

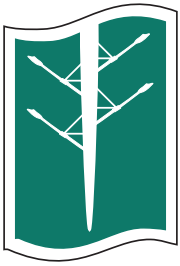
JOHNNY MAC SOLDIERS FUND, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

JOHNNY MAC SOLDIERS FUND, INC.

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FOR THE YEAR ENDED DECEMBER 31, 2018

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Murphy,
Edwards,
Goncalves
&
Ferrera, PC

*Certified Public Accountants
and Business Advisors*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Johnny Mac Soldiers Fund, Inc.

We have audited the accompanying financial statements of Johnny Mac Soldiers Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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 misstatement, whether due to fraud or error.

Auditors' 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.

INDEPENDENT AUDITORS' REPORT

(Continued)

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 Johnny Mac Soldiers Fund, Inc. as of December 31, 2018, 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 Johnny Mac Soldiers Fund, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statement in our report dated May 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Murphy, Edwards, Goncalves & Ferreira, PC

Southborough, Massachusetts
March 19, 2019

JOHNNY MAC SOLDIERS FUND, INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

(With Comparative Totals as of December 31, 2017)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents (Notes 2, 3 and 7)	\$ 1,090,596	\$ 826,844
Pledges Receivable (Notes 2, 3, 4 and 7)	1,386,443	13,870
Other Receivable	-	10,110
Prepaid Expenses	<u>28,840</u>	<u>9,659</u>
Total Current Assets	2,505,879	860,483
OTHER ASSET:		
Investments (Notes 3, 5 and 7)	<u>392,470</u>	<u>732,825</u>
TOTAL ASSETS	<u><u>\$ 2,898,349</u></u>	<u><u>\$ 1,593,308</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 806,000	\$ -
Accrued Expenses	1,475	-
Deferred Revenue	<u>500</u>	<u>-</u>
Total Current Liabilities	807,975	-
NET ASSETS:		
Without Donor Restrictions (Note 2)	<u>2,090,374</u>	<u>1,593,308</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,898,349</u></u>	<u><u>\$ 1,593,308</u></u>

See Independent Auditors' Report and Accompanying Notes to the Financial Statements

JOHNNY MAC SOLDIERS FUND, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUE:		
Support:		
Contributions	\$ 2,849,883	\$ 3,421,394
Special Event Revenues, including		
In-Kind Contributions (Note 2)	2,735,409	1,967,668
Direct Special Event Costs, including		
In-Kind Expenses (Note 2)	<u>(453,296)</u>	<u>(302,753)</u>
Net Special Event Revenues (Note 7)	<u>2,282,113</u>	<u>1,664,915</u>
Other In-Kind Contributions (Note 2)	197,645	203,978
Revenue:		
Other Income	6,571	3,332
Net Investment Return (Note 5)	<u>(17,418)</u>	<u>38,551</u>
TOTAL SUPPORT AND REVENUE	<u>5,318,794</u>	<u>5,332,170</u>
FUNCTIONAL EXPENSES: (Note 2)		
Program Services	<u>4,372,033</u>	<u>4,388,354</u>
Support Services:		
General and Administrative	78,720	144,888
Fundraising	<u>370,975</u>	<u>299,462</u>
Total Support Services	<u>449,695</u>	<u>444,350</u>
TOTAL FUNCTIONAL EXPENSES	<u>4,821,728</u>	<u>4,832,704</u>
INCREASE IN NET ASSETS	497,066	499,466
NET ASSETS - BEGINNING	<u>1,593,308</u>	<u>1,093,842</u>
NET ASSETS - ENDING	<u><u>\$ 2,090,374</u></u>	<u><u>\$ 1,593,308</u></u>

See Independent Auditors' Report and Accompanying Notes to the Financial Statements

