

HIRE HEROES USA, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Directors of Hire Heroes USA, Inc.

We have audited the accompanying financial statements of Hire Heroes USA, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, 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 of 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 auditors' 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 Hire Heroes USA, Inc. as of December 31, 2019, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Smith & Howard

September 10, 2020

HIRE HEROES USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Assets	
Cash and cash equivalents	\$ 4,725,509
Grants receivable	900,167
Prepaid expenses	65,783
Other assets	29,810
Property and equipment, net	<u>41,598</u>
	<u>\$ 5,762,867</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 118,568
Accrued expenses	536,680
Deferred revenue	<u>2,233,052</u>
Total Liabilities	<u>2,888,300</u>
Net Assets	
Without donor restrictions	376,851
With donor restrictions	<u>2,497,716</u>
	<u>2,874,567</u>
	<u>\$ 5,762,867</u>

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

HIRE HEROES USA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions, Receipts and Other Support			
Grants	\$ 5,211,962	\$ 540,000	\$ 5,751,962
Corporate contributions	910,077	-	910,077
Special events	616,340	-	616,340
Less costs of events	(141,084)	-	(141,084)
Individual contributions	626,798	-	626,798
Foundations	245,958	-	245,958
Job board posting revenue	173,776	-	173,776
Other revenue	51,243	-	51,243
Investment income	32,426	-	32,426
Net assets released from restriction	<u>2,106,808</u>	<u>(2,106,808)</u>	<u>-</u>
	<u>9,834,304</u>	<u>(1,566,808)</u>	<u>8,267,496</u>
Expenses			
Program activities	9,434,472	-	9,434,472
Management and general	835,167	-	835,167
Fundraising	465,522	-	465,522
	<u>10,735,161</u>	<u>-</u>	<u>10,735,161</u>
Change in Net Assets	(900,857)	(1,566,808)	(2,467,665)
Reclassification of Net Assets Based on Clarification of Donor Intent (Note 6)	<u>876,414</u>	<u>(876,414)</u>	<u>-</u>
Net Assets, Beginning of Year	<u>401,294</u>	<u>4,940,938</u>	<u>5,342,232</u>
Net Assets, End of Year	<u>\$ 376,851</u>	<u>\$ 2,497,716</u>	<u>\$ 2,874,567</u>

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

HIRE HEROES USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, other compensation and benefits	\$ 7,079,886	\$ 717,738	\$ 393,598	\$ 8,191,222
Professional fees and services	379,024	32,867	18,024	429,915
Office expenses	409,872	30,785	16,892	457,549
Development	162,321	17,507	10,343	190,171
Professional development	24,382	2,068	1,134	27,584
Travel	282,393	15,673	10,567	308,633
Marketing and communications	20,716	1,918	1,886	24,520
Program expenses	719,685	-	-	719,685
Facilities	330,251	13,811	11,497	355,559
Miscellaneous	5,688	618	339	6,645
Depreciation	20,254	2,182	1,242	23,678
Special events - costs of events	<u>-</u>	<u>-</u>	<u>141,084</u>	<u>141,084</u>
 Total functional expenses	 <u>9,434,472</u>	 <u>835,167</u>	 <u>606,606</u>	 <u>10,876,245</u>
 Expenses included with revenues on the statement of activities				
 Special events - costs of events	 <u>-</u>	 <u>-</u>	 <u>(141,084)</u>	 <u>(141,084)</u>
 Total expenses included in the expense section on the statement of activities	 <u>\$ 9,434,472</u>	 <u>\$ 835,167</u>	 <u>\$ 465,522</u>	 <u>\$ 10,735,161</u>

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

HIRE HEROES USA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (2,467,665)
Adjustments to Reconcile Change in Net Assets	
Assets to Net Cash Used in Operating Activities:	
Depreciation	23,678
(Increase) decrease in operating assets	
Grants receivable	1,635,640
Contributions receivable	167,650
Accounts receivable	100,706
Prepaid expenses	(56,852)
Other assets	(617)
Increase (decrease) in operating liabilities	
Accounts payable	24,446
Accrued expenses	(136,102)
Deferred revenue	<u>398,015</u>
Net Cash Used in Operating Activities	<u>(311,101)</u>
Net Decrease in Cash and Cash Equivalents	(311,101)
Cash and Cash Equivalents at Beginning of Year	<u>5,036,610</u>
Cash and Cash Equivalent at End of Year	<u><u>\$ 4,725,509</u></u>

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

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – NATURE OF ORGANIZATION

Hire Heroes USA, Inc. (the “Organization”) is a mission-focused, 501(c)(3) not-for-profit organization incorporated in the State of Missouri on September 27, 1990 originally as Health Careers Foundation. The Organization formerly changed its name on April 19, 2010.

The Organization empowers U.S. military members, veterans and spouses to succeed in the civilian workforce. As a 501(c)(3) not-for-profit organization, the Organization’s services are provided at no cost to the veteran. Hire Heroes USA, Inc. relies almost exclusively on public and private donations to support its work.

In 2015, the Organization received funding for a peer reviewed study called the Independence Project. The purpose of the study is to pioneer alternatives to dependence for Veterans with disabilities. For internal financial reporting purposes, the Organization considers the Independence Project a separate division.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

Hire Heroes USA, Inc. classifies its net assets and revenues and expenses, gains and losses based on the existence or absence of donor-imposed 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 restrictions and may be expanded for any purpose in performing the primary objective of the Organization. These net assets may be used at the discretion of management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

New Accounting Standard

Effective January 1, 2019, the Organization adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2018-08, "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*". The amendments in this update provide a framework for evaluating whether the transfer of assets constitutes a contribution or an exchange transaction. This amendment also provides additional clarification as to whether or not a contribution is conditional. The adoption of the ASU did not have a material impact on the Organization's financial position, results of operations and cash flows as of and for the year ended December 31, 2019.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in these financial statements. Actual results may differ from these estimates.

