u>
	<u>\$ 3,072,357</u>	<u>\$ 554,185</u>	<u>\$ 601,182</u>	<u>\$ 4,227,724</u>	<u>\$ 3,454,328</u>

See notes to financial statements

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

Statement of Cash Flows  
Year Ended December 31, 2019  
(with comparative totals for year ended December 31, 2018)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (340,508)	\$ 4,607,665
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	12,503	34,147
Loss on disposal of property and equipment	-	18,347
Bad debt expense	24,284	750
Foregiveness of debt	(437,388)	-
Change in operating assets and liabilities		
Pledges and grants receivable	123,899	435,377
Prepaid expenses	(185,042)	15,370
Security deposits	22,773	(30,300)
Accounts payable	244,561	(424,137)
Net Cash from Operating Acitvites	(534,918)	4,657,219
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(2,879)	-
Purchase of software development costs	(67,500)	-
Net Cash from Investing Acitvites	(70,379)	-
 Net Change in Cash	(605,297)	4,657,219
 <b>CASH</b>		
Beginning of year	4,888,829	231,610
End of year	\$ 4,283,532	\$ 4,888,829

See notes to financial statements

# Iraq and Afghanistan Veterans of America, Inc.

## Notes to Financial Statements

December 31, 2019

### 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 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***

Effective January 1, 2019, IAVA adopted new U.S. GAAP revenue recognition guidance which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. Adoption of the ASU had an immaterial impact on IAVA's financial statements.



## Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements  
December 31, 2019

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

#### ***Change in Accounting Principle (continued)***

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”). ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018 and IAVA adopted ASU 2018-08 on a modified prospective basis and has determined there to be no material impact to its financial statements.

#### ***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.

#### ***Software Development Costs***

Software development costs related to the initial research to create the software development strategy plan were expensed as incurred. Costs incurred during the software design and development phase are capitalized and amortized from the implementation date using the straight-line method over an estimated useful life of five years.

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

Notes to Financial Statements  
December 31, 2019

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

#### ***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.

#### ***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 \$118,000 and \$252,000 of noncash assets recognized for the years ended December 31, 2019 and 2018.

#### ***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.

## Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements  
December 31, 2019

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

#### ***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 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, 2016.

#### ***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, 2018, 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 16, 2020.

### 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 two financial institutions. 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 2019 and 2018, approximately 43% and 71% of contributions and special events revenue and support was received from two donors and one board member, respectively.

### 4. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 170,204	\$ 167,325
Less: accumulated depreciation	<u>(160,710)</u>	<u>(148,207)</u>
	<u>\$ 9,494</u>	<u>\$ 19,118</u>

## Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements  
December 31, 2019

### 5. Related Party Transactions

During 2019 and 2018 contributions from members of the Board totaled approximately \$828,000 and \$5,811,000. There were no outstanding receivables from these Board Members as of December 31, 2019 and 2018.

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.

### 6. Net Assets With Donor Restrictions

Net assets with donor restrictions are time restricted as of December 31, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 210,000	\$ 225,000
Advocacy	-	10,000
Member services	-	10,000
	<u>\$ 210,000</u>	<u>\$ 245,000</u>

### 7. Non-cash Donations

During the years ended December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Advocacy	\$ 49,509	\$ 83,509
Member services	49,509	119,509
General	9,509	21,509
Event items/fundraising	9,508	27,493
Total Non-cash Donations	<u>\$ 118,035</u>	<u>\$ 252,020</u>

### 8. Commitments

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 term 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 to a monthly fee of approximately \$12,865 for an additional twenty-four months.

## Iraq and Afghanistan Veterans of America, Inc.

Notes to Financial Statements  
December 31, 2019

### 8. Commitments *(continued)*

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. This agreement was further renewed with a monthly fee of approximately \$5,400 for an additional twenty-four months.

These leases include real estate taxes and insurance. Rent expense for the years ended December 31, 2019 and 2018 amounted to approximately \$205,000 and \$264,000 and is included in rent and utilities.

Future minimum annual lease payments for non-cancellable operating leases at December 31, 2019 are as follows:

2020	\$ 209,700
2021	<u>109,100</u>
	<u>\$ 318,800</u>

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 was included in accounts payable in the statement of financial position as of December 31, 2018. During 2019, management of IAVA along with its legal counsel considered certain facts and circumstances and deemed this liability was no longer probable to be paid and was therefore removed from accounts payable and is reflected in the 2019 statement of activities as debt forgiveness. However, there is a potential that the debtor will seek payment in future years.

### 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, 2019

### 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	\$ 4,283,532
Pledges and grants receivable	<u>307,402</u>
Total Financial Assets	<u>4,590,934</u>
Less: donor restricted for time	(115,000)
Add: Net assets with time restrictions to be met in less than a year	<u>85,000</u>
	<u>(30,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	<u><u>\$ 4,560,934</u></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.

### 11. Contingencies

IAVA's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, IAVA may experience a disruption in operations as well as a decline in contributions and grants received or level of contributions and grants. The outbreak is likely to adversely affect IAVA's business, financial conditions and results of operations on an interim basis.

Subsequent to year end, IAVA received a \$355,369 Paycheck Protection Program loan (the "PPP Loan") from the Small Business Administration ("SBA"). The PPP Loan matures on May 4, 2022, has an interest rate of 1.0% per annum and no payments are due until November 4, 2020. If certain defined conditions are met, the PPP Loan may be forgiven by the SBA, otherwise IAVA will be required to repay the loan in full.

\* \* \* \* \*