

ELDERHEART, INC.
(d/b/a Mission 22)
Financial Statements
Years Ended December 31, 2018 and 2017

**ELDERHEART, INC.
(d/b/a Mission 22)**

TABLE OF CONTENTS

Independent Auditors' Report on the Financial Statements	Page	1-2
Financial Statements		
Statements of Assets, Liabilities and Net Assets - Cash Basis.....		3
Statements of Support, Revenues and Expenses - Cash Basis		4-5
Notes to Financial Statements		6-8
Independent Auditors' Report on the Supplementary Information		9
Supplementary Information		
Schedule of Expenses - Cash Basis.....		10-11

Independent Auditor's Report

**To the Board of Directors
ELDERHEART, INC.
(d/b/a Mission 22)
Nashville, Indiana**

We have audited the accompanying financial statements of ELDERHEART, INC. (d/b/a Mission 22) (a nonprofit organization), which comprise the statements of assets, liabilities and net assets - cash basis as of December 31, 2018 and 2017, and the related statements of support, revenues and expenses - cash basis for the years 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 the financial statements in accordance with the cash basis of accounting as described in Note A; this includes determining that the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 assets, liabilities and net assets of ELDERHEART, INC. (d/b/a Mission 22), as of December 31, 2018 and 2017, and its support, revenues and expenses for the years then ended in accordance with the cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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.

A handwritten signature in black ink that reads "Somerset CPAs, PC". The signature is written in a cursive, flowing style.

Indianapolis, Indiana
May 17, 2019

ELDERHEART, INC.
(d/b/a Mission 22)
Statements of Assets, Liabilities and Net Assets - Cash Basis
December 31, 2018 and 2017

	Assets	<u>2018</u>	<u>2017</u>
Current Assets			
Cash		<u>\$ 756,658</u>	<u>\$ 376,124</u>
Total Current Assets		<u><u>\$ 756,658</u></u>	<u><u>\$ 376,124</u></u>
Net Assets			
Net Assets			
Net assets without donor restrictions		<u>\$ 756,658</u>	<u>\$ 376,124</u>
Total Net Assets		<u><u>\$ 756,658</u></u>	<u><u>\$ 376,124</u></u>

See accompanying notes.

ELDERHEART, INC.
(d/b/a Mission 22)
Statement of Support, Revenues and Expenses - Cash Basis
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 1,646,287	\$ 0	\$ 1,646,287
Merchandise sales, net	(13,108)	0	(13,108)
Program	0	0	0
Total Support and Revenues	1,633,179	0	1,633,179
Expenses			
Programs			
Veterans	401,909	0	401,909
Memorials	53,734	0	53,734
Social impact	553,927	0	553,927
General and Administrative	243,075	0	243,075
Total Expenses	1,252,645	0	1,252,645
Change in Net Assets	380,534	0	380,534
Net Assets, Beginning of Year	376,124	0	376,124
Net Assets, End of Year	\$ 756,658	\$ 0	\$ 756,658

See accompanying notes.

ELDERHEART, INC.
(d/b/a Mission 22)
Statement of Support, Revenues and Expenses - Cash Basis
For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 1,179,512	\$ 0	\$ 1,179,512
Merchandise sales, net	(82,220)	0	(82,220)
Program	4,750	0	4,750
	<hr/>	<hr/>	<hr/>
Total Support and Revenues	1,102,042	0	1,102,042
Expenses			
Programs			
Veterans	289,543	0	289,543
Memorials	86,171	0	86,171
Social impact	402,562	0	402,562
General and Administrative	144,654	0	144,654
	<hr/>	<hr/>	<hr/>
Total Expenses	922,930	0	922,930
	<hr/>	<hr/>	<hr/>
Change in Net Assets	179,112	0	179,112
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of Year	197,012	0	197,012
	<hr/>	<hr/>	<hr/>
Net Assets, End of Year	<u>\$ 376,124</u>	<u>\$ 0</u>	<u>\$ 376,124</u>

See accompanying notes.

