

SALUTE, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 and 2018



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Independent Auditor's Report

Board of Directors of
SALUTE, INC.
Palatine, Illinois

We have audited the accompanying financial statements of SALUTE, INC. (a nonprofit organization) which comprise the statements of assets, liabilities and net assets – cash basis as of March 31, 2019 and 2018, and the related statements of support, revenue, and expenses, functional expenses and cash flows – cash basis 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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.

Independent Auditor's Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of SALUTE, INC. as of March 31, 2019 and 2018, and its support, revenue, and expenses, functional expenses and cash flows, for the years then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

M. Elvira, Inseña & Co., Pbtal.

July 30, 2019

Financial Statements

SALUTE, INC.

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS

MARCH 31

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,191,182	\$ 1,066,381
PROPERTY AND EQUIPMENT, NET	8,377	13,250
INTANGIBLES, NET	<u>10,917</u>	<u>16,613</u>
Total Assets	<u>\$ 1,210,476</u>	<u>\$ 1,096,244</u>

LIABILITIES AND NET ASSETS

LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS		
Without Donor Restrictions	1,163,208	1,096,079
With Donor Restrictions	<u>47,268</u>	<u>165</u>
Total Net Assets	<u>1,210,476</u>	<u>1,096,244</u>
Total Liabilities and Net Assets	<u>\$ 1,210,476</u>	<u>\$ 1,096,244</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

SALUTE, INC.

STATEMENTS OF SUPPORT, REVENUE, AND EXPENSES--CASH BASIS

YEARS ENDED MARCH 31

UNRESTRICTED NET ASSETS	2019	2018
Support and Revenues		
Grants and Contributions	\$ 611,117	\$ 443,317
Special Events Revenue	501,190	444,429
Contributed Goods and Services	44,804	68,985
Interest and Dividend Income	5,752	1,359
Total Unrestricted Support and Revenues	1,162,863	958,090
Net Assets Released from Restrictions		
Restrictions Satisfied by Payment	152,897	36,252
Total Unrestricted Support and Revenues and Restricted Monies Released	1,315,760	994,342
EXPENSES		
Program Activities	923,555	762,976
Management and General	39,126	38,250
Fund Raising	285,950	245,015
Total Expenses	1,248,631	1,046,241
Increase (Decrease) in Unrestricted Net Assets	67,129	(51,899)
DONOR RESTRICTED NET ASSETS		
Temporarily Restricted Grants and Contributions	200,000	10,000
Net Assets Released from Restrictions	(152,897)	(36,252)
Increase (Decrease) in Donor Restricted Net Assets	47,103	(26,252)
Change in Net Assets	114,232	(78,151)
NET ASSETS, BEGINNING OF YEAR	1,096,244	1,174,395
NET ASSETS, END OF YEAR	\$ 1,210,476	\$ 1,096,244

The accompanying notes are an integral part of these financial statements.

Financial Statements

SALUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS

YEAR ENDED MARCH 31, 2019

	<u>SUPPORTING SERVICES</u>			
	<u>MANAGEMENT</u>			
	<u>PROGRAM</u>	<u>AND</u>	<u>FUND</u>	<u>TOTAL</u>
	<u>SERVICES</u>	<u>GENERAL</u>	<u>RAISING</u>	<u>EXPENSES</u>
Veteran Assistance	\$710,911	\$ -	\$ -	\$ 710,911
Salaries	127,511	11,535	79,463	218,509
Food and Supplies	879	1,728	82,851	85,458
Professional Fees	23,411	9,940	13,027	46,378
Occupancy	25,702	4,284	4,284	34,270
Events Registrations and Fees	-	-	27,263	27,263
Payroll Taxes	9,978	903	6,218	17,099
Contract Services	-	-	14,749	14,749
Facilities and Equipment Rental	1,090	279	12,402	13,771
Apparel and Awards	-	90	12,051	12,141
Telephone	7,696	369	369	8,434
Printing	701	117	7,093	7,911
Other	500	2,885	3,894	7,279
Technology	3,278	563	2,434	6,275
Depreciation	4,405	734	734	5,873
Insurance	-	4,851	941	5,792
Amortization	3,281	546	1,869	5,696
Bank Charges and Business Fees	403	180	4,998	5,581
Conferences, Conventions and Meetings	375	-	4,174	4,549
Postage	1,658	122	2,185	3,965
Advertising	-	-	2,600	2,600
Employee and Volunteer Expenses	559	-	1,865	2,424
Travel	1,217	-	486	1,703
Total Expenses	<u>\$923,555</u>	<u>\$ 39,126</u>	<u>\$285,950</u>	<u>\$ 1,248,631</u>

