

Financial Statements

Operation 300, Inc.
(a nonprofit organization)
Years Ended December 31, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Operation 300, Inc.
Port Salerno, FL

We have audited the accompanying financial statements of the Operation 300, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, 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 misstatements, 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 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 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 300, Inc. as of December 31, 2020, 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 the Operation 300, Inc. 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harris CPAs

Meridian, Idaho
August 27, 2021



OPERATION 300, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020
With Comparative Totals as of December 31, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 515,414	\$ 453,935
Property and equipment, net	<u>191,193</u>	<u>130,519</u>
Total Assets	<u>\$ 706,607</u>	<u>\$ 584,454</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 15,980	\$ 59,672
Accrued and withheld payroll costs	1,827	10,874
Current portion of long-term debt	442	0
Refundable advance – PPP Loan	<u>34,067</u>	<u>0</u>
Total Current Liabilities	52,316	70,546
Long-Term Debt, net of current portion	<u>24,558</u>	<u>0</u>
Total Liabilities	76,874	70,546
Net Assets		
Without donor restrictions	<u>629,733</u>	<u>513,908</u>
Total Net Assets	<u>629,733</u>	<u>513,908</u>
Total Liabilities and Net Assets	<u>\$ 706,607</u>	<u>\$ 584,454</u>

See notes to financial statements.

OPERATION 300, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2020
With Comparative Totals For The Year Ended December 31, 2019

	2020	2019
	<u>Without</u>	<u>Without</u>
	<u>Restrictions</u>	<u>Restrictions</u>
Revenues and Other Support		
Contributions and grants	\$ 512,935	1,394,972
Special events, net	152,536	19,770
In-kind contributions	29,665	48,086
Program events	23,401	51,701
Other income	<u>1,131</u>	<u>534</u>
Total Revenue and Other Support	719,668	1,515,063
Expenses		
Program services	475,381	1,132,284
Supporting services		
Administrative	106,846	114,825
Fundraising	<u>21,616</u>	<u>50,746</u>
Total Supporting Services	<u>128,462</u>	<u>165,571</u>
Total Expenses	<u>603,843</u>	<u>1,297,855</u>
Change in Net Assets	<u>115,825</u>	<u>217,208</u>
Net Assets		
Beginning of Year	<u>513,908</u>	<u>296,700</u>
End of Year	<u>\$ 629,733</u>	<u>\$ 513,908</u>

See notes to financial statements.

OPERATION 300, INC.**STATEMENTS OF FUNCTIONAL EXPENSES**

For the Period Ended December 31, 2020

With Comparative Totals for the Year Ended December 31, 2019

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Salaries, benefits and payroll taxes	\$ 215,429	\$ 20,921	\$ 5,344	\$ 241,694	\$ 185,622
Travel	97,800	2,582		100,382	354,687
Facility and equipment	14,736	28,463		43,199	53,833
Supplies	33,264	3,308		36,572	53,730
In-kind donations	29,665			29,665	48,086
Activities and entertainment	9,060		16,272	25,332	47,788
Advertising	19,033			19,033	41,056
Professional services		21,294		21,294	12,345
Contract services	18,917			18,917	373,982
Insurance	9,886	6,261		16,147	16,718
Office	4,814	8,268		13,082	16,865
Interest		11,115		11,115	0
Bank fees	6,480	3,554		10,034	8,814
Grants, contracts, and direct assistance	4,850			4,850	69,500
Other	11,447	1,080		12,527	14,829
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Total Expenses	\$ 475,381	\$ 106,846	\$ 21,616	\$ 603,843	\$ 1,297,855

See notes the financial statements.

OPERATION 300, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2020
With Comparative Totals For The Year Ended December 31, 2019

	<u>2020</u>	<u>2019</u>
Cash Flow From Operating Activities		
Change in net assets	\$ 115,825	\$ 217,208
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	28,040	22,719
Changes in operating assets and liabilities:		
Accounts payable	(43,692)	(55,863)
Accrued payroll liabilities	(9,047)	6,006
Refundable advance – PPP loan	<u>34,067</u>	<u>0</u>
Net Cash Provided (Used) in Operating Activities	125,193	190,070
Cash Flow From Investing Activities		
Purchases of property and equipment	<u>(88,714)</u>	<u>(129,543)</u>
Cash Flow From Financing Activities		
Borrowings on long-term debt	<u>25,000</u>	<u>0</u>
Net Change in Cash and Cash Equivalents	61,479	60,527
Cash and Cash Equivalents - Beginning of Year	<u>453,935</u>	<u>393,408</u>
Cash and Cash Equivalents - End of Year	<u>\$ 515,414</u>	<u>\$ 453,935</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid for interest	\$ 11,115	\$ 0

See notes to financial statements.

OPERATION 300, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

Nature of Organization

Operation 300, Inc. (the Organization), is a nonprofit corporation formed in 2012. The mission of the Organization is to provide mentorship to children of the fallen, honoring the sacrifice of those who've given their all for our freedom, and promote patriotism and service in our communities. In carrying out this mission the Organization seeks to honor the life and legacy of SOC Aaron C. Vaugh.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with principles generally accepted in the United States of America.