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2018 and 2017

Note A - Nature of Organization and Summary of Significant Accounting Policies:

Nature of the Organization

ElderHeart Inc. (d/b/a Mission 22) (the Organization), is an Indiana not-for-profit organization located in Nashville, Indiana. The Organization was founded and organized on November 3, 2003. The Organization's mission is to provide funding for veterans to receive treatment for Post-Traumatic Stress, Traumatic Brain Injury and other issues they may be facing.

Basis of Presentation

The accompanying financial statements have been prepared on the cash receipt and disbursement basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the financial statements.

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

With donor restrictions: Net assets subject to donor-imposed stipulations that require they be maintained permanently or that may or will be met by actions of the Organization and/or passage of time. Generally, the donors of these assets permit use of all or part of the income earned on related investments for general or specific purposes.

Without donor restrictions: Net assets not subject to donor-imposed stipulations.

Revenue Recognition

Contributions - The Organization operates primarily on contributions from the public. Gifts of cash and other assets are recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions.

Merchandise Sales - The Organization's merchandise sales revenue is recognized when funds have been made available for withdrawal or deposited into the Organization's financial institution. In accordance with the basis of presentation described above, purchases of merchandise for resale are expensed at the time of purchase, as such no inventory has been recorded on the Statements of Assets, Liabilities and Net Assets – Cash Basis.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments purchased within three months or less of an instrument's original maturity date to be cash and cash equivalents.

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2018 and 2017

Note A - Nature of Organization and Summary of Significant Accounting Policies (Continued):

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

Advertising Costs

The Organization expenses advertising costs as paid. Advertising costs for the Organization consisted primarily of internet and print media, promotional and educational brochures. For the years ended December 31, 2018 and 2017, advertising costs amounted to \$61,104 and \$71,506.

Expense Allocation

The costs of providing various programs and activities have been summarized on a functional basis in the statements of support, revenues and expenses. Accordingly, certain costs have been allocated among the programs based on the percentage of hours devoted to a program to total staff hours.

Note B - Merchandise Sales:

Detail for merchandise sales for the years ended December 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Merchandise sales	\$ 270,756	\$ 194,852
Less: purchases	<u>283,864</u>	<u>277,072</u>
Merchandise sales, net	<u>\$ (13,108)</u>	<u>\$ (82,220)</u>

Note C - Related Party Transactions:

The Organization subleases certain office space from employees within the Organization. Total rent expenses paid to related parties for the years ended December 31, 2018 and 2017 were \$22,820 and \$16,104, respectively.

The Organization has contracted with another company to promote the mission and support of the Organization. A board member is employed by the company the Organization has engaged. Total payments to this company for the years ended December 31, 2018 and 2017, were \$23,056 and \$650, respectively, and have been expensed through cost of merchandise and advertising.

ELDERHEART, INC.
(d/b/a Mission 22)
Notes to Financial Statements
December 31, 2018 and 2017

Note D - Operating Lease Commitments:

In July 2018, the Organization signed a forty-one month lease for certain office space. The lease requires monthly lease payments of \$1,450 through December 2018. The monthly lease payment increases annually through the term of the lease which expires in December 2021. In addition to base monthly rent, the agreement requires the Company to pay its proportionate share of real estate taxes, insurance, and common area maintenance expenses. Rent expense under the agreement amounted to \$11,600 for the year ended December 31, 2018.

In January 2018, the Organization signed a twenty-four month lease with a related party for certain office space. The lease requires monthly lease payments of \$165. The lease expires in December 2019. Rent expense under terms of this agreement amounted to \$1,980 for the year ended December 31, 2018.

In January 2018, the Organization signed a twenty-four month lease with a related party for certain office space. The lease requires monthly lease payments of \$395. The lease expires in December 2019. Rent expense under terms of this agreement amounted to \$4,736 for the year ended December 31, 2018.

Future minimum rental payments under these lease agreements are as follows:

<u>Year Ending December 31,</u>	
2019	\$ 30,008
2020	24,120
2021	<u>24,840</u>
	<u>\$ 78,968</u>

Note E - Concentrations, Risks and Uncertainties:

The Organization had one donor that accounted for approximately 15% and 23% of the Organization's total revenues for the years ended December 31, 2018 and 2017.

The Organization has deposits in multiple accounts at one financial institution. At times, these deposits may exceed the federally insured limit. Management regularly monitors the financial condition of the banking institutions and believes that the credit risk related to such deposits is minimal.