Financial Instruments

The financial instruments shown as assets and liabilities in the statements of financial position are traditional in nature. The carrying value of cash and cash equivalents and all other financial instruments, including payables, approximate their fair value.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. There were no contributions receivable at December 31, 2019.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation, with the exception of donated items, which are stated at fair market value at the date of donation. Expenditures for renewals and improvements are capitalized. Expenditures such as maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed as incurred. The cost and related accumulated depreciation are removed from the accounts for equipment sold or retired. The Organization currently has a capitalization threshold of \$5,000. Acquisitions that have an estimated useful life greater than one year are capitalized and are depreciated on the straight-line basis using useful lives ranging from five to ten years.

Property and equipment consists of the following at December 31, 2019:

Computer equipment	\$ 72,016
Furniture and fixtures	38,957
Less accumulated depreciation	<u>(69,375)</u>
	<u>\$ 41,598</u>

Contributed Services and Materials

Donated services and materials are recognized as revenue at their fair values in the period received.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and grants receivable. The Organization places its cash and cash equivalents and investments with high quality credit institutions. The Organization's cash balances, at times, may be in excess of federally insured limits. Management continually monitors receivable balances and believes that its exposure to receivables credit risk is limited. If liquidity issues arise in the global credit and capital markets, it is at least reasonably possible that these changes in risks could materially affect the amounts reported in the accompanying financial statements.

Income Taxes

Hire Heroes USA, Inc. is a not-for-profit organization which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes ("Topic 740") of the FASB's Accounting Standards Codification. The Organization does not believe it has any uncertain tax positions as of December 31, 2019.

In the normal course of business, the Organization is subject to examination by the federal and state taxing authorities. In general, the Organization is no longer subject to tax examinations for tax years ending before December 31, 2016.

Functional Expenses

The costs of providing the Organization's various programs and other activities are tracked on a functional basis. Expenses are charged directly to program, management and general or fundraising based on a combination of specific identification and allocation by management. Accordingly, certain costs have been allocated between program and supporting services benefited.

**HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents Hire Heroes USA, Inc.'s financial assets at December 31, 2019, reduced by amounts not available for expenditure within one year.

Financial assets:

Cash and cash equivalents	\$ 4,725,509
Grants receivable	900,167
Donor-imposed restrictions	<u>(2,497,716)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,127,960</u>
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The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of liquidity management, the Organization monitors the status and collectability of contributions receivable. Grants and contributions are solicited on a regular basis to increase support and revenue. In addition, during 2020, the Organization obtained a line of credit with a financial institution which can be used to finance short term working capital needs.

NOTE 4 – COMMITMENTS

The Organization leases office space in Alpharetta, GA, San Diego, CA, Colorado Springs, CO, Cary, NC, Lakewood, WA, and Boise, ID under non-cancellable operating leases. The lease agreements required the Organization to make rental payments on a monthly basis. The following is a schedule of annual future minimum payments required under the leases for the years ending December 31:

2020	\$ 304,164
2021	290,203
2022	<u>139,930</u>
	<u>\$ 734,297</u>

Rent expense was approximately \$295,000 for the year ended December 31, 2019.

**HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 – RETIREMENT PLAN

The Organization provides a 401(k) plan for its eligible employees. The Organization matches employee contributions at 100% up to the first 4% of their annual earnings. The plan stipulates that the Organization has discretion to discontinue matching contributions at any time. Contributions for the year ended December 31, 2019 was approximately \$189,000.

NOTE 6 – NET ASSETS

Net assets with donor restrictions were as follow for the year ended December 31, 2019:

Career Readiness	\$ 72,621
Increase Idaho Career and Event Support	767,133
Time Restricted	240,000
Veteran Employment Assistance	336,088
Veteran Transition Assistance & Mentorship	<u>1,081,874</u>
	<u>\$ 2,497,716</u>

Net assets with donor restrictions released from restrictions were as follows for the year ended December 31, 2019:

Career Readiness	\$ 47,909
Increase Idaho Career and Event Support	272,523
Time Restricted	97,560
Transition Specialists Staffing	52,885
Veteran Employment Assistance	313,912
Veteran Transition Assistance & Mentorship	<u>1,322,019</u>
	<u>\$ 2,106,808</u>

During 2019, the Organization identified net assets previously reflected as net assets with donor restrictions totaling \$876,414 in 2018 were more appropriately reflected as net assets without donor restrictions and reclassified those based on clarification of donor intent.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued.

In March 2020, the novel coronavirus ("COVID-19") was declared a pandemic by the World Health Organization. The Organization's normal business operations have been affected by COVID-19 since December 31, 2019. The overall financial impact cannot be determined through the date of this report; however, it is reasonably possible that changes in risks in the near term could occur which could result in a material change to the financial statements. Management of the Organization considers this risk to be remote.

In May 2020, the Organization obtained a \$1,564,642 Small Business Administration ("SBA") loan under the Paycheck Protection Program ("PPP"). The Organization may apply for forgiveness of the PPP loan proceeds that are used within a specified timeframe on payroll and other expenses as outlined by the Coronavirus Aid, Relief, and Economic Securities Act (the "CARES Act") and the Paycheck Protection Program Flexibility Act ("PPPFA"). The Organization expects to meet the PPP's eligibility criteria for forgiveness of the loan.

During 2020, the Organization entered into a line of credit agreement with a financial institution which allows for maximum borrowings under this line of credit are \$1,000,000. Borrowings bear interest at LIBOR plus 2.50%. This line of credit matures in March 2021.