

DEEP DEMOCRACY dba VETS4VETS
(a non-profit organization)

FINANCIAL STATEMENTS

DECEMBER 31, 2008

DEEP DEMOCRACY dba VETS4VETS
FINANCIAL STATEMENT
DECEMBER 31, 2008

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Certified Public Accountants
and Consultants

Hammel, Beal & Lauer PC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Deep Democracy dba Vets4Vets
Tucson, Arizona

We have audited the accompanying statement of assets, liabilities, and net assets – cash basis of Deep Democracy dba Vets4Vets (a nonprofit organization) as of December 31, 2008, and the related statements of revenue, expenses, and change in net assets – cash basis and functional expenses – cash basis. These financial statements are the responsibility of the management of Deep Democracy dba Vets4Vets. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Deep Democracy dba Vets4Vets as of December 31, 2008, and its revenue and expenses and change in net assets for the year then ended, on the basis of accounting described in Note 1.

Hammel, Beal & Lauer, P.C.

March 31, 2009

5656 E. Grant Road, Suite 200 • Tucson, AZ 85712 • www.hammelcpa.com • Ph (520) 886-3181 • Fx (520) 885-3699

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DEEP DEMOCRACY dba VETS4VETS
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS
DECEMBER 31, 2008

ASSETS

Current assets	
Cash and cash equivalents	<u>\$ 154,904</u>
Total current assets	154,904
Property and equipment	
Computer equipment	12,100
Accumulated depreciation	<u>(4,007)</u>
Property and equipment, net	<u>8,093</u>
Total assets	<u><u>\$ 162,997</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Credit cards payable	<u>\$ 4,877</u>
Total liabilities, all current	4,877
Unrestricted net assets	<u>158,120</u>
Total liabilities and net assets	<u><u>\$ 162,997</u></u>

DEEP DEMOCRACY dba VETS4VETS
STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

Revenue	
Pledges and contributions	\$ 62,794
Grants	390,000
Interest income	8,343
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Total revenue	461,137
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Expenses	
Program services	588,511
Fundraising	40,553
General and administrative	92,280
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Total expenses	721,344
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Change in net assets	(260,207)
Net assets, beginning of year	418,327
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Net assets, end of year	<u>\$ 158,120</u>

DEEP DEMOCRACY dba VETS4VETS
STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services	Fundraising	Management and General	Totals
Direct expenses				
Workshops	\$ 288,477	\$ -	\$ -	\$ 288,477
Conferences and meetings	43,549			43,549
Leadership training	3,823			3,823
Local groups	2,274			2,274
	<u>338,123</u>	<u>-</u>	<u>-</u>	<u>338,123</u>
Indirect expenses				
Salaries and wages	165,601	28,261	45,113	238,975
Payroll taxes	13,949	2,381	3,800	20,130
Advertising	3,056	-	-	3,056
Auto expense	-	-	2,007	2,007
Bank charges	-	-	164	164
Computers	-	-	960	960
Contract services	5,000	-	14,876	19,876
Contributions	5,000	-	-	5,000
Credit card expense	-	-	292	292
Depreciation	-	-	2,087	2,087
Dues and subscriptions	-	-	1,001	1,001
Equipment rental and maintenance	-	-	1,427	1,427
Fundraising	-	5,868	-	5,868
Insurance	2,578	-	-	2,578
Internet services	1,332	227	363	1,922
Legal and accounting	-	-	3,008	3,008
Media	11,182	-	-	11,182
Miscellaneous	-	-	3,360	3,360
Moving expenses	-	-	2,851	2,851
Occupancy	18,900	1,334	2,001	22,235
Office expense	-	-	1,498	1,498
Payroll processing	-	-	1,622	1,622
Postage and shipping	-	-	729	729
Printing and publications	3,797	633	1,899	6,329
Registration fees	-	-	260	260
Supplies	9,135	-	-	9,135
Telephone	9,631	1,640	2,627	13,898
Utilities	1,227	209	335	1,771
	<u>250,388</u>	<u>40,553</u>	<u>92,280</u>	<u>383,221</u>
Total expenses	<u>\$ 588,511</u>	<u>\$ 40,553</u>	<u>\$ 92,280</u>	<u>\$ 721,344</u>

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

DEEP DEMOCRACY dba VETS4VETS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Deep Democracy dba Vets4Vets (“Vets4Vets” or “the Organization”) was incorporated in 2004 as a nonprofit corporation under Delaware law. Vets4Vets is a non-partisan veteran organization dedicated to helping Iraq and Afghanistan-era veterans feel good about themselves and heal from any negative aspects of military service and war through the use of peer support. Vets4Vets derives its revenue from grants and contributions.

Cash Basis of Accounting

The Organization maintains its accounts on the cash basis of accounting, whereby revenue is recognized upon receipt and expenses are recognized when paid. This is a comprehensive basis of accounting other than generally accepted accounting principles. The financial statements are not intended to be presented in accordance with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of 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

Vets4Vets considers all unrestricted highly liquid investments purchased with original maturities of three months or less that are not held as part of an investment portfolio to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over each asset’s useful life, which is estimated to be five years. Expenditures for major renewals and betterments are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Advertising Costs

The Organization expenses all advertising costs as incurred. Total advertising expense for the year ended December 31, 2008 was \$3,056.

Concentrations

The Organization received 52% of its revenue from one community foundation during the year ended December 31, 2008, the final year of a multi-year grant awarded by the foundation.

DEEP DEMOCRACY dba VETS4VETS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Net Assets

Vets4Vets reports information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Contributions are recognized as unrestricted or restricted when received, depending on the existence and nature of donor restrictions. As of December 31, 2008, the Organization has only unrestricted net assets.

Income Taxes

The Organization is exempt from federal and Arizona income taxes under Internal Revenue Code Section 501(c)(3).

NOTE 2 - COMMITMENTS

Operating Lease

The Organization rents office space from an unrelated party under a lease agreement expiring June 30, 2009. Total rent expense under this lease, which includes a pre-payment through June 30, 2009, for the year was \$22,180.

NOTE 3 - DONATED AIR TRAVEL

During the year ended December 31, 2008, the Organization had a cooperative arrangement with Air Compassion, an unrelated nonprofit organization, to provide airfare to workshop participants. Previously, Vets4Vets had provided 100% of airfare to workshop participants. The estimated value of the airfare provided by Air Compassion during the year was \$90,000.