

**OPERATION SUPPORT OUR
TROOPS – AMERICA, INC.**

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2019**

**OPERATION SUPPORT OUR
TROOPS – AMERICA, INC.**

Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Operation Support Our Troops – America, Inc.
Naperville, IL

We have audited the accompanying financial statements of Operation Support Our Troops – America, Inc. (a non-profit organization), 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.

Auditor's 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Support Our Troops – 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.

Report on Summarized Comparative Information

We have previously audited Operation Support Our Troops – America, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 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 is has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Operation Support our Troops adopted the Financial Accounting Standards Board’s Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, collectively “ASC 606” as of and for the year ended December 31, 2019. Our opinion is not modified with respect to this matter.

Desmond & Ahern, Ltd

August 28, 2020
Chicago, IL

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019 (with comparative totals for 2018)

	2019	2018
<u>Assets</u>		
Cash and cash equivalents	\$ 473,588	\$ 439,543
Cash - restricted	18,160	14,581
	<u>491,748</u>	<u>454,124</u>
Beneficial interest in assets held by others	25,000	25,000
Certificates of deposit at cost	266,888	343,097
Accounts receivable	11,079	5,189
Prepaid expenses	12,084	3,474
Total Assets	<u>\$ 806,799</u>	<u>\$ 830,884</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 14,277	\$ 3,547
Total liabilities	<u>14,277</u>	<u>3,547</u>
Net Assets		
Without donor restrictions		
Special event	250,000	250,000
Operating expenses	150,000	150,000
Donated goods and services	150,000	150,000
Program development	150,000	150,000
Veteran assistance program	60,000	60,000
Total board designated reserves	<u>760,000</u>	<u>760,000</u>
Undesignated	14,362	52,756
Total net assets without donor restrictions	<u>774,362</u>	<u>812,756</u>
With donor restrictions	18,160	14,581
Total net assets	<u>792,522</u>	<u>827,337</u>
Total Liabilities and Net Assets	<u>\$ 806,799</u>	<u>\$ 830,884</u>

See independent auditor's report and notes to financial statements.

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENT OF ACTIVITIES
December 31, 2019 (with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue				
Special Events				
Ticket sales	\$ 50,894	\$ -	\$ 50,894	\$ 101,627
Sponsors and contributions	226,711	-	226,711	240,372
Donated materials	-	-	-	5,000
Donated services	-	-	-	5,620
Less cost of direct benefit to donors	(26,182)	-	(26,182)	(156,806)
Less cost of in-kind direct benefit to donors	-	-	-	(5,620)
Merchandise sales	21,478	-	21,478	4,100
Less cost of promotional merchandise sold or distributed	(2,120)	-	(2,120)	(2,552)
Net revenues from special events	270,781	-	270,781	191,741
Contributions	427,904	13,000	440,904	499,303
Donated services and materials	1,072,995	-	1,072,995	790,818
Dividends and interest	6,428	-	6,428	5,772
Net assets released from restrictions - Satisfaction of program restrictions	9,421	(9,421)	-	-
Total revenue	1,787,529	3,579	1,791,108	1,487,634
Expenses				
Program services	1,593,479	-	1,593,479	1,298,290
Management and general	75,013	-	75,013	114,490
Fundraising	157,431	-	157,431	130,509
Total expenses	1,825,923	-	1,825,923	1,543,289
Change in net assets	(38,394)	3,579	(34,815)	(55,655)
Net assets, beginning of year	812,756	14,581	827,337	882,992
Net assets, end of year	\$ 774,362	\$ 18,160	\$ 792,522	\$ 827,337

See independent auditor's report and notes to financial statements.

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2019 (with comparative totals for 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries	\$ 128,166	\$ 29,969	\$ 32,002	\$ 190,137	\$ 184,149
Payroll taxes	13,590	3,245	3,448	20,283	15,119
Event costs	6,711	-	37,196	43,907	49,841
Donations to other organizations	14,550	-	-	14,550	11,220
Occupancy	27,860	1,865	1,243	30,968	30,637
Supplies	1,038,487	1,212	56,221	1,095,920	821,149
Postage, shipping and delivery	124,672	385	386	125,443	120,380
Printing and copying	4,974	-	4,557	9,531	10,731
Travel and meetings	12,829	525	600	13,954	20,384
Fees	1,844	3,835	1,779	7,458	6,211
Insurance	2,837	677	5,245	8,759	12,761
Advertising	500	-	1,500	2,000	23,229
Program conference	47,652	601	3,286	51,539	39,663
Professional fees	28,467	24,446	9,425	62,338	61,628
Telephone	1,045	250	265	1,560	2,081
Staff development	300	87	-	387	45
Volunteer costs	2,449	-	278	2,727	1,259
Miscellaneous	555	2,356	-	2,911	1,101
Membership support	-	-	-	-	140
Veteran assistance	131,865	-	-	131,865	126,049
Computer and website	4,126	5,560	-	9,686	5,512
Total Expenses	\$ 1,593,479	\$ 75,013	\$ 157,431	\$ 1,825,923	\$ 1,543,289

See independent auditor's report and notes to financial statements.

