

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Financial Statements - June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

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Independent Auditors' Report

Board of Directors
Utah Defense Alliance
Layton, Utah

We have audited the accompanying financial statements of Utah Defense Alliance (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Utah Defense Alliance as of June 30, 2022, and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Utah Defense Alliance, 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 audit opinion.

Responsibilities of Management 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.

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 Utah Defense Alliance'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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Utah Defense Alliance'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Utah Defense Alliance'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.

Christensen, Palmer & Ambrose

Christensen, Palmer + Ambrose P.C.

November 4, 2022
Ogden, UT

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Statement of Financial Position
June 30, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 1,477,124	\$ 1,514,150
Total current assets	<u>1,477,124</u>	<u>1,514,150</u>
Total assets	<u>\$ 1,477,124</u>	<u>\$ 1,514,150</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ -	\$ 400
Total current liabilities	<u>-</u>	<u>400</u>
Net assets - without donor restrictions	<u>1,477,124</u>	<u>1,513,750</u>
Total liabilities and net assets	<u>\$ 1,477,124</u>	<u>\$ 1,514,150</u>

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Statement of Activities
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue and support:		
Contract revenue	\$ 650,000	\$ 650,000
Interest income	<u>5,066</u>	<u>7,349</u>
Total revenue and support	<u>655,066</u>	<u>657,349</u>
Expenses and losses:		
Program expenses	681,362	604,990
Management and general	<u>10,330</u>	<u>8,465</u>
Total expenses and losses	<u>691,692</u>	<u>613,455</u>
Total change in net assets	(36,626)	43,894
Net assets - beginning of period	<u>1,513,750</u>	<u>1,469,856</u>
Net assets - end of period	<u>\$ 1,477,124</u>	<u>\$ 1,513,750</u>

UTAH DEFENSE ALLIANCE
(A Nonprofit Organization)

Statement of Functional Expenses

For the Year Ended June 30, 2022

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total 2022</u>
Special Projects	\$ 545,000		545,000
Outside Consultants	83,000		83,000
Conferences, conventions and meetings	42,854		42,854
Contracted services		5,150	5,150
Professional fees		4,894	4,894
Insurance	5,246		5,246
Memberships	3,000		3,000
Miscellaneous	<u>2,262</u>	<u>286</u>	<u>2,548</u>
Totals	<u>\$ 681,362</u>	<u>10,330</u>	<u>691,692</u>

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Statement of Functional Expenses

For the Year Ended June 30, 2021

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total 2021</u>
Special Projects	\$ 510,000	-	510,000
Outside Consultants	80,000	-	80,000
Conferences, conventions and meetings	4,188	-	4,188
Contracted services	-	5,525	5,525
Professional fees	-	2,658	2,658
Insurance	4,988	-	4,988
Memberships	4,500	-	4,500
Miscellaneous	1,314	282	1,596
	<u>\$ 604,990</u>	<u>8,465</u>	<u>613,455</u>

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Statement of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (36,626)	\$ 43,894
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase (decrease) in accounts payable	(400)	(6,267)
Net cash provided (used) by operating activities	(37,026)	37,627
Cash flows from investing activities:	-	-
Cash flows from financing activities	-	-
Net increase(decrease) in cash and cash equivalents	(37,026)	37,627
Cash and cash equivalents - beginning of period	1,514,150	1,476,523
Cash and cash equivalents - end of period	\$ 1,477,124	\$ 1,514,150

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Notes to Financial Statements

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies

A. Organization

Utah Defense Alliance, Inc. is a nonprofit corporation organized to strengthen and support all appropriate governmental and private enterprises in their accomplishments of national defense objectives and to expand investment and employment opportunities in defense and aerospace related industries. As such, it is exempt from federal and state income taxes under Section 501(c)(4) of the Internal Revenue Code. The funding for Utah Defense Alliance, Inc. is provided by contracts with the State of Utah Department of Veterans and Military Affairs and donations from other public and private entities.