Some of the above expenses result from contributed goods and services. See Note 4.

The accompanying notes are an integral part of these financial statements.

Financial Statements

SALUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS

YEAR ENDED MARCH 31, 2018

	<u>SUPPORTING SERVICES</u>			
	<u>MANAGEMENT</u>			
	<u>PROGRAM</u>	<u>AND</u>	<u>FUND</u>	<u>TOTAL</u>
	<u>SERVICES</u>	<u>GENERAL</u>	<u>RAISING</u>	<u>EXPENSES</u>
Veteran Assistance	\$540,006	\$ -	\$ -	\$ 540,006
Salaries	129,967	10,577	72,621	213,165
Food and Supplies	929	2,146	51,565	54,640
Professional Fees	31,851	10,200	10,501	52,552
Occupancy	25,699	4,283	4,283	34,265
Facilities and Equipment Rental	251	42	30,934	31,227
Events Registrations and Fees	-	-	27,202	27,202
Payroll Taxes	10,211	831	5,705	16,747
Printing	2,116	306	10,171	12,593
Apparel and Awards	-	-	7,417	7,417
Other	1,083	2,401	3,696	7,180
Telephone	6,138	366	366	6,870
Technology	3,649	380	2,253	6,282
Amortization	2,908	484	2,526	5,918
Insurance	-	5,110	-	5,110
Bank Charges and Business Fees	379	41	4,466	4,886
Depreciation	3,594	599	599	4,792
Postage	1,914	309	2,353	4,576
Conferences, Conventions and Meetings	800	100	3,341	4,241
Contract Services	-	-	2,868	2,868
Travel	978	-	834	1,812
Employee and Volunteer Expenses	428	-	544	972
Advertising	75	75	770	920
Total Expenses	<u>\$762,976</u>	<u>\$ 38,250</u>	<u>\$245,015</u>	<u>\$ 1,046,241</u>

Some of the above expenses result from contributed goods and services. See Note 4.

The accompanying notes are an integral part of these financial statements.

Financial Statements

SALUTE, INC.

STATEMENTS OF CASH FLOWS - CASH BASIS

YEAR ENDED MARCH 31

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 114,232	\$ (78,151)
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities		
Depreciation Expense	5,873	4,792
Amortization Expense	<u>5,696</u>	<u>5,918</u>
Net Cash Provided by (Used in) Operating Activities	<u>125,801</u>	<u>(67,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Computers and Furniture	(1,000)	(6,100)
Purchase of Intangible Assets	<u>-</u>	<u>(3,312)</u>
Net Cash Used in Investing Activities	<u>(1,000)</u>	<u>(9,412)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	124,801	(76,853)
Cash and Cash Equivalents, Beginning of Year	<u>1,066,381</u>	<u>1,143,234</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,191,182</u></u>	<u><u>\$ 1,066,381</u></u>
Supplemental Cash Flows Disclosures		
Cash Paid For:		
Taxes	\$ -	\$ -
Interest	-	-

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Organization Activities

SALUTE, INC. (the Organization) is a nonprofit organization that was founded in 2003, in Arlington Heights, Illinois. The works of the Organization speak to their support of military personnel and their families as they “Honor the Service...Remember the Sacrifice.” The Organization raises funds for military service members, veterans, and their families who have been wounded, injured or experienced financial hardship. Funds have been raised through grants and through various activities held by the Organization including runs/walks, participation in marathons, and other fundraising events.

