

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

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

DECEMBER 31, 2019 AND 2018

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
July 1, 2020**

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,229,509	\$ 638,624
Dues and sponsorships receivable	70	13,082
Grants receivable	-	368,256
Promises to give	125,950	-
Prepaid expenses	23,193	246,825
Advances to subrecipients	220,998	1,271,809
Total Current Assets	<u>3,599,720</u>	<u>2,538,596</u>
NON-CURRENT ASSETS		
Promises to give	175,000	-
Security deposits	-	2,000
Property and equipment, net of accumulated depreciation of \$20,100 in 2019 and \$18,254 in 2018	13,334	455
Total Non-Current Assets	<u>188,334</u>	<u>2,455</u>
Total Assets	<u><u>\$ 3,788,054</u></u>	<u><u>\$ 2,541,051</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and payroll liabilities	\$ 32,098	\$ 88,355
Subrecipient payable	1,306,256	1,643,363
Deferred revenue	1,308,032	56,915
Total Liabilities, all current	<u>2,646,386</u>	<u>1,788,633</u>
NET ASSETS		
Without donor restrictions	543,652	529,863
With donor restrictions	598,016	222,555
Total Net Assets	<u>1,141,668</u>	<u>752,418</u>
Total Liabilities and Net Assets	<u><u>\$ 3,788,054</u></u>	<u><u>\$ 2,541,051</u></u>

See accompanying notes to financial statements.

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019 With Summarized Information For 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
SUPPORT AND REVENUE				
Non-government grants and contributions	\$ 342,082	\$ 780,000	\$ 1,122,082	\$ 546,193
U.S. government grants	28,367,895	-	28,367,895	16,006,787
Conference revenue	406,416	-	406,416	355,347
Membership dues	324,633	-	324,633	278,182
Miscellaneous	888	-	888	3,223
Net assets released from restriction	404,539	(404,539)	-	-
Total Support and Revenue	<u>29,846,453</u>	<u>375,461</u>	<u>30,221,914</u>	<u>17,189,732</u>
EXPENSES				
Program expenses	29,610,036	-	29,610,036	16,730,382
General and administration	215,932	-	215,932	151,108
Fundraising	6,696	-	6,696	5,301
Total Expenses	<u>29,832,664</u>	<u>-</u>	<u>29,832,664</u>	<u>16,886,791</u>
Change in net assets	13,789	375,461	389,250	302,941
NET ASSETS				
Beginning of year	<u>529,863</u>	<u>222,555</u>	<u>752,418</u>	<u>449,477</u>
Ending of year	<u>\$ 543,652</u>	<u>\$ 598,016</u>	<u>\$ 1,141,668</u>	<u>\$ 752,418</u>

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 389,250	\$ 302,941
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,846	384
Bad debt expense	-	140
Changes in operating assets and liabilities		
Dues receivable	13,012	(10,352)
Grants receivable	368,256	(368,256)
Prepaid expenses	223,632	(219,546)
Advances to subrecipients	1,050,811	(1,271,809)
Promises to give	(300,950)	-
Security deposit	2,000	6,732
Accounts payable and payroll liabilities	(56,257)	62,439
Subrecipient payable	(337,107)	1,643,363
Deferred revenue	1,251,117	6,530
Net cash provided by operating activities	<u>2,605,610</u>	<u>152,566</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(14,725)</u>	<u>-</u>
Net cash used in investing activities	<u>(14,725)</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	2,590,885	152,566
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>638,624</u>	<u>486,058</u>
End of year	<u><u>\$ 3,229,509</u></u>	<u><u>\$ 638,624</u></u>

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 And 2018

(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, 2018, 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 (2016 – 2018) or expected to be taken in the current year.

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

CONTRIBUTIONS

Contributions, which include unconditional promises to give, are recognized as revenue at fair value when received or pledged. Fair value is estimated giving consideration to anticipated future cash receipts and discounting anticipated future cash receipts.

Conditional promises to give - 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. Unless its use is limited by time or donor-imposed restriction, contribution revenue is recorded as increases in net assets without donor restrictions.

CONTRIBUTIONS IN-KIND

Contributions in-kind included in the accompanying statement of activities totaling \$138,525 and \$83,333 for the years ended December 31, 2019 and 2018, respectively, primarily consist of donated use of software licenses for the FEMA program. Additionally, the 2019 statement of activities includes \$361,000 of material donations provided to National VOAD to award to member organizations.