JOHNNY MAC SOLDIERS FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	SUPPORT SERVICES				
	Program Services	General & Administrative	Fund- Raising	Total 2018	Total 2017
Salaries	\$ 97,525	\$ 37,825	\$ 97,525	\$ 232,875	\$ 164,167
Payroll Taxes	6,338	2,124	6,338	14,800	10,267
Employee Benefits (Note 6)	<u>17,683</u>	<u>7,383</u>	<u>17,683</u>	<u>42,749</u>	<u>42,500</u>
Total Payroll and Related Expenses	121,546	47,332	121,546	290,424	216,934
Grants	4,238,500	-	-	4,238,500	4,343,400
Direct Special Events	-	-	453,296	453,296	302,753
In-Kind Marketing (Note 2)	-	-	176,799	176,799	181,250
Office Supplies and Expenses	1,539	1,576	52,444	55,559	33,733
In-Kind Professional Fees (Note 2)	-	20,000	-	20,000	21,512
Travel	3,013	475	12,048	15,536	5,278
Professional Fees	3,687	3,619	7,306	14,612	6,825
Insurance	724	3,099	724	4,547	3,082
Advertising and Marketing (Note 2)	2,918	-	-	2,918	3,286
Licenses and Fees	-	1,445	-	1,445	1,500
In-Kind Meeting Costs (Note 2)	-	846	-	846	1,216
Miscellaneous	106	328	108	542	1,395
Amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,293</u>
Total Expenses	4,372,033	78,720	824,271	5,275,024	5,135,457
Less Items Included Within the Statement of Activities:					
Direct Special Events	<u>-</u>	<u>-</u>	<u>(453,296)</u>	<u>(453,296)</u>	<u>(302,753)</u>
Total Functional Expenses	<u>\$ 4,372,033</u>	<u>\$ 78,720</u>	<u>\$ 370,975</u>	<u>\$ 4,821,728</u>	<u>\$ 4,832,704</u>

See Independent Auditors' Report and Accompanying Notes to the Financial Statements

JOHNNY MAC SOLDIERS FUND, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 497,066	\$ 499,466
Adjustments to Reconcile the Above to		
Net Cash Provided (Used) by Operating Activities:		
Amortization	-	13,293
(Gain) Loss on Sale of Investments	(790)	207
Unrealized (Gain) Loss on Sale of Investments	45,715	(22,912)
Uncollectible Pledges Receivable	(14,869)	12,200
Changes in Current Assets and Liabilities:		
Pledges Receivable	(1,387,442)	(17,970)
Other Receivable	10,110	(10,110)
Prepaid Expenses	(19,181)	(6,024)
Accounts Payable	806,000	-
Accrued Expenses	1,475	-
Deferred Revenue	500	(25,000)
Net Cash Provided (Used) by Operating Activities	<u>(61,416)</u>	<u>443,150</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of Investments	398,550	-
Purchases of Investments	<u>(73,382)</u>	<u>(190,973)</u>
Net Cash Provided (Used) by Investing Activities	<u>325,168</u>	<u>(190,973)</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	 263,752	 252,177
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>826,844</u>	 <u>574,667</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 1,090,596</u></u>	 <u><u>\$ 826,844</u></u>

See Independent Auditors' Report and Accompanying Notes to the Financial Statements

JOHNNY MAC SOLDIERS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Johnny Mac Soldiers Fund, Inc. is a nonprofit corporation located in Ashburn, Virginia which provides information, scholarships, educational assistance, and other services to persons who are veterans, or who are children or spouses of veterans, of the United States Army, Navy, Marines, Air Force or Coast Guard who are in financial need. The Organization also provides financial support to educational institutions and other charitable organizations whose purposes are similar. The Organization is funded primarily by donations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset classes follows:

Without Donor Restriction - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

With Donor Restriction - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time or which are subject to donor-imposed restrictions such that they be maintained permanently by the Organization.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU changes the terminology used to describe net assets to *net assets with donor restrictions and net assets without donor restrictions*. Not-for profits are also required to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations.

JOHNNY MAC SOLDIERS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncement (Continued)

In addition, new disclosures are required to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. The Organization adopted the provisions of the new ASU during the year ended December 31, 2018, and has retrospectively applied the standards to the year ending December 31, 2017. The retrospective application had no effect on the 2017 increase in net assets.

Summarized Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not in sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the prior year, from which the summarized totals were derived.

Cash and Cash Equivalents

Johnny Mac Soldiers Fund, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Pledges receivable are unsecured amounts due to the Organization based on unconditional promises to give made by various donors. Pledges receivable are reported at fair value in the period the promise to give is made and are carried at their estimated collectible amounts. Pledges are periodically evaluated by management for collectability. Provisions for losses on pledges receivable are determined on the basis of loss experience, risk in the pledge balances, and current economic conditions. Losses on pledges incurred in 2018 totaled \$14,869 and are included in direct special event costs.

JOHNNY MAC SOLDIERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable (Continued)

Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills and are performed by people with those skills and would otherwise be purchased. Johnny Mac Soldiers Fund, Inc. received the services of attorneys for various consultations, marketing and printing professionals for internet presence, promotional materials, brand development and related monitoring. The value of those services is included in the financial statements and is comprised as noted below.

Legal Services	\$ 20,000
Marketing	176,799
Printing	21,124
Meeting Costs	<u>846</u>
Total	<u>\$ 218,769</u>

Other donated services received that do not meet the criteria for recognition, include a substantial number of volunteers who have donated significant amounts of time on behalf of Johnny Mac Soldiers Fund, Inc.

