IMPACTING VETERANS LIVES, INC.

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

IMPACTING VETERANS LIVES, INC.
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INDEPENDENT AUDITOR'S REPORT

May 3, 2024

To the Board of Directors
Impacting Veterans Lives, Inc.
P.O Box 278
Wadsworth, Illinois 60083

Qualified Opinion

We have audited the accompanying financial statements of Impacting Veterans Lives, Inc. (a nonprofit organization), which comprise the statement of financial position- modified cash basis as of December 31, 2023, and the related statements of activities, cash flows and functional expenses- modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of recording estimates as the value for certain in-kind donations described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Impacting Veterans Lives, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Qualified Opinion

As more fully described in Note 1 to the financial statements, the Organization has recorded estimates as the value of certain in-kind donations of household items (which are provided to active and retired military as well as their families) as either support in the form of donations or program services expenses. The Organization's accounting records did not permit us to extend our auditing procedures to obtain sufficient evidence about these in-kind donations. Also, no inventory values were recorded by the Organization either at the start or end of the year. In our opinion, presentation of such information is required for fair presentation under the modified cash basis of accounting described in Note 1. The effects on the accompanying financial statements have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Impacting Veterans Lives, Inc. 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 qualified audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Impacting Veterans Lives, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 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 generally accepted auditing standards, 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 Impacting Veterans Lives, Inc.'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 Impacting Veterans Lives, Inc.'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.

Certified Public Accountants

IMPACTING VETERANS LIVES, INC.
STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2023

ASSETS

Current assets	
Cash and cash equivalents	$ 727,732
Cash restricted for special projects	345,735
Total current assets	$ 1,073,467
Property and equipment, net of $61,626 depreciation	$ 660,990
Total assets	$ 1,734,457

LIABILITIES AND NET ASSETS

Liabilities	
Deferred revenue-naming rights	$ 225,000
Security deposit	400
Total liabilities	$ 225,400
Net assets	
Without donor restrictions	$ 1,163,322
With donor restrictions	345,735
Total net assets	$ 1,509,057
Total liabilities and net assets	$ 1,734,457

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

IMPACTING VETERANS LIVES, INC.
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Contributions	$ 239,134	$ 435,161	$ 674,295
In-kind contributions	2,274,771		2,274,771
Investment income	9,680		9,680
Fundraising and special events	19,865		19,865
Miscellaneous income	12,521		12,521
Rental income	4,800		4,800
Net assets released from restrictions	284,629	(284,629)	
Total revenues and support	$ 2,845,400	$ 150,532	$ 2,995,932
Expenses			
Program services	$ 2,516,203		$ 2,516,203
Management and general	53,677		53,677
Fundraising	15,665		15,665
Total expenses	$ 2,585,545		$ 2,585,545
Increase in net assets from operating activities	$ 259,855	$ 150,532	$ 410,387
Net assets, beginning of year	$ 903,467	$ 195,203	$ 1,098,670
Net assets, end of year	$ 1,163,322	$ 345,735	$ 1,509,057

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

IMPACTING VETERANS LIVES, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities		
Increase in net assets	$	410,387
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation		11,304
Contributions restricted to building project		(435,161)
Real estate tax credits adjustment		(3,233)
Net cash provided (used) by operating activities	$	(16,703)
Cash flows from investing activities		
Purchases of property and equipment	$	(128,821)
Net cash provided (used) by investing activities	$	(128,821)
Cash flows from financing activities		
Contributions restricted to building project	$	435,161
Contributions related to naming rights/deferred revenue		225,000
Proceeds from security deposit		400
Net cash provid (used) by financing activities	$	660,561
Net increase in cash and cash equivalents	$	515,037
Cash and cash equivalents - beginning		558,430
Cash and cash equivalents - ending	$	1,073,467

Supplemental data - non-cash activities

Operating activities - $2,274,771 value for food, clothing and other hard goods donated has been shown as both support and a program service expense.

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

IMPACTING VETERANS LIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Compensation	$ 91,360	$ 13,600	$ 13,600	$ 118,560
Payroll taxes	7,494	1,116	1,116	9,726
In-kind goods provided	2,274,771			2,274,771
Professional fees		28,127		28,127
Advertising			133	133
Office expenses	16,543			16,543
Rent	34,515	3,835		38,350
Occupancy	13,389	1,487		14,876
Storage	5,256			5,256
Depreciation	11,304			11,304
Insurance	8,569	1,512		10,081
Food pantry	53,107			53,107
Fundraising expense			816	816
Miscellaneous	(105)	4,000		3,895
Total	$ 2,516,203	$ 53,677	$ 15,665	$ 2,585,545

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations -

Impacting Veterans Lives, Inc. (the Organization) is a nonprofit corporation that was incorporated on October 17, 2014 under the general Not for Profit Corporation Act of the State of Illinois. The Organization is a Rapid Response Resource organization taking the lead in impacting veterans' lives by providing life's basic needs to enlistees, families, and veterans. The Organization provides food, clothing and housing and employment assistance to veterans, enlistees and their families. The Organization is funded primarily by contributions from the general public.

The Organization is registered to do business as Midwest Veterans Closet and Vehicles 4 Veterans.

Basis of accounting and revenue recognition -

The financial statements have been prepared on the modified cash basis of accounting. Accordingly, generally, revenues are recognized when cash is received and expenditures are recognized upon the disbursement of cash. Certain receipts of funds related to subsequent fiscal year activities get recorded as deferred revenue. Certain expenditures that result in the creation of an asset having an estimated useful life which extends substantially beyond the year of acquisition are capitalized and depreciated over the useful life of the asset.

Basis of presentation -

Effective January 1, 2021, the Organization adopted the provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional. Unconditional contributions received are recognized as income immediately and classified as net assets either with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as net assets either with or without donor restrictions.

