

UNITED AMERICAN PATRIOTS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017



**UNITED AMERICAN PATRIOTS, INC.**

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## Independent Auditor's Report

To the Board of Directors  
United American Patriots, Inc.  
Alexandria, Virginia

We have audited the accompanying financial statements of United American Patriots, Inc. (a nonprofit organization) (the Organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 United American Patriots, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Bernard Robinson & Company, L.L.P.*

Greensboro, North Carolina  
November 5, 2019

**UNITED AMERICAN PATRIOTS, INC.**  
**Statements of Financial Position**  
**December 31, 2018 and 2017**

	<u>Assets</u>	
	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 525,033	\$ 748,203
Accounts receivable	113,465	161,662
Employee advances	-	500
Loan receivable from employee	-	16,050
Deposit	8,330	-
Total current assets	<u>646,828</u>	<u>926,415</u>
Property and Equipment:		
Office equipment	35,220	53,848
Furniture and fixtures	-	22,744
Vehicles	53,522	53,522
	<u>88,742</u>	<u>130,114</u>
Less accumulated depreciation	71,666	80,756
	<u>17,076</u>	<u>49,358</u>
Total assets	<u>\$ 663,904</u>	<u>\$ 975,773</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Accounts payable	\$ 313,356	\$ 67,968
Accrued liabilities	-	4,344
Capital lease, current portion	2,616	2,616
Total current liabilities	<u>315,972</u>	<u>74,928</u>
Non-Current Liabilities:		
Capital lease, less current portion	<u>6,605</u>	<u>9,221</u>
Net Assets:		
Without donor restrictions	<u>341,327</u>	<u>891,624</u>
Total liabilities and net assets	<u>\$ 663,904</u>	<u>\$ 975,773</u>

**UNITED AMERICAN PATRIOTS, INC.**  
**Statements of Activities and Change in Net Assets**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Revenue:		
Individual and business contributions	<u>\$ 4,506,988</u>	<u>\$ 4,665,125</u>
	<u>4,506,988</u>	<u>4,665,125</u>
Expenses:		
Program expenses	3,273,554	2,844,601
Fundraising expenses	1,199,910	1,234,381
Administrative expenses	<u>569,846</u>	<u>449,372</u>
	<u>5,043,310</u>	<u>4,528,354</u>
Other Income (Expense):		
Interest income	861	352
Loss on disposal of property and equipment	<u>(14,836)</u>	<u>-</u>
	<u>(13,975)</u>	<u>352</u>
Change in net assets	(550,297)	137,123
Net assets, beginning of year	<u>891,624</u>	<u>754,501</u>
Net assets, end of year	<u>\$ 341,327</u>	<u>\$ 891,624</u>

**UNITED AMERICAN PATRIOTS, INC.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2018 and 2017**

	2018				2017			
	Program Expenses	Fundraising Expenses	Administrative Expenses	Total Expenses	Program Expenses	Fundraising Expenses	Administrative Expenses	Total Expenses
Payments to professional fundraising organization	\$ 1,843,445	\$ 1,023,181	\$ 337,998	\$ 3,204,624	\$ 1,995,186	\$ 1,120,328	\$ 346,854	\$ 3,462,368
Payments to warrior fund beneficiaries	1,066,952	-	-	1,066,952	669,615	-	-	669,615
Salaries and benefits	237,330	85,930	85,930	409,190	113,880	41,232	41,232	196,344
Payroll taxes	8,148	2,950	2,950	14,048	9,672	3,502	3,502	16,676
Advertising and promotion	20,153	30,229	-	50,382	8,422	26,132	-	34,554
Professional fees	-	-	108,611	108,611	-	-	22,837	22,837
Rent	16,263	5,888	5,888	28,039	12,180	4,410	4,410	21,000
Utilities	2,121	768	768	3,657	10,022	3,629	3,629	17,280
Depreciation	-	10,798	9,967	20,765	-	10,667	11,556	22,223
Insurance	2,269	2,269	1,135	5,673	7,398	7,398	3,699	18,495
Business registration fees, dues and memberships	-	8,661	-	8,661	-	12,382	-	12,382
Office expense	8,972	3,248	3,248	15,468	7,548	2,733	2,733	13,014
Travel and meetings	49,429	9,268	3,089	61,786	9,067	1,700	567	11,334
Postage and mailing	2,747	995	995	4,737	1,611	268	805	2,684
Bank fees and service charges	-	-	1,406	1,406	-	-	1,882	1,882
Other	15,725	15,725	7,861	39,311	-	-	5,666	5,666
Total expenses	<u>\$ 3,273,554</u>	<u>\$ 1,199,910</u>	<u>\$ 569,846</u>	<u>\$ 5,043,310</u>	<u>\$ 2,844,601</u>	<u>\$ 1,234,381</u>	<u>\$ 449,372</u>	<u>\$ 4,528,354</u>

