

UNITED AMERICAN PATRIOTS, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



**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, 2019 and 2018, 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, 2019 and 2018, 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  
February 10, 2021

**UNITED AMERICAN PATRIOTS, INC.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>Assets</u>	
	<u>2019</u>	(As Restated) <u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 271,989	\$ 525,033
Accounts receivable, net	-	113,465
Deposit	8,330	8,330
Total current assets	<u>280,319</u>	<u>646,828</u>
Property and Equipment:		
Office equipment	35,220	35,220
Vehicles	53,522	53,522
	<u>88,742</u>	<u>88,742</u>
Less accumulated depreciation	79,291	71,666
	<u>9,451</u>	<u>17,076</u>
Total assets	<u>\$ 289,770</u>	<u>\$ 663,904</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Accounts payable	\$ 82,419	\$ 28,967
Accrued expenses	19,080	-
Note payable, current	12,000	-
Capital lease, current portion	2,616	2,616
Total current liabilities	<u>116,115</u>	<u>31,583</u>
Non-Current Liabilities:		
Note payable, less current portion	128,060	-
Capital lease, less current portion	3,615	6,605
Total non-current liabilities	<u>131,675</u>	<u>6,605</u>
Total liabilities	<u>247,790</u>	<u>38,188</u>
Net Assets:		
Without donor restrictions	41,980	625,716
Total liabilities and net assets	<u>\$ 289,770</u>	<u>\$ 663,904</u>

**UNITED AMERICAN PATRIOTS, INC.**  
**Statements of Activities and Change in Net Assets**  
**Years Ended December 31, 2019 and 2018**

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	<u>2019</u>	(As Restated) <u>2018</u>
Revenue:		
Individual and business contributions	<u>\$ 2,868,425</u>	<u>\$ 4,506,988</u>
	<u>2,868,425</u>	<u>4,506,988</u>
Expenses:		
Program expenses	2,452,211	3,085,222
Fundraising expenses	628,033	1,169,681
Administrative expenses	378,707	569,846
	<u>3,458,951</u>	<u>4,824,749</u>
Other Income (Expense):		
Interest income	6,790	861
Loss on disposal of property and equipment	-	(14,836)
	<u>6,790</u>	<u>(13,975)</u>
Change in net assets	<b>(583,736)</b>	(331,736)
Net assets, beginning of year	<u>625,716</u>	<u>957,452</u>
Net assets, end of year	<u><b>\$ 41,980</b></u>	<u>\$ 625,716</u>

**UNITED AMERICAN PATRIOTS, INC.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2019 and 2018**

	2019				2018 (As Restated)			
	Program Expenses	Fundraising Expenses	Administrative Expenses	Total Expenses	Program Expenses	Fundraising Expenses	Administrative Expenses	Total Expenses
Payments to professional fundraising organization	\$ 1,166,284	\$ 499,836	\$ 245,187	\$ 1,911,307	\$ 1,843,445	\$ 1,023,181	\$ 337,998	\$ 3,204,624
Payments to warrior fund beneficiaries	878,631	-	-	878,631	848,391	-	-	848,391
Advocacy and case awareness	103,886	-	-	103,886	50,382	-	-	50,382
Salaries and benefits	236,037	85,128	65,781	386,946	237,330	85,930	85,930	409,190
Payroll taxes	11,920	4,299	3,322	19,541	8,148	2,950	2,950	14,048
Professional fees	-	-	36,591	36,591	-	-	108,611	108,611
Rent	34,250	9,242	10,873	54,365	16,263	5,888	5,888	28,039
Utilities	-	-	-	-	2,121	768	768	3,657
Depreciation	-	2,669	4,956	7,625	-	10,798	9,967	20,765
Insurance	1,538	1,538	769	3,845	2,269	2,269	1,135	5,673
Business registration fees, dues and memberships	-	15,186	-	15,186	-	8,661	-	8,661
Office expense	3,913	1,056	1,242	6,211	8,972	3,248	3,248	15,468
Travel and meetings	7,765	1,456	485	9,706	49,429	9,268	3,089	61,786
Postage and mailing	498	134	158	790	2,747	995	995	4,737
Bank fees and service charges	-	-	3,328	3,328	-	-	1,406	1,406
Bad debt expense	-	-	2,267	2,267	-	-	-	-
Other	7,489	7,489	3,748	18,726	15,725	15,725	7,861	39,311
Total expenses	<u>\$ 2,452,211</u>	<u>\$ 628,033</u>	<u>\$ 378,707</u>	<u>\$ 3,458,951</u>	<u>\$ 3,085,222</u>	<u>\$ 1,169,681</u>	<u>\$ 569,846</u>	<u>\$ 4,824,749</u>