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENT OF CASH FLOWS
December 31, 2019 (with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ (34,815)	\$ (55,655)
Change in assets - (increase) decrease		
Accounts receivable	(5,890)	7,570
Prepaid expenses	(8,610)	(2,407)
Certificate of deposit	76,209	(2,635)
Change in liabilities - (decrease) increase		
Accrued expenses	<u>10,730</u>	<u>(837)</u>
Net cash provided (used) by operating activities	<u>37,624</u>	<u>(53,964)</u>
Net increase (decrease) in cash and cash equivalents	37,624	(53,964)
Cash and cash equivalents, beginning of year	<u>454,124</u>	<u>508,088</u>
Cash and cash equivalents, end of year	<u><u>\$ 491,748</u></u>	<u><u>\$ 454,124</u></u>

See independent auditor's report and notes to financial statements.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

Operation Support Our Troops - America, Inc. is a nonprofit corporation organized under the laws of the State of Illinois for the purpose of supporting our military troops, their families, and our veterans. The Organization's major programs are sending care packages to U.S. troops stationed in harm's way, providing one-time grants to veterans in need of financial assistance, and grief support for families of the fallen. The Organization relies heavily on its volunteers and in-kind donations. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities in conformity with accounting principles applicable to non-profit organizations.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP).

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year.

With Donor Restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Income Tax Status

Operation Support Our Troops – America, Inc. was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an Organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of the Organization and the nature in which it operates is described above. The Organization continues to operate in compliance with its tax-exempt purpose.

The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination for three years from the date filed.

Management's assertion is that there are no uncertain tax positions and the Organization continues to operate in compliance with its tax-exempt purpose. The Organization's annual informational and income tax returns filed with the federal and state governments are subject to examination generally three years after they are filed.

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 accounting principles generally accepted in the United States of America.

Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The accounts may at times, exceed the federally insured limit of \$250,000.

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Support and Revenue

The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as net assets without donor restrictions.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services based on salaries, which are allocated on the basis of estimates of time & effort.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2019, the Organization received \$1,204 of donated services.

A number of extremely dedicated volunteers, including the members of the Board of Directors, make significant contributions of time to the Organization's policy-making, program and support functions, estimated to be in excess of 9,000 hours. The value of this contributed time does not meet the criteria for recognition and, accordingly, is not reflected in the accompanying financial statements. However, the strength and success of the Organization's program is critically reliant on these volunteers.

In-Kind Contributions

In addition to receiving cash contributions, the Organization may, at times, receive in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the year ended December 31, 2019, the Organization received \$1,001,924 of in-kind donations for inventory and supplies, and various other donated supplies of \$69,867.

Compensated Absences

Employees of the Organization are entitled to paid time off depending on job classification, length of service and other factors. The Organization's policy does not provide for carryover of paid time off to future periods and therefore, no accrual has been recorded in the accompanying financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Adoption of New Accounting Standard

The Organization adopted Accounting Standards Update (“ASU”) No. 2014-09 – *Revenue from Contracts with Customers*, collectively “ASC 606” which (i) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (ii) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Organization’s revenue does not fall within the scope of ASC 606.

Note 2 – Financial Assets and Liquidity Resources

As of December 31, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:	
Cash and cash equivalents - unrestricted	\$ 473,588
Certificates of deposits	266,888
Accounts receivable	11,079
	<hr/>
Financial assets available to be used within one year	\$ 751,555
	<hr/>

The Organization also receives 100% of its funding from public support and donations, which represents additional financial resources not reflected in the above calculation. The organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. The level of liquidity and reserves was managed within the policy requirements during the year ended December 31, 2019.

Note 3 – Other Assets – Beneficial Interest in Assets Held by Others

On December 1, 2017, OSOT entered into an agreement with the Community Foundation of the Fox River Valley (the Foundation) to establish an endowment fund. The agreement between OSOT and the Foundation states that the transfer is irrevocable, and that the fund shall be used for support of the charitable or educational purposes of OSOT and its affiliated agencies. However, the Foundation will make annual distributions of income earned on the endowment fund determined in accordance with the Foundation’s spending policy, and grants the Foundation the ultimate authority and control over all property, including income, within the fund. The agreement also permits the Foundation to substitute another beneficiary in the place of OSOT if OSOT ceases to exist or if the governing board of the Foundation votes that OSOT ceases to perform its primary mission in the Fox River Valley Area.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

Note 3 – Other Assets – Beneficial Interest in Assets Held by Others (cont.)

OSOT transferred \$25,000 to the Foundation to establish the fund in 2017, which is included as beneficial interest in assets held by others on the Statement of Financial Position at December 31, 2019.

Note 4 – Certificates of Deposit

The Organization has four certificates of deposit totaling \$266,888 at December 31, 2019. The certificates bear interest ranging from 1% to 2.47% and have maturities ranging from twelve to fifty-nine months, with penalties for early withdrawal. Certificates of deposit are recorded at cost plus interest earned. Any penalties for early withdrawal would not have a material effect on the financial statements.

Note 5 – Leases

The Organization leases an operating facility under a non-cancellable operating lease arrangement which expires August 2021. Rental expense for this lease, included in the Statement of Activities for the year ended December 31, 2019, was \$27,600.

Future minimum lease payments as of December 31, 2019, are as follows:

<u>Years Ending</u>	<u>Amount</u>
2020	\$ 27,800
2021	18,800
Total future minimum lease payments	<u>\$ 46,600</u>

Note 6 – Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of \$8,160 for Women’s Health & Wellness and \$10,000 time restricted.

Note 7 – Subsequent Events

For the fiscal year ended December 31, 2019, the Organization’s management has evaluated subsequent events through August 28, 2020, which is the date the financial statements were available to be issued.

Note 8 – Contingency

The Organization’s operations could be significantly impacted by the novel coronavirus pandemic after the Organization’s fiscal year end of December 31, 2019. Management is maintaining operations to the extent possible, however some operations will be affected. The value of several of the Organization’s assets could be affected by this crisis. It is not possible to reasonably estimate the effect of this crisis on the Organization or whether it would be material to the Organization's financial statements at December 31, 2019.