The primary focus of SALUTE, INC. is direct financial support on behalf of veterans and their families who have incurred some level of disability, injury or condition due to their military service. Assistance is provided by the following programs.

Emergency Financial Assistance provides assistance with rent, mortgage payments, car related expenses, food, utility bills, medical bills, travel and moving costs.

Neuro Community Care LLC (NCC) is an independent provider of Case Management and Community Support Services for persons with brain injury and other neurological disorders (e.g., stroke, brain tumor, ALS, spinal cord injury). NCC’s services are provided in an individual’s home or community and are functionally based. This translates to real-life skill development and stabilization, which increases the likelihood of independence and decreases the occurrence of decline and/or crises which may lead to repeated admissions to costly hospital and rehabilitation programs. NCC is proud to collaborate with SALUTE, INC., in support of the service members and veterans we serve.

Warrior Transition Unit (WTU) – SALUTE, INC. provides financial assistance to injured active duty and injured veterans enrolled in the Warrior Transition Unit programs at the Army bases located at Fort Campbell, Fort Carson, Fort Hood and Fort Riley. The soldiers enrolled in the WTU programs are undergoing medical treatment and transitioning to medical retirement from the Army.

Shirley Ryan AbilityLab - Therapeutic Adaptive Sports Camps/Activities which shift focus from a veteran’s disability to their abilities. Adaptive opportunities include Paralympic Sports Camp, cycling, fishing, hunting, horseback riding, skiing and water sports.

Walking Tall Cane Project – SALUTE, INC. is proud to provide ergonomically correct, orthopedic canes to veterans and military personnel. The canes are supplied free of cost to veterans and military service members. The Walking Tall Cane program was established in honor of Marine Lance Cpl. Phillip Frank, who was killed in action in April 2004.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this basis, revenue is recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Organization has not recognized receivables from the fundraising events, prepaid expenses and accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements. The Organization does capitalize and depreciate/amortize equipment and intangible assets.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Financial Statement Presentation

As of March 31, 2019, the Organization adopted ASU 2016-14, which affects the presentation of financial statements for Not-for-Profit Entities.

In accordance with ASU 2016-14, the Organization reports its financial position and activities into two classes of net assets: those without donor restrictions and those with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

With Donor Restrictions – Net assets subject to donor-imposed stipulations that must be maintained by the Organization until the restriction of time or purpose is satisfied, or in perpetuity.

Without Donor Restrictions – Net assets of the Organization not subject to donor-imposed stipulations. Unrestricted net assets may also be designated for specific purposes by action of the Board of Directors.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Adoption of ASU 2016-14 made no changes to the amounts reported, only the descriptions.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Recognition of Support and Revenues

In accordance with professional standards, contributions, which consist of cash received from donors and contributed goods and services, are recognized as support or revenue when received. All contributions are considered without donor restrictions unless specifically restricted by the donor or by laws and regulations. Contributions received with donor restrictions that are met in the same period as contributed are reported as unrestricted support and increase unrestricted net assets. Grants are recognized in the period in which they are received.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid cash and investments with a maturity of three months or less at year end.

Property and Equipment

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based upon a three year life for computer equipment and a seven year life for furniture.

Maintenance, repairs and renewals which neither materially add to the value of the property nor prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income. Generally, \$1,000 is the amount at which assets will be capitalized.

Intangibles

Intangibles consist of five promotional videos, leasehold improvements and capitalized website creation costs, which are being amortized over estimated useful lives of three, fifteen and three to five years, respectively, on the straight-line method.

Functional Allocation of Expenses

The costs of providing various programs and other activities are presented on a functional basis in the statements of revenues, expenses and other changes in net assets. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges, hours worked or payroll allocation.

Advertising Costs

Advertising costs are expensed as incurred.

