

**NATIONAL VOLUNTARY ORGANIZATIONS
ACTIVE IN DISASTER, INC.**

***FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT***

DECEMBER 31, 2018 AND 2017

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
National Voluntary Organizations Active In Disaster, Inc.
Alexandria, Virginia**

We have audited the accompanying statement of financial position of the National Voluntary Organizations Active In Disaster, Inc. (a nonprofit organization) as of December 31, 2018, and the related statements of activities 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 auditor's 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 the National Voluntary Organizations Active In Disaster, Inc. as of December 31, 2018, 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.

**To the Board of Directors
National Voluntary Organizations Active In Disaster, Inc.
Alexandria, Virginia**

Report on Summarized Comparative Information

We have previously audited the National Voluntary Organizations Active In Disaster, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
May 16, 2019**

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 And 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 638,624	\$ 486,058
Dues and sponsorships receivable	13,082	2,870
Grants receivable	368,256	-
Prepaid expenses	246,825	27,279
Advances to subrecipients	1,271,809	-
Total Current Assets	<u>2,538,596</u>	<u>516,207</u>
NON-CURRENT ASSETS		
Security deposits	2,000	8,732
Property and equipment, net of accumulated depreciation of \$18,254 in 2018 and \$17,870 in 2017	<u>455</u>	<u>839</u>
Total Non-Current Assets	<u>2,455</u>	<u>9,571</u>
	<u>\$ 2,541,051</u>	<u>\$ 525,778</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and payroll liabilities	\$ 88,355	\$ 25,916
Subrecipient payable	1,643,363	-
Deferred revenue	56,915	50,385
Total Liabilities, all current	<u>1,788,633</u>	<u>76,301</u>
NET ASSETS		
Without donor restrictions	529,863	344,783
With donor restrictions	<u>222,555</u>	<u>104,694</u>
Total Net Assets	<u>752,418</u>	<u>449,477</u>
Total Liabilities and Net Assets	<u>\$ 2,541,051</u>	<u>\$ 525,778</u>

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018 With Summarized Information For 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
SUPPORT AND REVENUE				
Non-government grants and contributions	\$ 226,193	\$ 320,000	\$ 546,193	\$ 323,101
Government contracts	16,006,787	-	16,006,787	1,000
Conference revenue	355,347	-	355,347	337,866
Membership dues	278,182	-	278,182	320,837
Miscellaneous	3,223	-	3,223	-
Net assets released from restriction	202,139	(202,139)	-	-
Total Support and Revenue	<u>17,071,871</u>	<u>117,861</u>	<u>17,189,732</u>	<u>982,804</u>
EXPENSES				
Program expenses	16,730,382	-	16,730,382	652,608
General and administration	151,108	-	151,108	134,995
Fundraising	5,301	-	5,301	6,422
Total Expenses	<u>16,886,791</u>	<u>-</u>	<u>16,886,791</u>	<u>794,025</u>
Change in net assets	185,080	117,861	302,941	188,779
NET ASSETS				
Beginning of year	<u>344,783</u>	<u>104,694</u>	<u>449,477</u>	<u>260,698</u>
Ending of year	<u>\$ 529,863</u>	<u>\$ 222,555</u>	<u>\$ 752,418</u>	<u>\$ 449,477</u>

See accompanying notes to financial statements.

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 And 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 302,941	\$ 188,779
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	384	826
Bad debt expense	140	22,480
Changes in operating assets and liabilities		
Dues receivable	(10,352)	(23,850)
Grants receivable	(368,256)	-
Prepaid expenses	(219,546)	(4,588)
Advances to subrecipients	(1,271,809)	-
Security deposit	6,732	(3,500)
Accounts payable and payroll liabilities	62,439	5,719
Subrecipient payable	1,643,363	-
Deferred revenue	6,530	(35,070)
Net cash provided by operating activities	<u>152,566</u>	<u>150,796</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of office lease settlement agreement	<u>-</u>	<u>(5,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(5,000)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	152,566	145,796
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>486,058</u>	<u>340,262</u>
End of year	<u><u>\$ 638,624</u></u>	<u><u>\$ 486,058</u></u>

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 And 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

National Voluntary Organizations Active In Disaster, Inc. (“*National VOAD*”) was re-domesticated as a non-profit organization in the Commonwealth of Virginia on June 25, 2008. National VOAD, an association of organizations that mitigate and alleviate the impact of disasters, provides a forum promoting cooperation, communication, coordination and collaboration; and fosters more effective delivery of services to communities affected by disaster.

Specifically, National VOAD members form a coalition of non-profit organizations that respond to disasters as part of their overall mission.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with National VOAD’s audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NET ASSETS

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of National VOAD are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of National VOAD.

With donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of National VOAD or by the passage of time. Other donor restrictions are permanent in nature, whereby the donor has stipulated the funds be maintained in perpetuity; National VOAD has no net assets with permanent restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities

INCOME TAXES

National VOAD is exempt from federal income tax purposes under Section 501(c)(3) of the internal revenue code (the “*Code*”) and has been classified as a public charity under Section 509(a)(1) of the Code.

