

HIRE HEROES USA, INC.

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

**Board of Directors of
Hire Heroes USA, Inc.**

Opinion

We have audited the accompanying financial statements of Hire Heroes USA, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date of this report.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Smith and Howard PC

April 12, 2023

HIRE HEROES USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Assets

Cash and cash equivalents	\$ 6,542,076
Investments	10,168,464
Grants and contributions receivable	996,729
Prepaid expenses	342,391
Other assets	40,998
Right-of-use assets - operating leases	<u>666,405</u>
	<u><u>\$ 18,757,063</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 69,969
Accrued expenses	1,546,595
Deferred revenue	2,824,216
Operating lease liabilities	<u>708,066</u>
	<u><u>5,148,846</u></u>

Net Assets

Without donor restrictions	12,589,547
With donor restrictions	<u>1,018,670</u>
	<u><u>13,608,217</u></u>
	<u><u>\$ 18,757,063</u></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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions, Receipts and Other Support			
Contributions and grants	\$ 21,660,237	\$ 1,408,480	\$ 23,068,717
Contributed services and materials	389,930	-	389,930
Service revenues	485,297	-	485,297
Ancillary income	194,692	-	194,692
Investment income, net	104,745	-	104,745
Net assets released from restriction	<u>1,022,683</u>	<u>(1,022,683)</u>	<u>-</u>
	<u>23,857,584</u>	<u>385,797</u>	<u>24,243,381</u>
Expenses			
Program activities	12,228,920	-	12,228,920
Management and general	1,110,920	-	1,110,920
Fundraising	<u>804,391</u>	<u>-</u>	<u>804,391</u>
	<u>14,144,231</u>	<u>-</u>	<u>14,144,231</u>
Change in Net Assets	9,713,353	385,797	10,099,150
Net Assets, Beginning of Year	1,396,834	2,112,233	3,509,067
Reclassifications (Note 5)	<u>1,479,360</u>	<u>(1,479,360)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 12,589,547</u>	<u>\$ 1,018,670</u>	<u>\$ 13,608,217</u>

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

HIRE HEROES USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, other compensation and benefits	\$ 9,763,747	\$ 936,868	\$ 586,954	\$ 11,287,569
Program expenses	23,474	-	-	23,474
Office expenses	368,792	36,442	29,547	434,781
Facilities	359,936	15,638	12,486	388,060
Computer software	458,910	27,298	14,970	501,178
Professional fees and services	470,371	37,929	20,800	529,100
Development	147,485	16,018	8,817	172,320
Events	-	-	72,420	72,420
Travel	206,443	8,042	9,111	223,596
Bad debt expense	-	-	15,000	15,000
Online store	4,949	524	349	5,822
Depreciation	3,835	417	229	4,481
Professional development	58,253	4,942	2,710	65,905
Marketing and communications	362,725	26,802	30,998	420,525
	<u>\$ 12,228,920</u>	<u>\$ 1,110,920</u>	<u>\$ 804,391</u>	<u>\$ 14,144,231</u>

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

HIRE HEROES USA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities:	
Change in Net Assets	\$ 10,099,150
Adjustments to Reconcile Change in Net Assets	
Assets to Net Cash Provided by Operating Activities:	
Unrealized gains on investments	(70,162)
Bad debts	15,000
Depreciation	4,481
Lease expense	119,465
Operating lease payments	(77,804)
Changes in assets and liabilities:	
Grants and contributions receivable	(266,012)
Prepaid expenses	(242,517)
Other assets	35,491
Accounts payable	13,563
Accrued expenses	543,715
Deferred revenue	<u>(447,880)</u>
Net Cash Provided by Operating Activities	<u>9,726,490</u>
Cash Flows From Investing Activities:	
Purchases of investments	<u>(10,098,302)</u>
Net Cash Required by Investing Activities	<u>(10,098,302)</u>
Net Decrease in Cash and Cash Equivalents	(371,812)
Cash and Cash Equivalents at Beginning of Year	<u>6,913,888</u>
Cash and Cash Equivalent at End of Year	<u>\$ 6,542,076</u>

Supplemental Disclosure of Non-Cash Operating Activities:

On January 1, 2022, the Organization adopted Accounting Standards Update ("ASU") 2016-02 *Leases* (Topic 842). The adoption of this ASU resulted in the recognition of operating lease liabilities and corresponding right-of-use assets of \$52,029, based on the present value of future minimum rental payments on the Organization's operating leases in effect at the date of adoption.

During 2022, the Organization obtained right-of-use assets through operating leases in the amount of \$726,471.

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

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022.

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.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Adoption of New Accounting Policies

Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842)

Effective January 1, 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842). The objective of this ASU is to increase transparency and comparability in financial reporting by requiring statement of financial position recognition of leases and note disclosure of certain information about lease arrangements. The Organization adopted ASU 2016-02 using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment to net assets recognized upon adoption, if necessary. Adoption of ASU 2016-02 did not result in changes to the Organization’s beginning net asset balance. Additionally, upon adoption, the Organization elected to use risk-free discount rate, an option only available to private entities, when calculating the present value of future lease payments and has made an accounting policy election to not recognize lease assets and lease liabilities for leases with terms of 12 months or less.