Notes to Financial Statements

Note 2: Bank Deposits

At year end the Organization had \$1,201,285 on deposit in financial institutions, including \$506,867 in certificates of deposit at 1.00% to 1.75% interest. All deposits were covered by FDIC insurance.

Note 3: Property and Equipment Intangibles

Property and equipment and intangibles consist of the following:

	<u>2019</u>	<u>2018</u>
Property and Equipment		
Computer Equipment	\$ 27,174	\$ 26,174
Furniture	8,500	8,500
Accumulated Depreciation	<u>(27,297)</u>	<u>(21,424)</u>
	<u>\$ 8,377</u>	<u>\$ 13,250</u>
Intangibles		
Website	\$ 18,437	\$ 18,437
Promotional Videos	9,340	9,340
Leasehold Improvements	3,675	3,675
Accumulated Amortization	<u>(20,535)</u>	<u>(14,839)</u>
	<u>\$ 10,917</u>	<u>\$ 16,613</u>

Note 4: Contributed Goods and Services

Contributed goods, facilities and services are reported in the statements of revenues, expenses and other changes in net assets as both a source of revenue and a corresponding expense at estimated fair value.

	<u>2019</u>	<u>2018</u>
Contributed Goods and Services Revenues:		
Special Events Revenue	\$ 21,025	\$ 6,828
Donated Goods and Services	<u>23,779</u>	<u>62,157</u>
	<u>\$ 44,804</u>	<u>\$ 68,985</u>
Contributed Goods and Services Expenses:		
Facilities and Equipment Rental	\$ 11,474	\$ 30,771
Professional Fees	22,970	30,170
Food and Supplies	9,551	6,828
Grants and Financial Assistance	<u>809</u>	<u>1,216</u>
	<u>\$ 44,804</u>	<u>\$ 68,985</u>
Contributed Goods and Services used for:		
On Behalf of Veteran	\$ 23,229	\$ 30,836
Fund Raising	21,025	37,599
Management and General	<u>550</u>	<u>550</u>
	<u>\$ 44,804</u>	<u>\$ 68,985</u>

Notes to Financial Statements

Note 4: Contributed Goods and Services (Continued)

The Organization receives a significant amount of other donated services from volunteers who assist in its programs and fund raising in the furtherance of its purposes. No amounts have been recognized in the statement of revenues, expenses and other changes in net assets because they do not meet the criteria for recognition under professional standards issued by the Financial Accounting Standards Board.

Note 5: Net Assets With Donor Restrictions

The following is the breakdown of the amounts remaining in temporarily restricted net assets as of March 31:

	<u>2019</u>	<u>2018</u>
Veteran Emergency Financial Assistance	\$ 47,268	\$ -
Laptop Program	<u>-</u>	<u>165</u>
Total	<u>\$ 47,268</u>	<u>\$ 165</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Net assets released from restrictions:

	<u>2019</u>	<u>2018</u>
Direct Assistance to Veterans	\$ 152,732	\$ 10,000
Builders of Hope	-	26,252
Laptop Program	<u>165</u>	<u>-</u>
Total	<u>\$ 152,897</u>	<u>\$ 36,252</u>

Note 6: Office Space Lease

On February 27, 2019, the Organization entered into a lease for office space. The lease has a 12-month term ending March 31, 2020 at the rate of \$2,865 per month. Cash basis rent expense for the year ended March 31, 2019 was \$34,270.

Note 7: Tax-Exempt Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the tax years ending March 31: 2016, 2017, 2018 and 2019, are subject to examination by the IRS, generally for three years after their due date, including extensions. There are currently no audits in process.

Note 8: Concentration

For the year ended March 31, 2019 approximately 38% of the Organization's revenues were received from the total of two individual donors and one granting organization.

Notes to Financial Statements

Note 9: Subsequent Events

Management has evaluated material subsequent events from the balance sheet date of March 31, 2019 through the financial statement report date as shown on the independent auditor's report (page 2), the date which the financial statements were available to be issued. There were no subsequent events that required disclosure.