National VOAD has reviewed their tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on federal and state tax returns for the open tax years (2015 – 2017) or expected to be taken in the current year.

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

REVENUE RECOGNITION

Revenue from exchange transactions is recognized as earned. Contributions are recorded at net realizable value as revenue on receipt or when unconditional promises to give are received. Revenue is recorded as increases in net assets without donor restrictions unless their use is limited by time or donor-imposed restrictions.

U.S. GOVERNMENT GRANT

National VOAD has entered into a cooperative agreement with the United States Government, from the United States Department of Homeland Security, Federal Emergency Management Agency (“FEMA”). The award is considered an exchange transaction, and, as such, revenue is recognized as expenditures are incurred. Grants receivable represent amounts due from FEMA for reimbursable expenses incurred. Advances made to subrecipients that are unexpended as of the end of the year are reflected as an asset in the statement of financial position. Expenditures incurred by subrecipient organizations for which funds were not advanced by National VOAD are reflected in subrecipient payable in the statement of financial position.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

CASH AND CASH EQUIVALENTS

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

CONCENTRATION OF CREDIT RISK

National VOAD is required by Accounting Standards Codification (“ASC”) 825, “*Financial Instruments*” to disclose significant concentrations of credit risk regardless of the degree of such risk. As of December 31, 2018 and 2017, National VOAD maintained bank deposits that exceeded the limit of insurability under the Federal Deposit Insurance Corporation. The risk is managed by monitoring the financial institutions in which deposits are made. Credit risk also extends to uncollateralized receivables.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. National VOAD’s policy is to capitalize individual items with a cost greater than \$1,000. Depreciation is provided on a straight-line basis over their estimated useful lives, which is 3-7 years. Depreciation expense for the years ended December 31, 2018 and 2017 was \$384 and \$826, respectively.

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities based on management estimates of time spent and costs to support activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NEW ACCOUNTING PRONOUNCEMENT ADOPTED

During 2018, National VOAD adopted ASU No. 2016-14 – *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three, enhances disclosures for composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification.

The following table summarizes the effects of adopting ASU 2016-14 on National VOAD's financial statements for the year beginning January 1, 2018:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classification</u>		<u>Total Net Assets</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
As previously presented:			
Unrestricted	\$ 344,783	\$ -	\$ 344,783
Temporarily Restricted	<u>-</u>	<u>104,694</u>	<u>104,694</u>
Net assets previously presented	<u>\$ 344,783</u>	<u>\$ 104,694</u>	<u>\$ 449,477</u>

NEW ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year thus the effective date is fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied retrospectively in the year the ASU is first applied. National VOAD plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 31, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. National VOAD plans to adopt the new ASU at the required implementation date.

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and determining whether a transaction is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The ASU should be applied using a modified prospective basis. National VOAD plans to adopt the new ASU at the required implementation date.

(2) NET ASSETS

Net assets with donor restrictions are available for the following purposes at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for a special purpose:		
Hurricane Harvey	\$ 100,000	\$ 64,247
Hurricane Maria	40,000	-
Technology	52,458	-
Recovery fund	<u>30,097</u>	<u>40,447</u>
	<u>\$ 222,555</u>	<u>\$ 104,694</u>

For the years ending December 31, 2018 and 2017, net assets of \$202,139 and \$69,795, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes.

(3) FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional classification for the year ended December 31, 2018 are as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 392,658	\$ 20,805	\$ 5,229	\$ 418,692
Direct conference expenses	202,808	-	-	202,808
Contract services	110,892	69,926	-	180,818
Grants	15,346,220	-	-	15,346,220
Facilities and equipment	3,319	23,579	-	26,898
IT, software and training	592,655	-	-	592,655
Travel	45,764	13,278	72	59,114
Office and operations	10,938	23,075	-	34,013
Miscellaneous	<u>25,128</u>	<u>445</u>	<u>-</u>	<u>25,573</u>
Total Expenses	<u>\$ 16,730,382</u>	<u>\$ 151,108</u>	<u>\$ 5,301</u>	<u>\$ 16,886,791</u>

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 And 2017

(4) RETIREMENT PLAN

In 2018, National VOAD adopted a 401(k) Plan under which contributions by employees are eligible for a discretionary matching contribution by National VOAD. In 2018 the match was equal to 100% of an employee's contribution, capped at 3% of their compensation. National VOAD, at its sole discretion, may also make profit sharing contributions to the plan. Contributions for the year ended December 31, 2018 amounted to \$1,677.

(5) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditures consisted of cash and receivables which totaled \$1,019,962 as of December 31, 2018. \$222,555 of this balance is composed of restricted funds to support purposes designated by the donors (See *Note 2*). As part of National VOAD's liquidity management plan, it structures its financial assets to be available as its obligations become due.

(6) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, National VOAD made grants totaling \$12,268,484 to subrecipient organizations in which members of National VOAD's Board of Directors are in management leadership positions of those Organizations.

(7) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance May 16, 2019, have been evaluated in the preparation of the financial statements.