Note F - Management Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through May 17, 2019, the date on which the financial statements were available to be issued.

Independent Auditor's Report on the Supplementary Information

**To the Board of Directors
ELDERHEART, INC.
(d/b/a Mission 22)
Nashville, Indiana**

Our report on our audits of the financial statements of ELDERHEART, INC. (d/b/a Mission 22), for the years ended December 31, 2018 and 2017, appears on page 1. Those audits were made for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying schedule of expenses - cash basis for the year ended December 31, 2018 and 2017, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures including, comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Somerset CPAs, PC

Indianapolis, Indiana
May 17, 2019

ELDERHEART, INC.
(d/b/a Mission 22)
Schedule of Expenses - Cash Basis
For the Year Ended December 31, 2018

	<u>Veterans</u>	<u>Memorials</u>	<u>Social Impact</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Total Expense</u>
Salaries and wages	\$ 83,225	\$ 38,683	\$ 233,564	\$ 355,472	\$ 15,381	\$ 370,853
Treatment	304,745	0	0	304,745	0	304,745
Travel	488	101	74,308	74,897	75	74,972
Professional fees	0	0	5,463	5,463	65,335	70,798
Advertising	0	0	49,006	49,006	12,098	61,104
Rent	0	0	0	0	55,071	55,071
Contracted services	0	4,000	38,385	42,385	0	42,385
Miscellaneous	0	0	0	0	41,334	41,334
Employee benefits	6,493	2,914	23,273	32,680	6,199	38,879
Conference and meetings	0	0	37,177	37,177	0	37,177
Payroll taxes	6,958	3,323	19,311	29,592	1,310	30,902
Supplies	0	449	17,467	17,916	13,174	31,090
Equipment and software	0	4,264	24,284	28,548	0	28,548
Service charges	0	0	0	0	18,817	18,817
Postage	0	0	12,968	12,968	0	12,968
Repairs and maintenance	0	0	11,678	11,678	250	11,928
Printing	0	0	7,043	7,043	0	7,043
Telephone	0	0	0	0	6,876	6,876
Insurance	0	0	0	0	5,662	5,662
Utilities	0	0	0	0	1,493	1,493
Total	<u>\$ 401,909</u>	<u>\$ 53,734</u>	<u>\$ 553,927</u>	<u>\$ 1,009,570</u>	<u>\$ 243,075</u>	<u>\$ 1,252,645</u>

ELDERHEART, INC.
(d/b/a Mission 22)
Schedule of Expenses - Cash Basis
For the Year Ended December 31, 2017

	<u>Veterans</u>	<u>Memorials</u>	<u>Social Impact</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Total Expense</u>
Salaries and wages	\$ 90,560	\$ 42,544	\$ 144,677	\$ 277,781	\$ 14,661	\$ 292,442
Treatment	186,986	0	0	186,986	0	186,986
Travel	1,127	352	56,426	57,905	308	58,213
Professional fees	0	0	11,223	11,223	39,342	50,565
Advertising	0	0	67,965	67,965	3,541	71,506
Rent	0	0	0	0	16,104	16,104
Contracted services	0	4,119	50,099	54,218	0	54,218
Miscellaneous	0	0	0	0	25,538	25,538
Employee benefits	4,054	2,083	11,888	18,025	1,129	19,154
Conference and meetings	0	0	18,777	18,777	0	18,777
Payroll taxes	6,816	3,197	10,739	20,752	4,977	25,729
Supplies	0	28,481	1,665	30,146	12,924	43,070
Equipment and software	0	5,395	1,776	7,171	0	7,171
Service charges	0	0	0	0	15,820	15,820
Postage	0	0	12,671	12,671	0	12,671
Repairs and maintenance	0	0	8,378	8,378	1,982	10,360
Printing	0	0	6,278	6,278	0	6,278
Telephone	0	0	0	0	4,358	4,358
Insurance	0	0	0	0	3,289	3,289
Utilities	0	0	0	0	681	681
Total	\$ 289,543	\$ 86,171	\$ 402,562	\$ 778,276	\$ 144,654	\$ 922,930