



FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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NATIONAL VETERANS WELLNESS & HEALING CENTER IN ANGEL FIRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE 1. THE ORGANIZATION

The National Veterans Wellness & Healing Center in Angel Fire, Inc. (the "Center") is a not-for-profit organization that was founded on December 17, 2009. The Center shall be organized, administrated, and operated exclusively to receive, administer and expend funds to promote and represent the common interest of veterans, and rehabilitate, foster health related programs, and promote wellness and healing activities for Veterans, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws. The mission of the Center is to establish an environment that is responsive to the needs of veterans and military families using creative therapies and processes that focus on emotional and physical healing.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Concentrations of Credit Risk. Financial investments that are exposed to concentrations of credit risk consist of cash and cash equivalents. Cash and cash equivalents are in high quality institutions with high credit ratings.

Contributed Materials and Services. During the fiscal years ended June 30, 2018 and 2017, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center achieving its mission. Contributed material are recorded, when applicable, as both revenue and expense at estimated fair market value at the date of donation.

Contributions. Contributions are recognized when the donor makes a promise to give to the Center that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When a restriction expires, 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 restriction.

Net Assets. The Center classifies net assets and revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and the changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets that are not subject to donor-imposed restriction. Contributions without donor restrictions are recorded as income when constructively received. Net assets without donor restrictions may be designated for a specific purpose by action of the board of directors.

With Donor Restrictions. Net assets that are subject to restrictions imposed by donors that may or will be met by the occurrence of a specific event or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the

There were no net assets with donor restrictions as of June 30, 2018 and 2017.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses. The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs, fundraising and supporting services benefited.

Income Taxes. Income related to the charitable purpose of the Center is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Center is classified as a public charity under Section 170(b)(1)(A)(vi) of the Internal Revenue Code.

Management of the Center believes its activities allow it to continue to be classified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The statute of limitations for examination of the Center's returns expires three years from the due date of the return or the date filed, whichever is later. The Center's returns for the years ended June 30, 2017 through 2019, are still open for examination.

Property and Equipment. Property and equipment is stated at cost, or, if donated, at the estimated fair value on the date of donation. Property and equipment with an expected useful life of one year or longer is capitalized. The Center does not have a capitalization policy threshold. All property and equipment is depreciated on a straight-line basis over the estimated useful life. Leasehold improvements are depreciated on a straight-line basis over the life the lease (10 years). Vehicles are depreciated on a straight-line basis over 5 years.

Statement of Cash Flows. For purposes of the Statement of Cash Flows, cash and cash equivalents includes demand deposits. The Center considers all highly-liquid cash deposits in demand deposits to be cash and cash equivalents.

Use of Estimates. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits. The table below includes all cash accounts of the Center. All funds deposits are in a bank that is insured by the federal government for deposits up to \$250,000. Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits will not be recovered. The Center deposits are fully insured as of June 30, 2018 and 2017.

<u>Account</u>	<u>2018</u>	<u>2017</u>
Checking account (General)	\$ 19,682	\$ 3,672
Savings account (General)	35,232	100,050
Checking account (Special event)	15,841	23,326
Savings account (Special event)	2,446	3,761
Total cash and cash equivalents	\$ 73,201	\$ 130,809

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NOTE 4. PROPERTY AND EQUIPMENT

As of June 30, the Center had property and equipment as follows:

	<u>2018</u>	<u>2017</u>
Leasehold improvements		
Land improvements	\$ 47,975	\$ -
Building improvements	11,707	-
Vehicle	5,000	-
	<u>64,682</u>	<u>-</u>
Accumulated amortization and depreciation	(3,984)	-
	<u>\$ 60,698</u>	<u>\$ -</u>
Total property and equipment	<u>\$ 60,698</u>	<u>\$ -</u>

NOTE 5. CONTRACT WITH THE STATE OF NEW MEXICO

The Center entered into a contract with the Behavioral Health Services Division of the New Mexico Humane Services Department to plan and provide a comprehensive wellness treatment program for veterans who have served in the military. The treatment program, via ten retreats, includes traditional and non-traditional treatment modalities that will help to restore, remediate, or rehabilitate individuals in order to improve individual functioning and independence, as well as reduce or eliminate the effects of illness or disability. The contract is a cost reimbursement contract. The Center recognized revenue of \$151,912 and \$98,409 for the years ended June 30, 2018 and 2017, respectively. The Center also had a receivable of \$36,432 and \$34,010 at June 30, 2018 and 2017, respectively, with the New Mexico Department of Veterans' Services.

NOTE 6. SPECIAL EVENTS REVENUE, NET

Special events revenue is presented in the financial statements net of expenses. The Center's primary fundraising event is an annual event held every winter known as the "Military Winterfest" held in Angel Fire, New Mexico. The Military Winterfest is intended as a celebration to bring awareness to the Center's mission and is for veterans, working military, and their families. The special events net revenue is composed of the following activity:

	<u>2018</u>	<u>2017</u>
Special Events Revenue		
Contributions	\$ 46,279	\$ 42,914
Expenses	(29,740)	(30,514)
	<u>\$ 16,539</u>	<u>\$ 12,400</u>
Total special events revenue, net	<u>\$ 16,539</u>	<u>\$ 12,400</u>

NOTE 7. CONTINGENCIES

The Center is party to various claims and other legal matters coming about in their normal course of business. There were no pending litigation matters as of June 30, 2018 and 2017.

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NOTE 8. INSURANCE COVERAGE

The Center is exposed to various risk of loss. The Center carries insurance with various insurance companies. Coverage is provided for general liability and surety bond.

NOTE 9. LIQUIDITY AND AVAILABILITY

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor imposed or board-imposed restrictions, or related party transactions, within one year of the statement of financial position date.

	2018	2017
Financial assets, at year-end		
Cash and cash equivalents	\$ 73,201	\$ 130,809
Accounts receivable	36,432	34,010
Total financial assets, at year end	109,633	164,819
Amounts unavailable for general expenditures within one year, due to donor-imposed restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 109,633	\$ 164,819

NOTE 10. LEASE AGREEMENT FOR USE OF DONATED FACILITIES

On December 11, 2017, a company owned by a Director of the Organization entered into a lease agreement, effective January 1, 2018, for the donation of the use of the land and building that the Organization operates from. The lease agreement was for nine years and ten months commencing January 1, 2018 and ending October 31, 2028. The lease agreement also has two five year options for renewal with no increase in the rental rate. The lease agreement assigns a fair value of \$100,000 per year. During the year ended June 30, 2018, the Center recognized \$50,000 in rent expense offset by the related \$50,000 contribution. Below is the fair value of the lease agreement for the duration of the initial lease agreement.

2019	100,000
2020	100,000
2021	100,000
2022	100,000
2023	100,000
Thereafter	430,000
	\$ 930,000

This lease agreement was superseded on December 28, 2019 as the land and building was donated by a company owned by a director of the Center as more fully described in Note 11.

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NOTE 11. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued. The Center recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Center's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the balance sheet date and before financial statements are available to be issued.

The Center has evaluated subsequent events through July 13, 2020, which is the date the financial statements are available to be issued. Other than the subsequent event mentioned in the following paragraph, the Center is not aware of any material subsequent events which would require disclosure in the accompanying footnotes or the financial statements.

On December 28, 2019, a Director of the Center donated land (18 acres) and the building that the Center has operated from since January 2018. As presented in an independent appraisal, the fair market value of this contribution was determined to be \$550,000.