

**THE NORTHEAST OHIO FOUNDATION
FOR PATRIOTISM
FINANCIAL REPORT
DECEMBER 31, 2021**

THE NORTHEAST OHIO FOUNDATION FOR PATRIOTISM

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1-2
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7-9



+ 1111 Superior Avenue, Suite 700, Cleveland, Ohio 44114

+ p 216.363.0100 | f 216.363.0500

+ www.maloneynovotny.com

Independent Auditors' Report

To the Board of Directors
The Northeast Ohio Foundation for Patriotism
Cleveland, Ohio

Opinion

We have audited the financial statements of The Northeast Ohio Foundation for Patriotism (a nonprofit organization) ("NEOPAT"), which comprise the statement of financial position as of December 31, 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of NEOPAT as of December 31, 2021, 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.

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 NEOPAT 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 NEOPAT's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 it 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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.

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 NEOPAT'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 NEOPAT's ability to continue as a going concern for a reasonable period of time.

Report of Summarized Comparative Information

The financial statements of The Northeast Ohio Foundation for Patriotism as of December 31, 2021 were audited by other auditors whose report dated June 3, 2021 expressed an unmodified opinion on those financial statements. Based upon the information previously audited, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in material respects, with the audited financial statements from which it has been derived.

Meloney + Novotny LLC

Cleveland, Ohio
November 3, 2022

THE NORTHEAST OHIO FOUNDATION FOR PATRIOTISM

STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Comparative Totals at December 31, 2020)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 103,942	\$ 108,524
Contributions receivable	41,500	18,572
Prepaid expenses	4,632	4,029
Unconditional promises to give - private foundation	<u>-</u>	<u>10,000</u>
Total current assets	<u>\$ 150,074</u>	<u>\$ 141,125</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 12,958	\$ 12,047
Deferred revenue	<u>5,000</u>	<u>500</u>
Total current liabilities	17,958	12,547
NET ASSETS		
Without donor restrictions	73,616	112,578
With donor restrictions	<u>58,500</u>	<u>16,000</u>
Total net assets	<u>132,116</u>	<u>128,578</u>
Total liabilities and net assets	<u>\$ 150,074</u>	<u>\$ 141,125</u>

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

THE NORTHEAST OHIO FOUNDATION FOR PATRIOTISM

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

(With Comparative Totals for Year Ended December 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUE				
Contributions	\$ 124,301	\$ 42,500	\$ 166,801	\$ 166,417
Fundraising activities, net of direct expenses of \$108,851 and \$177,541 in 2021 and 2020, respectively	(21,250)		(21,250)	38,731
Grant and foundation revenue	3,795		3,795	21,301
Membership fees	8,500		8,500	6,990
In-kind donations			-	1,000
Interest income	21		21	30
Other			-	61,410
Total revenue	<u>115,367</u>	<u>42,500</u>	<u>157,867</u>	<u>295,879</u>
EXPENSES				
Program	60,371		60,371	62,697
Management and general	78,124		78,124	91,893
Fundraising	<u>15,833</u>		<u>15,833</u>	<u>58,128</u>
Total expenses	<u>154,329</u>	<u> </u>	<u>154,329</u>	<u>212,718</u>
CHANGE IN NET ASSETS	(38,962)	42,500	3,538	83,161
NET ASSETS AT BEGINNING OF YEAR	<u>112,578</u>	<u>16,000</u>	<u>128,578</u>	<u>45,417</u>
NET ASSETS AT END OF YEAR	<u>\$ 73,616</u>	<u>\$ 58,500</u>	<u>\$ 132,116</u>	<u>\$ 128,578</u>

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

THE NORTHEAST OHIO FOUNDATION FOR PATRIOTISM

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021
 (With Comparative Totals for Year Ended December 31, 2020)

	Program Services	Management and General	Fundraising	2021 Total	2020 Total
Charitable distributions - direct distributions	\$ 44,538			\$ 44,538	\$ 60,841
Personnel	15,833	\$ 15,833	\$ 15,833	47,500	80,000
Marketing		33,775		33,775	29,928
Professional fees		16,987		16,987	19,044
Office expenses		7,202		7,202	1,545
Insurance		3,552		3,552	1,241
Travel				-	11,485
Fundraising			108,851	108,851	-
Miscellaneous		775		775	8,634
	<u>60,371</u>	<u>78,124</u>	<u>124,684</u>	<u>263,180</u>	<u>212,718</u>
Less expenses included with revenues on the statement of activities:					
Fundraising			<u>108,851</u>	<u>108,851</u>	<u>177,541</u>
Total	<u>\$ 60,371</u>	<u>\$ 78,124</u>	<u>\$ 15,833</u>	<u>\$ 154,329</u>	<u>\$ 35,177</u>

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

THE NORTHEAST OHIO FOUNDATION FOR PATRIOTISM

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

(With Comparative Totals for Year Ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,538	\$ 83,161
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
(Increase) decrease in contributions receivable	(22,928)	5,861
Unconditional promises to give	10,000	15,106
(Increase) decrease in prepaid expenses	(603)	12,379
Increase (decrease) in accounts payable	911	(22,473)
Increase in deferred revenue	4,500	-
Total adjustments	<u>(8,120)</u>	<u>10,873</u>
Net cash (used) provided by operating activities	(4,582)	94,034
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>108,524</u>	<u>14,490</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 103,942</u>	<u>\$ 108,524</u>