Basis of Presentation

The Organization reports net assets, revenues, expenses, gains and losses according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes. Net asset with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Cash and Cash Equivalents

The Organization considers its short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash investments. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation for up to \$250,000. At December 31, 2020 and 2019, the Organization's had uninsured cash balances of \$233,657 and \$97,171, respectively.

OPERATION 300, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method as follows:

Autos and trucks	3-5 Years
Furniture and equipment	3-4 Years

Fair Value

The Organization uses fair value for financial assets and liabilities. A hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. Fair value is defined as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy established prioritizes fair value measurements based on the types of inputs used in the valuation technique. Certain financial instruments are carried at cost on the statements of financial position, which approximates fair value due to their short term, highly liquid nature.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

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OPERATION 300, INC.
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Contributions and Donor Imposed Restrictions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increases that net asset class. When donor restrictions expire, that is, when a time restriction ends and/or a purpose restriction is fulfilled, 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 restriction.

Special Events and Fundraising

Special events are shown net of costs that are direct benefits. Direct benefits expense totaled \$97,454 and \$23,640 for the year ended December 31, 2020 and 2019, respectively.

Revenue Recognition

Program event fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the event. Performance obligations are generally providing the event at a point in time. Revenue is recognized at the time that the event is held. Sale of merchandise includes one-time sales of various items online or at events. Merchandise revenue is recognized at the point in time of the sale as no subsequent performance obligations exist.

In-Kind Contributions

The Organization receives in-kind contributions consisting of professional services, facility usage, and other miscellaneous items. The in-kind contributions are recognized as revenue when received and as expenditures when the resources are consumed.

Contributed Services

A substantial number of volunteers have contributed significant amounts of their time to the Organization's programs and activities. No amounts have been reflected in the financial statement for those services since they do not meet the criteria for recognition.

OPERATION 300, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort. General and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. Accordingly, no provision for income taxes is made in the financial statements.

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2020 or 2019. The Organization files Form 990 in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2017.

Reclassifications

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format.

OPERATION 300, INC.
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Prior Year Comparative Totals

The consolidating financial statements include certain 2019 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a complete presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the 2019 consolidated financial statements from which the summarized information was derived.

Subsequent Events

The Organization has evaluated subsequent events through August 27, 2021, which is the date the financial statements were available to be issued.

Note B – Liquidity and Availability of Resources

The Organization’s financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ <u>515,414</u>
Total financial assets available within one year	\$ <u>515,414</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2020, the Organization had no net assets with donor restrictions.

OPERATION 300, INC.
NOTES TO FINANCIAL STATEMENTS

Note C – Property And Equipment

At December 31, property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land improvements	\$ 125,792	\$ 46,491
Autos and trucks	130,009	129,009
Furniture and equipment	<u>26,187</u>	<u>17,775</u>
	281,988	193,275
Less accumulated depreciation	<u>90,795</u>	<u>62,756</u>
Total property and equipment	<u>\$ 191,193</u>	<u>\$ 130,519</u>

Depreciation expense for the year ended December 31, 2020 and 2019 was \$28,040 and 22,719, respectively.

Note D – Long-Term Debt

Long-term debt consisted of the following at December 31, 2020:

Note payable to U.S. Small Business Administration, payable in monthly installments of \$107 beginning June, 2021 including interest at 2.75%. Matures May 2051.	\$ 25,000
Less current portion	<u>442</u>
	<u>\$ 24,558</u>

Maturities of long-term debt as of December 31, 2020 are as follows:

2021	\$ 442
2022	902
2023	927
2024	953
2025	980
Thereafter	<u>20,796</u>
	<u>\$ 25,000</u>

OPERATION 300, INC.

NOTES TO FINANCIAL STATEMENTS

Note E – Refundable Advance

In May, 2020, the Organization was granted a Paycheck Protection Program loan (the “PPP Loan”) in the amount of \$34,067, pursuant to the Paycheck Portion Program (“PPP”) under Division A, Title I of the CARES act, which was enacted March 27, 2020. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Operation 300, Inc. recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived.

Proceeds from the loan are eligible for forgiveness if Operation 300, Inc. maintains employment levels during its 24-week covered period and uses the funds for certain payroll, rent, and utility expenses. On February 10, 2021, the entire balance of the loan and accrued interest was formally forgiven.

Note F – Risks and Uncertainties

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The extent of the impact of COVID-19 on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization’s customers, employees, and vendors, all of which at present, cannot be determined. During the year ended December 31, 2020, the Organization had to cancel certain program events as a result of the pandemic. Accordingly, the extent to which COVID-19 may impact the Organization’s financial position and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. The Organization obtained a \$34,067 PPP loan under the Paycheck Protection Program to supplement payroll and other costs. The Organization also received a \$25,000 Economic Injury Disaster Loan from the U.S. Small Business Administration. See Note D and E for additional information.