The Organization entered into an exchange transaction and received $225,000 in exchange for three years of naming rights for a portion of its new facility being constructed. As such, these funds are recorded as deferred income (a liability) which will be recognized in income during the three years the naming rights are in effect.

Net assets without donor restrictions represent funds which are fully available at the discretion of management and the Board of Directors (the Board) for the Organization to utilize in any of its programs or supporting services.

Net assets with donor restrictions are comprised of funds which are restricted by donors for specific purposes or periods. These restrictions relate to the Organization's proposed construction of its new facility and certain other expenditures related to the operations. When a restriction expires, net assets

are reclassified from net assets with donor restrictions to net assets without donor restrictions. At December 31, 2023, there were net assets with donor restrictions totaling $345,735.

Measure of operations -

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing activities and interest earned on investments. Nonoperating activities are limited to activities considered to be of a more unusual or nonrecurring nature.

Donated goods and services -

The Organization has recorded estimates as the value of certain in-kind donations of household items (which are provided to active and retired military as well as their families) as either support in the form of donations or program services expenses.

During the year, the Organization received the following donations which were recorded as in-kind contributions of support and as program expenses. No inventory values were recorded by the Organization either at the start or end of the year.

Description	Revenue recognized	Donor restrictions	Valuation technique
Food	$ 1,709,769	none	Based on average cost/pound
Jackets and boots	143,750	none	Retail value per donor
Other clothing & household items	421,252	none	Conservative estimates
	$ 2,274,771		

The Organization receives a significant amount of donated services from unpaid volunteers. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied. The criteria for recognition are services that require specialized skills and would, typically, be purchased if not provided by donation.

Use of estimates -

The preparation of financial statements requires the Board to make estimates and assumptions that affects the reported amounts of assets, liabilities, and disclosures of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents -

Cash and cash equivalents consist of cash held in checking and savings (all with maturity dates of less than three months).

Fair value of financial instruments -

Generally accepted accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques that measure fair market value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements).

The carrying value for cash and equivalents approximated fair value and are considered Level 1 measurements.

Concentrations of credit and market risk -

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents which are maintained at two high-quality financial institutions where deposits are insured by the federal government. One institution is a bank which provides $250,000 of insurance by the Federal Deposit Insurance Corporation (FDIC) per depositor and the other is at a federal credit union where similar coverage is provided by the National Credit Union Administration (NCUA). Although the amount of funds held at both institutions on December 31, 2023, and thereafter, exceeds the amount of such coverage, the Board believes that the risk of loss is extremely small, given the financial security and stability of these institutions.

Property and equipment -

Property and equipment are stated at cost or fair value when donated, less accumulated depreciation. Expenditures for maintenance and repairs are expensed as incurred while major replacements and improvements are capitalized. Since 2020, depreciation is calculated using the straight-line depreciation method over the estimated useful lives of the asset. Furniture, equipment and vehicles are depreciated over 5-7 year lives. Buildings are depreciated over a 39-year life. Depreciation expense for the year ended December 31, 2023 was $11,304.

Impairment of long-lived assets-

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Functional expenses -

The Organization allocates certain expenses based on specific identification. Allocation of the remaining expenses to program services, management and general, or fundraising are based on activity as determined by management.

Income taxes -

The Organization is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and therefore has made no provision for Federal income taxes in the accompanying financial statements. The Organization is, similarly, exempt from State of Illinois taxes under the Illinois Tax Act. There was no unrelated business income for the year ended December 31, 2023.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the Internal Revenue Service, generally, for three years after they are filed. Annual filings with the State of Illinois are, similarly, subject to examination.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

Because tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties and interest as a result of such challenge.

2. CONTRIBUTIONS

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

3. PROPERTY AND EQUIPMENT

Property and equipment, net of depreciation consisted of the following at December 31, 2023:

Land*	$ 273,911
Construction in progress*	144,528
Buildings	235,951
Equipment and furniture	47,896
Vehicles	20,330
	$ 722,616
Less: accumulated depreciation	(61,626)
	$ 660,990

* Nondepreciable

4. LEASES

The Organization leases space at 2323 Green Bay Road in North Chicago, Illinois on a month-to-month basis. The current lease calls for monthly payments of $2,950. The Organization is responsible for all operating expenses, including maintenance, insurance and utilities. Total lease payments for the facility totaled $38,350 during the year.

In July, 2023, the Organization entered into a one-year lease starting October 1, 2023 for property it owns at 1724 Green Bay Road in North Chicago, Illinois. The lease calls for payments of $1,200 per month and rent income of $4,800 was recorded during the year. Subsequently, in March, 2024, a similar lease was signed for property at 1714 Green Bay Road, North Chicago, Illinois calling for payments of $1,200 per month for a one-year period starting March 1, 2024.

The Organization adopted the provisions of Financial Accounting Standards Board Update (ASU) 2016-02 on January 1, 2023 which (for lessees) requires long-term leases to be recorded as right of use assets and liabilities on the Statement of Financial Position. For lessors, receivables and unearned and deferred revenue balances on the Statement of Financial Position are required disclosures. None of these leases require these reclassifications based on lease terms.

5. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to volunteers; and illnesses of volunteers. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

6. LIQUIDITY AND AVAILABILITY

The main financial asset available for general expenditures is cash and cash equivalents totaling $502,732 for which there are no restrictions. They are all available along with additional revenues and support collected, to meet future financial needs during the next fiscal year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

7. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through May 3, 2024, which approximates the date the financial statements were available to be issued.

8. CONTINGENCIES

In October, 2021, the Organization was notified that it had been named as a beneficiary from an individual's estate. The Organization is designated to receive approximately $22,500 from this estate. $15,680 was received during 2023 from this beneficial interest.