**UNITED AMERICAN PATRIOTS, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (550,297)	\$ 137,123
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,765	22,223
Loss on disposal of property and equipment	14,836	-
Loan receivable from employee netted against salaries	15,850	-
(Increase) decrease in:		
Accounts receivable	48,197	112,965
Employee advances	500	1,200
Deposit	(8,330)	-
Increase (decrease) in:		
Accounts payable	245,388	46,032
Accrued liabilities	(4,344)	1,120
Net cash provided by (used in) operating activities	<u>(217,435)</u>	<u>320,663</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,319)	(3,202)
Repayment of loan receivable from employee	200	3,000
Net cash used in investing activities	<u>(3,119)</u>	<u>(202)</u>
Cash flows from financing activities:		
Payments on capital lease obligations	(2,616)	(1,897)
Net cash used in financing activities	<u>(2,616)</u>	<u>(1,897)</u>
Increase (decrease) in cash and cash equivalents	(223,170)	318,564
Cash and cash equivalents, beginning of year	748,203	429,639
Cash and cash equivalents, end of year	<u>\$ 525,033</u>	<u>\$ 748,203</u>
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment acquired through issuance of capital lease	<u>\$ -</u>	<u>\$ 13,734</u>

## UNITED AMERICAN PATRIOTS, INC.

### Notes to Financial Statements

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#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

United American Patriots, Inc. (the "Organization") was incorporated March 28, 2005, under the laws of the State of North Carolina for the purpose of providing funds for legal services to military personnel who have been charged with crimes while in combat. To provide funding for these activities, the Organization solicits contributions and grants from various sources throughout the United States.

A summary of significant accounting policies follows:

##### **Basis of Presentation**

The Organization reports resources classified for accounting and reporting purposes into two net asset categories, according to externally (donor) imposed restrictions: net assets without donor restrictions and net assets with donor restrictions.

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - net assets that are not subject to donor-imposed stipulations and are available for the support of the Organization's operating activities.
- *Net assets with donor restrictions* - resources that carry a donor-imposed restriction that permits the Organization to use or expend the donated assets as specified for which the restrictions are satisfied by the passage of time or by actions of the Organization. As those restrictions are met, the contributions are released from net assets with donor restrictions and are transferred to net assets without donor restrictions. Those resources for which the restrictions are met in the same fiscal year they are received are included in net assets without donor restrictions. There were no net assets with donor restrictions as of December 31, 2018.

##### **Cash and Cash Equivalents**

For purposes of reporting the statement of cash flows, the Organization includes all cash on hand and amounts in banks, and investments with a maturity of three months or less to be cash and cash equivalents.

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

Property and equipment are stated at cost, or if donated, at estimated fair market value at the date of donation. The Organization capitalizes property and equipment in excess of \$500. Depreciation is computed on a straight-line method over the estimated useful lives of the assets ranging from 5 to 20 years.

##### **Advertising**

Advertising costs are expensed as incurred. Advertising costs were \$50,382 and \$34,554 for the years ended December 31, 2018 and 2017, respectively.



## **UNITED AMERICAN PATRIOTS, INC.**

### **Notes to Financial Statements**

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#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Accounts Receivable**

Accounts receivable consist of collected contributions from a third party fundraiser that have not yet been remitted to the Organization. Accounts outstanding longer than the contractual payment terms are considered past due. The Organization determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Organization's previous loss history, and the condition of the general economy and the industry as a whole. The Organization writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. The Organization considers accounts receivable to be fully collectible as of December 31, 2018 and 2017.

##### **Contributions**

The Organization records contributions received as unrestricted or restricted support, depending on the existence and/or nature of any donor restrictions.

Donor restricted support is reported as an increase in net assets with donor restrictions. When a 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 statements of activities and change in net assets as net assets released from restrictions.

##### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain costs related to payments to professional fundraising organizations are allocated based on the basis and number of direct mailing efforts for solicitation of contributions and material content. Salaries and benefits, and related costs such as payroll taxes, rent, utilities and office expenses, are allocated on the basis of estimates of time, responsibilities, and efforts of the Organizations employees. Such allocations are determined by management on a reasonable basis that has been consistently applied.

##### **Tax Status**

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

It is the Organization's policy to evaluate all tax positions to identify those that may be considered uncertain. All identified material tax positions will be assessed and measured by a more likely than not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2018.

##### **Reclassification**

The prior year financial statements have been reclassified to conform to the current year presentation.

## **UNITED AMERICAN PATRIOTS, INC.**

### **Notes to Financial Statements**

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#### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through November 5, 2019, which is the date the financial statements were available to be issued.

#### NOTE 2 - PROFESSIONAL FUNDRAISING SERVICE AGREEMENT

The Organization entered into a direct mail fundraising agreement with a professional fundraising service organization to solicit contributions to support the Organization's charitable purpose. This professional fundraising service organization is paid \$90 per 1,000 direct mailing packages processed, which increases each year by the consumer price index, and a 20 percent rental of provided lists of contributors. The agreement expires December 31, 2020, however the Organization may terminate the agreement by giving 30 days written notice at any time during the contract period.

The Organization entered into a digital advertising agreement with a professional fundraising service organization to solicit contributions to support the Organization's charitable purpose. This professional fundraising service organization is paid 25% of the gross revenue raised by the in-house list of customers and 15% of gross revenue raised through third party email lists. The fundraising organization is also paid a fee for each email sent. The frequency of emails sent by the fundraising service organization is determined by the Organization. The initial term of the agreement expired in April 2018, but was automatically renewed for a successive one year period since the Organization continued to use the service. The Organization signed a new agreement during 2018, which did not contain any significant changes to the contract terms. The Organization may terminate the agreement by giving 30 days written notice at any time during the contract period.

Subsequent to year end the Organization terminated its contract with its direct mail fundraising service organization and entered into another contract with a professional fundraising organization. The contract stipulates that the Organization pay a flat monthly rate of \$3,500 plus costs incurred for postage and other direct costs.

#### NOTE 3 - OPERATING LEASES

The Organization rents office space in Alexandria, VA under a lease agreement requiring monthly payments of \$4,165, expiring in August 2019. Minimum future rental payments under this lease for the year ending December 31, 2019 are \$33,320.

**UNITED AMERICAN PATRIOTS, INC.****Notes to Financial Statements**

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**NOTE 4 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits.

**NOTE 5 - CAPITAL LEASE**

The Organization entered into a lease agreement for a copier, which is accounted for as a capital lease. Cost and accumulated amortization for the asset is as follows as of December 31:

	<u>2018</u>	<u>2017</u>
Cost of equipment	\$ 13,734	\$ 13,734
Less accumulated amortization	5,036	2,289
	<u>\$ 8,698</u>	<u>\$ 11,445</u>

Minimum future lease payments are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 2,616
2020	2,616
2021	2,616
2022	1,373
	<u>\$ 9,221</u>

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The Organization contracts with several attorneys to provide legal services to soldiers as part of the Organization's Warrior Fund program. During the year ended December 31, 2017, two of these attorneys served on the Organization's Board of Directors. Total amounts paid to these attorneys for legal services rendered was approximately \$390,000 for the year ended December 31, 2017. These attorneys did not serve on the Organization's Board of Directors during the year ended December 31, 2018; therefore, no such related party services were rendered during the year ended December 31, 2018.

**NOTE 7 - ASSETS LIQUIDITY**

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for reserves that could be drawn upon if the governing board approves that action.

Financial assets, at year end	\$ 646,828
Less those unavailable for general expenditures within one year, due to a contractual or donor-imposed restriction:	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 646,828</u>

The Organization manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash outflows are planned accordingly so as not to exceed expected inflows.

**UNITED AMERICAN PATRIOTS, INC.**

**Notes to Financial Statements**

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NOTE 8 - CHANGES IN ACCOUNTING POLICIES

During the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14 *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities* to improve the clarity of the information presented in the financial statements pertaining to liquidity, financial performance and cash flows. Accordingly, the accounting changes have been retrospectively applied to prior periods presented as if the policies had always been used.