**UNITED AMERICAN PATRIOTS, INC.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<u>2019</u>	(As Restated) <u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (583,736)	\$ (331,736)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Allowance for doubtful accounts	2,267	-
Depreciation	7,625	20,765
Loss on disposal of property and equipment	-	14,836
Loan receivable from employee netted against salaries	-	15,850
(Increase) decrease in:		
Accounts receivable	111,198	48,197
Employee advances	-	500
Deposit	-	(8,330)
Increase (decrease) in:		
Accounts payable	53,452	26,827
Accrued expenses	19,080	(4,344)
Net cash used in operating activities	<u>(390,114)</u>	<u>(217,435)</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(3,319)
Repayment of loan receivable from employee	-	200
Net cash used in investing activities	<u>-</u>	<u>(3,119)</u>
Cash flows from financing activities:		
Note payable	140,060	-
Payments on capital lease obligations	(2,990)	(2,616)
Net cash provided by (used in) financing activities	<u>137,070</u>	<u>(2,616)</u>
Decrease in cash and cash equivalents	(253,044)	(223,170)
Cash and cash equivalents, beginning of year	525,033	748,203
Cash and cash equivalents, end of year	<u>\$ 271,989</u>	<u>\$ 525,033</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. The Organization generates public awareness, provides funds for legal services, and assists in transition and reintegration into civilian society for 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, 2019 and 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 \$5,000. Depreciation is computed on a straight-line method over the estimated useful lives of the assets ranging from 5 to 10 years.

##### **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. As of December 31, 2019 and 2018, the allowance for doubtful accounts was \$2,267 and \$0, respectively.



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

### **Notes to Financial Statements**

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

##### **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. However, 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.

##### **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.

##### **Advertising**

Advertising costs are expensed as incurred. Advertising costs were \$69,525 and \$50,382 for the years ended December 31, 2019 and 2018, respectively.

##### **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 2019 or 2018.

##### **Reclassifications**

Certain prior year balances have been reclassified to conform to the current year presentation.

##### **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.

## UNITED AMERICAN PATRIOTS, INC.

### Notes to Financial Statements

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

##### **Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through February 10, 2021, which is the date the financial statements were available to be issued.

#### NOTE 2 - 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 3 - PROFESSIONAL FUNDRAISING SERVICE AGREEMENT

During 2019, the Organization had a direct mail fundraising agreement with a professional fundraising service organization to solicit contributions to support the Organization's charitable purpose. The professional fundraising service organization was paid \$105 per 1,000 direct mailing packages processed and a 20 percent rental of provided lists of contributors. The Organization terminated the agreement in May 2019 by giving 30 days written notice as required by the contract.

In June 2019, the Organization entered into a contract with a professional fundraising organization that stipulates that the Organization pay a flat monthly rate of \$3,500 plus costs incurred for postage and other direct costs. The Organization terminated the agreement in December 2019 by giving 30 days written notice as required by the contract.

Subsequent to year end, 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 \$95 per 1,000 direct mailing packages processed for the first 2 million pieces per year, \$85 per 1,000 direct mailing packages processed for the second 2 million pieces per year, and \$75 per 1,000 direct mailing packages processed after 4 million pieces per year, adjusted for inflation annually based on the Consumer price index. In addition, a 20% or 40% commission will be paid for standard list rentals based on their origin. The Organization may terminate the agreement by giving 90 days written notice at any time during the contract period which extends through December 31, 2039.

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 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 digital mail fundraising service organization and is currently providing these services in-house.