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

THE NORTHEAST OHIO FOUNDATION FOR PATRIOTISM

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

- A. Organization and Operations – The Northeast Ohio Foundation for Patriotism ("NEOPAT") was incorporated in 2010 as a non-profit organization for the purpose of enhancing the support systems available to local military personnel and their families. NEOPAT's primary sources of funding include fundraising activities, grants, contributions, and membership fees.
- B. Accounting Method – The 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"). NEOPAT has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions. Contributions are considered to be available for general use unless specifically restricted by the donor.

Net assets with donor restrictions are the result of timing differences between the receipt of funds and the incurrence of the related expenses. Also, they represent endowment funds which are subject to the restriction of the donors that the principal be invested in perpetuity and only the income be utilized. NEOPAT reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions. However, donor-restricted contributions and investment earnings whose restrictions are met in the same period are reported as net assets without donor restrictions.

- C. Cash and Cash Equivalents – For purposes of the statement of cash flows, NEOPAT considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. NEOPAT maintains bank accounts which may exceed federally insured amounts at times.
- D. Accounts Receivable – NEOPAT uses the allowance method in determining bad debt expense. Management estimates an allowance for delinquent accounts based on their review of delinquent accounts and an assessment of NEOPAT's historical evidence of collections. At December 31, 2021 and 2020, there was no allowance for delinquent accounts.
- E. Contributions – Contributions consist of grants, donations and gifts. NEOPAT recognizes contributions as revenue in the period in which the pledge (promise to give) is received. Conditional pledges receivable, or those with a measurable performance or other barrier and a right of return, are recognized when the conditions on which they depend have been met. The pledges are stated at their estimated realizable value. Pledges that are to be received beyond one year are discounted to their present value assuming their respective payment terms and an appropriate discount rate as of the date the pledge is received. The discount is amortized into contribution revenue over the term of the respective pledge agreement.

THE NORTHEAST OHIO FOUNDATION FOR PATRIOTISM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Contributions (Continued)

NEOPAT considers all contributions to be net assets without donor restrictions unless specifically restricted by the donor. Donated items are reflected as contributions at their estimated fair market value at the time of donation.

F. In-Kind Contributions – NEOPAT recognizes in-kind contributions of supplies and services in accordance with the guidelines outlined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605. In accordance with FASB ASC 958-605, in-kind contributions of services are recognized as revenue in the financial statements if the services received (a) create or enhance non-financial assets (primarily property or other tangible or intangible assets) or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services that do not meet this criteria, and promises to give such services, are not recognized. Although NEOPAT operates with the help of many volunteers, no amounts have been reflected in the financial statements for contributed services based on this criteria. During the years ended December 31, 2021 and 2020, in-kind contributions totaled \$-0- and \$1,000, respectively.

G. Revenue Recognition – Proceeds from fundraising events are recognized when the event takes place.

H. Allocation of Expenses by Function – The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimates of time and effort.

I. Use of Estimates – The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Income Taxes – NEOPAT is a nonprofit corporation under Internal Revenue Code Section 501(c)(3) and is exempt from state and federal income taxes on activities relating to exempt purposes.

The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. As of December 31, 2021, NEOPAT's income tax years from 2018 and thereafter remain subject to examination by the Internal Revenue Service, as well as various state and local taxing authorities.

K. Subsequent Events – NEOPAT has evaluated subsequent events through November 3, 2022, which is the date the financial statements were available to be issued.

THE NORTHEAST OHIO FOUNDATION FOR PATRIOTISM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Unconditional Promises to Give

As of December 31, 2021 and 2020, unconditional promises to give consisted of private foundation funds pledged for general operations, totaling \$-0- and \$10,000, respectively. Management has reviewed all unconditional promises outstanding as of December 31, 2021 and 2020 and based on subsequent collection activity, has determined that no allowance for uncollectible promises is required.

Note 3. Related Parties

During the years ended December 31, 2021 and 2020, contributions and membership fees from NEOPAT's Board members and Officers totaled \$70,424 and \$13,460, respectively.

Note 4. Net Assets

Net assets with donor restrictions comprise the following at December 31:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions:		
Donor development fee	\$ 42,500	\$ -
Mental health workshops	10,000	10,000
COVID relief	3,500	3,500
Equine therapy	<u>2,500</u>	<u>2,500</u>
	<u>\$ 58,500</u>	<u>\$ 16,000</u>

Note 5. Financial Assets and Liquidity

NEOPAT regularly monitors liquidity required to meet its operating needs. It manages its cash available to meet general expenditure following three guidelines:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations will be met.

The following table reflects NEOPAT's financial assets as of June 30:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 103,942	\$ 108,524
Accounts receivable	<u>41,500</u>	<u>18,572</u>
Financial assets, at year-end	<u>\$ 145,442</u>	<u>\$ 127,096</u>