

HIRE HEROES USA, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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, 2020, 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, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Smith & Howard

April 6, 2021

HIRE HEROES USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

Assets	
Cash and cash equivalents	\$ 5,924,050
Grants and contributions receivable	2,079,929
Prepaid expenses	110,163
Other assets	37,351
Property and equipment, net	<u>19,808</u>
	<u>\$ 8,171,301</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 2,688
Accrued expenses	903,894
Deferred revenue	<u>5,417,979</u>
Total Liabilities	<u>6,324,561</u>
Net Assets	
Without donor restrictions	535,854
With donor restrictions	<u>1,310,886</u>
	<u>1,846,740</u>
	<u>\$ 8,171,301</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions, Receipts and Other Support			
Contributions and grants	\$ 7,093,227	\$ 745,000	\$ 7,838,227
Paycheck protection program grant (Note 2)	1,564,642	-	1,564,642
Service revenues	264,012	-	264,012
Ancillary income	17,430	-	17,430
Interest income	5,046	-	5,046
Net assets released from restriction	<u>1,931,830</u>	<u>(1,931,830)</u>	<u>-</u>
	<u>10,876,187</u>	<u>(1,186,830)</u>	<u>9,689,357</u>
Expenses			
Program activities	9,322,980	-	9,322,980
Management and general	883,580	-	883,580
Fundraising	<u>510,624</u>	<u>-</u>	<u>510,624</u>
	<u>10,717,184</u>	<u>-</u>	<u>10,717,184</u>
 Change in Net Assets	 159,003	 (1,186,830)	 (1,027,827)
 Net Assets, Beginning of Year	 <u>376,851</u>	 <u>2,497,716</u>	 <u>2,874,567</u>
 Net Assets, End of Year	 <u>\$ 535,854</u>	 <u>\$ 1,310,886</u>	 <u>\$ 1,846,740</u>

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

HIRE HEROES USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, other compensation and benefits	\$ 7,643,114	\$ 796,158	\$ 406,925	\$ 8,846,197
Program expenses	469,990	-	-	469,990
Office expenses	323,666	30,655	16,824	371,145
Facilities	338,019	13,863	11,664	363,546
Computer software	205,444	12,221	6,702	224,367
Professional fees and services	214,316	19,630	10,765	244,711
Development	51,817	5,608	3,200	60,625
Events	-	-	50,600	50,600
Travel	31,188	1,172	1,253	33,613
Depreciation	18,652	2,026	1,111	21,789
Professional development	18,782	1,593	874	21,249
Marketing and communications	7,992	654	706	9,352
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 9,322,980</u>	<u>\$ 883,580</u>	<u>\$ 510,624</u>	<u>\$ 10,717,184</u>

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

HIRE HEROES USA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (1,027,827)
Adjustments to Reconcile Change in Net Assets	
Assets to Net Cash Provided by Operating Activities:	
Depreciation	21,790
Changes in assets and liabilities:	
Grants and contributions receivable	(1,179,762)
Prepaid expenses	(44,380)
Other assets	(7,541)
Accounts payable	(115,880)
Accrued expenses	367,214
Deferred revenue	<u>3,184,927</u>
Net Cash Provided by Operating Activities	<u>1,198,541</u>
Net Increase in Cash and Cash Equivalents	1,198,541
Cash and Cash Equivalents at Beginning of Year	<u>4,725,509</u>
Cash and Cash Equivalent at End of Year	<u>\$ 5,924,050</u>

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

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 beneficiaries. The Organization relies almost exclusively on public and private donations to support its work.

In 2015, the Organization began receiving 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

The Organization 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. There were no donor restricted net assets of a perpetual nature at December 31, 2020.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Acquisitions that are greater than \$5,000 and 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, 2020:

Computer equipment	\$ 72,016
Furniture and fixtures	<u>38,957</u>
	110,973
Less: accumulated depreciation	<u>(91,165)</u>
	<u><u>\$ 19,808</u></u>

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions and Grants

Contributions and grants (including unconditional promises to give, i.e., pledges) are recognized as revenue in the year they are received or pledged, with allowances provided for pledges estimated to be uncollectible. Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges 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. Amortization of the discounts on unconditional pledges is included in contributions in the accompanying statement of activities and changes in net assets. Conditional pledges, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Management routinely monitors the collectability of grants and contributions receivable and has deemed no allowance for uncollectible amounts necessary at December 31, 2020.