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

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## NOTE 4 - ALLOCATION OF JOINT COSTS

During the years ending December 31, 2019 and 2018, the Organization had direct mail and digital advertising fundraising agreements with professional fundraising service organizations. These activities included requests for contributions to support the Organization's charitable purpose, as well as program and administrative components. The costs of conducting those activities included a total of \$1,911,307 and \$3,204,624 of joint costs for the years ending December 31, 2019 and 2018, respectively, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2019</u>	<u>2018</u>
Program	\$ 1,166,284	\$ 1,843,445
Fundraising	499,836	1,023,181
Administrative	<u>245,187</u>	<u>337,998</u>
	<u>\$ 1,911,307</u>	<u>\$ 3,204,624</u>

## NOTE 5 - OPERATING LEASES

The Organization rents office space in Alexandria, VA under a lease agreement requiring monthly payments of \$5,015 through August 2020 and \$2,781 through August 2021. Minimum future rental payments under this lease are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 51,243
2021	<u>22,247</u>
	<u>\$ 73,490</u>

## NOTE 6 - NOTE PAYABLE

The Organization entered into an agreement with a professional fundraiser to pay outstanding balances due in the amount of \$140,060. Monthly payments of \$2,000 are due starting July 30, 2020.

Future maturities of the note payable are due as follows:

<u>Year Ending December 31,</u>	
2020	\$ 12,000
2021	24,000
2022	24,000
2023	24,000
2024	24,000
Thereafter	<u>32,060</u>
	<u>\$ 140,060</u>

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

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## NOTE 7 - 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>2019</u>	<u>2018</u>
Cost of equipment	\$ 13,734	\$ 13,734
Less accumulated amortization	<u>7,783</u>	<u>5,036</u>
	<u>\$ 5,951</u>	<u>\$ 8,698</u>

Minimum future lease payments are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 2,616
2021	2,616
2022	999
	<u>\$ 6,231</u>

## NOTE 8 - 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	\$ 280,319
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>\$ 280,319</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 9 - PRIOR PERIOD RESTATEMENT

The prior year financial statements included an error in the recording of accounts payable related to payments for warrior fund beneficiaries. In prior years, invoices received from attorneys were recorded as accounts payable when received and as expenses were incurred. However, as the amounts due to attorneys is the ultimate responsibility of the warrior fund applicant, and not the Organization, these amounts have been reversed. Therefore, the following changes have been made to previously reported numbers to correct this error.

	As previously reported	Restatement	As Restated
<b>Balance Sheet:</b>			
Accounts Payable	\$ 313,356	\$ (284,389)	\$ 28,967
Net Assets (without donor restrictions)	341,327	284,389	625,716
<b>Statement of Activities and Change in Net Assets:</b>			
Payments to warrior fund beneficiaries	\$ 1,066,952	\$ (218,561)	\$ 848,391
Change in net assets	(550,297)	218,561	(331,736)
Net assets, beginning of year	891,624	65,828	957,452
Net assets, end of year	341,327	284,389	625,716

## NOTE 10 - SUBSEQUENT EVENTS

Subsequent to year end, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. While the disruption is expected to be temporary, the extent of the impact of COVID-19 on our operational and financial performance will depend on the duration and spread of the virus, and its impact on our customers, employees and vendors all of which are uncertain.

In May 2020, the Company obtained a note from a financial institution under the Paycheck Protection Program established under the CARES Act (the "PPP Note") totaling \$53,212. Proceeds of the PPP Note may be used for the payment of payroll costs, qualifying rent, utilities and interest. A portion of the PPP Note equal to the qualifying uses of the proceeds during the 8- or 24-week period following the issuance of the note, may be eligible for forgiveness. Amounts, if any, that are not forgiven under the program are due in 2 years and bear interest at 1% annually.

In June 2020, the Company obtained an Economic Injury Disaster Loan from the U.S. Small Business Administration totaling \$150,000. Payments, including principal and interest, totaling \$641 are due monthly beginning June 2021 for thirty years. Interest of 2.75% will accrue annually. The loan is secured by all tangible property of the Organization.