

Financial Statements

Operation 300, Inc.
(a nonprofit organization)
Year Ended December 31, 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, 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 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, 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.

Harris CPAs

Meridian, Idaho
October 28, 2020



OPERATION 300, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

Assets

Cash and cash equivalents	\$	453,935
Property and equipment, net		<u>130,519</u>
Total Assets	\$	<u>584,454</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$	59,672
Accrued and withheld payroll costs		<u>10,874</u>
Total Liabilities		70,546

Net Assets

Without donor restrictions		<u>513,908</u>
Total Net Assets		<u>513,908</u>
Total Liabilities and Net Assets (Deficit)	\$	<u>584,454</u>

See notes to financial statements.

OPERATION 300, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>
Revenues and Other Support	
Contributions	\$ 1,394,972
Program events	51,701
In-kind contributions	48,086
Merchandise, net	12,413
Other income	<u>534</u>
Total Revenue and Other Support	1,507,706
Expenses	
Program services	1,101,287
Supporting services	
Administrative	114,825
Fundraising	<u>74,386</u>
Total Supporting Services	<u>189,211</u>
Total Expenses	<u>1,290,498</u>
Change in Net Assets	217,208
Net Assets	
Beginning of Year	<u>296,700</u>
End of Year	<u><u>\$ 513,908</u></u>

See notes to financial statements.

OPERATION 300, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Contract services	\$ 366,741	\$ 755	\$ 6,486	\$ 373,982
Travel	333,916	7,833	12,938	354,687
Salaries, benefits and payroll taxes	162,856	18,160	4,606	185,622
Grants, contracts, and direct assistance	69,500			69,500
Facility and equipment	19,555	26,669	13,333	59,557
Supplies	41,151	11,671	908	53,730
Activities and entertainment	35,587	1,175	12,811	49,573
In-kind donations	46,955		1,131	48,086
Office	2,106	14,247	512	16,865
Insurance	7,316	9,402		16,718
Professional services		12,345		12,345
Advertising	8,552	27	1,480	10,059
Bank fees		4,764	4,050	8,814
Other	<u>7,052</u>	<u>7,777</u>	<u>16,131</u>	<u>30,960</u>
 Total Expenses	 <u>\$ 1,101,287</u>	 <u>\$ 114,825</u>	 <u>\$ 74,386</u>	 <u>\$ 1,290,498</u>

See notes to financial statements.

OPERATION 300, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

Cash Flow From Operating Activities

Change in net assets	\$ 217,208
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	22,719
Changes in operating assets and liabilities:	
Accounts payable	(55,863)
Accrued payroll liabilities	<u>6,006</u>
Net Cash Provided (Used) in Operating Activities	190,070

Cash Flow From Investing Activities

Purchases of property and equipment	<u>(129,543)</u>
Net Change in Cash and Cash Equivalents	60,527

Cash and Cash Equivalents - Beginning of Year 393,408

Cash and Cash Equivalents - End of Year \$ 453,935

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.

Accounting Pronouncements Adopted

For the year ended December 31, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, timing, and uncertainty of revenue and cash flow arising from contracts with customers. The financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

OPERATION 300, INC.

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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, 2019 the Organization's had \$97,171 of uninsured cash balances.

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.

OPERATION 300, INC.
NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

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.

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.

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 2019 or 2018. 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 2016.

Subsequent Events

The Organization has evaluated subsequent events through October 28, 2020 which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which negatively impacted operations of the Organization, including the cancelation of events and camps; however the related financial impact and duration cannot be reasonably estimated at this time. In May 2020 the Organization received a paycheck protection program loan of \$34,067. In May and June 2020 the Organization received Economic Injury Disaster Loans from the Small Business Administration of \$7,000 and \$25,000, respectively.

OPERATION 300, INC.
NOTES TO FINANCIAL STATEMENTS

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>453,935</u>
Total financial assets available within one year	\$ <u>453,935</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, 2019, the Organization had no net assets with donor restrictions.

Note C – Property And Equipment

Property and equipment are summarized as follows as of December 31, 2019:

Land improvements	\$ 46,491
Autos and trucks	129,009
Furniture and equipment	<u>17,775</u>
	193,275
Less accumulated depreciation	<u>62,756</u>
Total property and equipment	\$ <u>130,519</u>

Depreciation expense for the years ended December 31, 2019 was \$22,719.