MEMBERSHIP DUES

Revenue is recognized when control of the services provided is transferred to the member, in an amount that reflects the consideration National VOAD expects to be entitled to in exchange for its services. Revenue from contracts with customers is from membership dues which is recognized ratably over the membership period.

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”). This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses.

Revenue from Government Grants is recognized only when funds are utilized by National VOAD to carry out the activity stipulated in the agreement. Cash received under government grants in advance of incurring the related expenses is reported as deferred revenue. 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.

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

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, 2019 and 2018, 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.

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, 2019 and 2018 was \$1,846 and \$384, respectively.

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 PRONOUNCEMENTS ADOPTED

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. This ASU was adopted by National VOAD for the year ended December 31, 2019 and did not have a material effect on the statement of financial position or results of operations.

Also, during 2019, National VOAD adopted ASU No. 2014-09 – Revenue from Contracts with Customers (Topic 606), as amended. This guidance provides the framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and not-for-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way National VOAD recognizes revenue.

(2) PROMISES TO GIVE

Unconditional grants and promises to give consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Receivable in less than 1 year	\$ 125,950	\$ -
Receivable in 1 to 5 years	<u>175,000</u>	<u>-</u>
	300,950	-
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 300,950</u>	<u>\$ -</u>

NATIONAL VOLUNTARY ORGANIZATIONS ACTIVE IN DISASTER, INC.

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2019 And 2018

(3) NET ASSETS

Net assets with donor restrictions are available for the following at December 31, 2019 and 2018:

Subject to expenditure for a special purpose:	2019	2018
Hurricane Harvey	\$ 56,250	\$ 100,000
Hurricane Maria	34,661	40,000
State VOAD Training	298,862	-
Technology	3,154	52,458
Recovery funds (Mini-Grants)	<u>205,089</u>	<u>30,097</u>
	<u>\$ 598,016</u>	<u>\$ 222,555</u>

For the years ending December 31, 2019 and 2018, net assets of \$404,539 and \$202,139, respectively, were released from restrictions by incurring expenses satisfying the restricted purposes.

(4) FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional classification for the year ended December 31, 2019 are as follows:

	Program	Management and General	Fundraising	Total
Personnel	\$ 454,682	\$ 120,432	\$ 6,696	\$ 581,810
Direct conference expenses	306,907	-	-	306,907
Contract services	274,309	29,639	-	303,948
Grants	27,790,036	-	-	27,790,036
Facilities and equipment	5,799	3,856	-	9,655
IT, software and training	718,673	14,261	-	732,934
Travel	47,112	13,180	-	60,292
Office and operations	10,460	34,184	-	44,644
Miscellaneous	<u>2,058</u>	<u>380</u>	<u>-</u>	<u>2,438</u>
Total Expenses	<u>\$ 29,610,036</u>	<u>\$ 215,932</u>	<u>\$ 6,696</u>	<u>\$ 29,832,664</u>

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

	Program	Management and General	Fundraising	Total
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, 2019 And 2018

(5) 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. The match is 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 years ended December 31, 2019 and 2018 amounted to \$8,571 and \$1,677, respectively.

(6) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditures consisted of cash and receivables which totaled \$3,355,529 and \$1,019,962 as of December 31, 2019 and 2018, respectively. \$423,016 and \$222,555 of the balances as of December 31, 2019 and 2018, respectively, are composed of restricted funds to support purposes designated by the donors (See *Note 3*). As part of National VOAD's liquidity management plan, it structures its financial assets to be available as its obligations become due.

(7) RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2018, National VOAD made grants totaling \$21,239,472 and \$12,268,484, respectively, to subrecipient organizations in which members of National VOAD's Board of Directors are in management leadership positions of those Organizations.

(8) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, July 1, 2020, have been evaluated in the preparation of the financial statements. In March 2020, it was increasingly evident that the outbreak of the novel strain of coronavirus (COVID-19) was beginning to disrupt global economic activity. By way of federal, state, and local authority mandates, there were significant constraints on and/or required closures of businesses. The ultimate impact on National VOAD's operations is not reasonably estimable at this time.

On April 21, 2020, National VOAD received a \$105,342 loan under the Paycheck Protection Program ("PPP") which was established as a result of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). PPP loans are eligible for forgiveness if National VOAD incurs qualifying expenses over a period of time not to exceed 24 weeks as provided under the PPP. The period of time in which qualifying expenses may be incurred commences upon receipt of the loan. Any portion of the loan not forgiven is payable over a 5-year period at an interest rate of 1%.