Donor Restrictions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions. If restrictions over contributions are met in the same reporting period as earned, the Organization reports such contributions as unrestricted support.

JOHNNY MAC SOLDIERS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$2,918 for the year ended December 31, 2018.

Allocation of Functional Expenses

Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative 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.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Johnny Mac Soldiers Fund, Inc. is incorporated under the laws of the Commonwealth of Massachusetts. The Organization qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization had no unrelated business income in 2018. Accordingly, no provision for income taxes is required.

JOHNNY MAC SOLDIERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Under the *Income Taxes* accounting standard, an organization should recognize the tax benefit associated with uncertain tax positions taken for tax return purposes only when it is more likely than not the position will be sustained. Management does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits, interest or penalties. Tax years 2015 through 2018 are currently open for examination by taxing authorities.

Subsequent Events

Management has evaluated subsequent events through March 19, 2019, the date the financial statements were available to be issued. No significant subsequent events have been identified by management.

NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's primary source of support is contributions. The Organization has a policy to manage its liquidity and reserves by following three principal guidelines, which include operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term goals and obligations will be met. The following reflects the Organization's financial assets as of December 31, 2018. Investments are generally held for long-term purposes but may be approved for use in the short term, if needed.

Cash and Cash Equivalents	\$ 1,090,596
Pledges Receivable, to be Collected in Less Than One Year	1,386,443
Investments	<u>392,470</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 2,869,509</u>

JOHNNY MAC SOLDIERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE 4 PLEDGES RECEIVABLE

As of December 31, 2018, pledges receivable consist of promises to give by various donors. The collection of pledges is expected as follows:

Due within one year	<u>\$ 1,386,443</u>
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During the year ended December 31, 2018, the Organization received a donor commitment stating that \$7.50 from each sale of the donor's passenger vehicles sold in the United States in 2018 and 2019 would be donated. The donation is not to exceed \$2.5 million in either year. As the amount of the 2018 donation was determinable by the date of these financial statements, the 2018 portion of this conditional pledge has been recognized as contributions in the amount of \$2,307,420. The 2019 portion of this pledge has not been recognized based on the conditional nature of the pledge.

NOTE 5 INVESTMENTS AND FAIR VALUE

The Organization carries investments with readily determinable values at quoted market prices, as of the balance sheet date, in accordance with the *Investments – Debt and Equity Securities* standard for not-for-profit entities.

In accordance with the *Fair Value Measurement* standard, the Organization measures its investments at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices for identical or similar assets in inactive markets, and Level 3 inputs have the lowest priority. The inputs and methodology used for valuing the Organization's investments are not indicators of the risks associated with those instruments. Mutual funds are valued based on the net asset values of the underlying funds.

JOHNNY MAC SOLDIERS FUND, INC.
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

NOTE 5 INVESTMENTS AND FAIR VALUE (Continued)

The following table provides fair value measurement information for financial assets measured at fair value on a recurring basis as of December 31, 2018:

	Level 1	Total
Mutual Funds	\$ 262,869	\$ 262,869
Cash & Cash Equivalents	<u>129,601</u>	<u>129,601</u>
Total Market Value	<u>\$ 392,470</u>	<u>\$ 392,470</u>

The Organization's investment performance during the year ended December 31, 2018 consists of:

Investment Income	\$ 27,507	
Realized Gain	790	
Unrealized Loss	<u>(45,715)</u>	
Net Investment Return	<u>\$ (17,418)</u>	

NOTE 6 EMPLOYEE BENEFIT PLAN

The Organization has a qualified defined contribution plan to which it contributed \$42,749 for the benefit of its employees.

NOTE 7 CONCENTRATIONS OF RISK

Cash balances are primarily maintained at one bank and have periodically exceeded the Federal Deposit Insurance Corporation (FDIC) coverage limit. At December 31, 2018, the uninsured cash balance is \$923,932. The Organization has not experienced any losses in such accounts.

The Organization has significant investments in equity funds, and is therefore subject to risk. Investments are managed by one primary investment manager engaged by the Organization. Though the market value of investments is subject to fluctuations,

JOHNNY MAC SOLDIERS FUND, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Continued)

management believes the investment policy is prudent for the long-term welfare of

NOTE 7 CONCENTRATIONS OF RISK (Continued)

the Organization.

Three of the fundraising events held by Johnny Mac Soldiers Fund, Inc. during 2018 generated 31% of the Organization's revenue for the year, and one donor provided 43% of the Organization's support for the year.

A pledge receivable from one donor represents 91% of the pledges receivable balance. The amount pledged from this donor was received on March 12, 2019.