The Organization recognizes contributions and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and presented in the accompanying statement of activities and changes in net assets as net assets released from restrictions.

A portion of the Organization's revenue is derived contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met targeted goals and/or incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to achieving these targeted goals and/or incurring qualifying expenditures are reported as deferred revenue in the accompanying statement of financial position. At January 1, 2020, deferred revenue totaled \$2,233,052.

Paycheck Protection Program

In April 2020, the Organization obtained a Small Business Administration ("SBA") loan under the Paycheck Protection Program ("PPP") totaling \$1,564,642. The PPP loan bears interest at 1.00% and may require repayment under certain circumstances. Under the terms of Coronavirus Aid, Relief, and Economic Securities Act (the "Cares Act"), the Organization may apply with its lending institution for PPP loan proceeds used within a specified time period to be forgiven, provided the proceeds are used to cover certain payroll and other expenses as defined by the Cares Act.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Paycheck Protection Program (Continued)

During 2020, the Organization utilized all PPP funding on qualifying expenses and accordingly has recorded as grant revenue within the statement of activities and changes in net assets for the full amount. In October 2020, the Organization applied for PPP forgiveness with its SBA lender and was notified in February 2021 that the SBA approved its application and the loan has been forgiven.

Contributed Services and Materials

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

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.

Risk and Uncertainties

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and grants and contributions 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.

The Organization has experienced a disruption of normal business operations caused from COVID-19 since during 2020 and subsequent to December 31, 2020. 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.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization 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, 2020.

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, 2017.

NOTE 3 – LINE OF CREDIT

During 2020, the Organization entered into a line of credit agreement with a financial institution which allows for maximum borrowings of \$1,000,000. Borrowings bear interest at LIBOR plus 2.50% (an effective rate of 2.65% at December 31, 2020) and mature on May 31, 2021, at which time the line of credit will be evaluated for renewal. There were no outstanding borrowings at December 31, 2020.

NOTE 4 – 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, 2020 was approximately \$161,000.

NOTE 5 – NET ASSETS

Net assets with donor restrictions were as follows at December 31, 2020:

Career readiness	\$ 50,023
Idaho career and event support	495,863
Time restricted	<u>765,000</u>
	<u>\$ 1,310,886</u>

**HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 – NET ASSETS (Continued)

Net assets with donor restrictions released from restrictions were as follows for the year ended December 31, 2020:

Career readiness	\$ 22,598
Idaho career and event support	271,270
Time restricted	220,000
Veteran employment assistance	336,088
Veteran transition assistance and mentorship	<u>1,081,874</u>
	<u>\$ 1,931,830</u>

NOTE 6 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at December 31, 2020, reduced by amounts not available for expenditure within one year.

Cash and cash equivalents	\$ 5,924,050
Grants and contributions receivable	<u>2,079,929</u>
Total financial assets	8,003,979
Less those unavailable for general expenditures within one year due to:	
Donor imposed restrictions	<u>(1,310,886)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,693,093</u>

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 grants and contributions receivable. Grants and contributions are solicited on a regular basis to increase support and revenue. Additionally, the Organization can draw upon its line of credit discussed in Note 3 if to finance short term working capital needs.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7 – 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:

2021	\$ 290,203
2022	<u>139,930</u>
	<u>\$ 430,133</u>

Rent expense was approximately \$316,000 for the year ended December 31, 2020.

NOTE 8 – SUBSEQUENT EVENT

In March 2021, the Organization obtained a SBA loan under the second round of PPP in the amount of \$1,602,027. The PPP loan bears interest at 1% and will follow the repayment terms outlined by the CARES Act and Payroll Protection Program Flexibility Act (“PPPFA”). The Organization may apply for PPP loan proceeds to be forgiven with its lending institution, provided the proceeds are used within a specified timeframe to cover certain payroll and other expenses as outlined in the CARES Act and the PPPFA. Initial repayments of the loan amount are deferred until the date the SBA remits the loan forgiveness funds to the lending institution, or until 16 months after the end of the forgiveness covered period if the Organization does not apply for forgiveness. The loan matures March 2026; the PPPFA allows the maturity date to be extended from a 2-year period from loan origination to a 5 year period from loan origination subject to approval by the lending institution.