Adoption of this ASU resulted in the Organization recording right-of-use (“ROU”) assets and corresponding operating lease liabilities of \$52,029 on January 1, 2022 which represents the present value of future lease payments on one of the Organization’s leases further detailed in Note 7 at the date of adoption.

ASU 2016-02, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. (Topic 958)

Effective January 1, 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity’s programs and other activities.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Organization’s investments are stated at fair market value. The Organization has investments in money markets, United States of America (U.S.) equity funds, and U.S. Government Bonds for which fair value is determined based on quoted market prices. Investment returns of the Organization include interest and dividends and realized and unrealized gains and losses and are recorded as increases or decreases in without donor restricted net assets unless use is subject to explicit donor stipulations. Investments are exposed to various risks, such as interest rate risk, market risk and credit risk.

Cash and cash equivalents	\$ 22,306
United States equities	58,839
United States Treasury Bonds	<u>10,087,319</u>
	<u>\$ 10,168,464</u>

Fair Values Measured on Recurring Basis

The FASB establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and the unobservable.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

All of the Organization’s investments at fair value were classified as Level 1 at December 31, 2022. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022.

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 from 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, 2022, deferred revenue totaled \$3,272,096.

Service Revenues

Service revenues are comprised of various job placement and training and education services for veterans, veterans' family members, and various employers. Revenues for the services are recognized at a point in time, once the service has been completed and the Organization's performance obligation fulfilled.

Contributed Services and Materials

The Organization receives services, equipment and other nonfinancial items without payment or compensation. Donated goods and services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contributed Services and Materials (Continued)

Volunteers provide a significant amount of services to the Organization throughout the year that are not recognized as contributions since the recognition criteria under this standard were not met.

During 2022, the majority of in-kind support related to web advertising services received at no cost to the Organization and are valued using pricing that would have been charged if not donated by the vendor.

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, investments and contributions receivable. The Organization places its cash and cash equivalents 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

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, 2022.

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, 2019.

**HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 – LINE OF CREDIT

During 2022, the Organization entered into a line of credit agreement with a financial institution which allows for maximum borrowings of \$4,000,000. Borrowings bear interest at the Bloomberg Short-Term Bank Yield (“BSBY”) daily floating rate plus 2.00% (an effective rate of 6.30% at December 31, 2022) and mature on May 31, 2023, at which time the line of credit will be evaluated for renewal. There were no outstanding borrowings at December 31, 2022. The line of credit agreement contains certain covenants restricting additional borrowings and loans and maintaining certain financial liquidity ratios. The Organization was in compliance with all covenants as of December 31, 2022.

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, 2022 was approximately \$237,000.

NOTE 5 – NET ASSETS

During 2022, certain net assets approximating \$1,480,000 previously classified as with donor restrictions were reclassified to net assets without donor restrictions based on clarification from the respective donors.

Net assets with donor restrictions were as follows at December 31, 2022:

Career readiness	\$ 11,493
Women Veterans Program	500,000
Time restricted	<u>507,177</u>
	<u>\$ 1,018,670</u>

Net assets with donor restrictions released from restrictions were as follows for the year ended December 31, 2022:

Career readiness	\$ 22,949
Veteran Transition Assistance & Mentorship	450,000
Idaho career and event support	261,911
Time restricted	<u>287,823</u>
	<u>\$ 1,022,683</u>

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets at December 31, 2022, reduced by amounts not available for expenditure within one year.

Cash and cash equivalents	\$	6,542,076
Investments		10,168,464
Grants and contributions receivable		<u>996,729</u>
Total financial assets		17,707,269
Less those unavailable for general expenditures within one year due to:		
Donor imposed restrictions		<u>(1,018,670)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>16,688,599</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.

NOTE 7 – LEASE COMMITMENTS

The Organization leases office space in multiple locations under non-cancellable operating leases that mature at various dates through January 2028.

As detailed in Note 2, the Organization adopted ASU 2016-02, *Leases*, on January 1, 2022 and has recorded ROU assets and liabilities which represents the present value of future lease payments using the risk free rate of return that corresponds to the lease length.

At December 31, 2022, the Organization’s operating lease liability was comprised of the following:

Gross operating lease liabilities	\$	771,011
Less: imputed interest		<u>(62,945)</u>
Present value of operating lease liabilities	\$	<u>708,066</u>

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – LEASE COMMITMENTS (Continued)

The schedule below summarizes the future minimum annual lease payments for all leases for the years ending December 31:

2023	\$ 159,013
2024	143,288
2025	147,495
2026	151,834
2027	156,160
Thereafter	<u>13,221</u>
	771,011
Less: present value discount	<u>(62,945)</u>
	<u>\$ 708,066</u>

At December 31, 2022, the weighted average remaining lease term was 2.81 years and the weighted average discount rate was 3.24%.