B. Financial Statement Presentation

Utah Defense Alliance, Inc. complies with the reporting provisions of FASB ASC 958-205. ASC 958-205 requires reporting amounts for the Organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the change in cash and cash equivalents in a statement of cash flows. ASC 958-205 also requires classification of an organization's net assets and its revenue, expenses, gains, losses based on the existence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets, net assets with donor restrictions, and net assets without donor restrictions, be displayed in a statement of activities. Utah Defense Alliance, Inc. had no restricted amounts to report as of June 30, 2022 or 2021; therefore, all amounts are displayed as without donor restriction. Utah Defense Alliance, Inc. reports restricted contributions that are expended in the same reporting period as they are received as unrestricted support.

C. Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

D. Equipment and Depreciation

The Organization has no material property and equipment.

E. Cash Equivalents

Utah Defense Alliance, Inc. defines cash and cash equivalents as all deposits in its checking and savings accounts.

F. Concentrations

Approximately 98% of the Organization's revenue was obtained through contracts with the State of Utah Department of Veterans and Military Affairs.

G. Income Taxes

Utah Defense Alliance, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Service Code and classified by the Internal Revenue Service as other than a private foundation. The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years of 2019, 2020, and 2021 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

UTAH DEFENSE ALLIANCE, INC.
(A Nonprofit Organization)

Notes to Financial Statements – Continued

June 30, 2022 and 2021

(1) Summary of Significant Accounting Policies continued

H. Revenue Recognition

The Organization is funded by contracts from the State of Utah. The contracts are unrestricted as to their use and payments on those contracts are recognized as revenue when they are received by the Organization.

I. Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

J. Subsequent Events

Management has evaluated subsequent events through November 4, 2022, the date the financial statements were available to be issued.

(2) Cash and Investments

At June 30, 2022 and 2021, the carrying amount of the Organization's deposits was \$1,477,124, and \$1,514,150 respectively and the bank balance for June 30, 2022 and 2021 was \$1,477,124, and \$1,514,150 respectively. Of these bank balances \$500,000 was covered by federal depository insurance. The remaining balance was uninsured and un-collateralized.

(3) Liquidity and availability of financial assets

The following reflects the Organizations financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 1,477,124	\$ 1,514,150
Less those unavailable for general expenditure within one year: Donor restricted	<u>-</u>	<u>-</u>
	<u>\$ 1,477,124</u>	<u>\$ 1,514,150</u>

The Organization is substantially supported by revenue from the State of Utah. These revenues are not restricted as to use and are available to meet cash needs to general expenditures.



November 4, 2022

Board of Directors
Utah Defense Alliance
Layton, Utah

We have audited the financial statements of Utah Defense Alliance for the year ended June 30, 2022, and have issued our report thereon dated November 4, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 28, 2022 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Utah Defense Alliance are described in Note 1 to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The only estimates affecting the financial statements were estimated useful lives of property and equipment.

We evaluated the key factors and assumptions used to develop the useful lives of property and equipment in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatement

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2022.

Other Audit Findings or Issues

We generally discuss a variety of other matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As a result of observations we made during our field work, we offer the following suggestion.

1. We suggest that a copy of the Zions bank statement be given to the contracted accounting firm at least annually so that interest can be recorded and the account balance can be adjusted to reflect the actual cash balance at year end.

This information is intended solely for the use of the Board of Directors and management of Utah Defense Alliance and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Christensen, Palmer & Ambrose P.C.



UTAH DEFENSE
ALLIANCE

Christensen, Palmer &
Ambrose Certified Public
Accountants
298 24th Street, Suite 300
Ogden, Utah 84401

We are providing this letter in connection with your audit of the statement of financial position of Utah Defense Alliance Inc. as of June 30, 2022 and the related statements of activities and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Utah Defense Alliance Inc. in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization's control.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
6. We have no knowledge of any fraud or suspected fraud affecting the Organization involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.

Mission:

- Strengthen and support all appropriate governmental and private enterprises in their accomplishments of national defense objectives
- Expand investment and employment opportunities in defense and aerospace related industries

8. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
9. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Organization is contingently liable.
10. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts.
12. Utah Defense Alliance Inc. is an exempt organization under Section 501(c)(4) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are current and up to date.
13. There are no:
 - a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
14. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged.
15. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
16. We believe the effects of any uncorrected financial statement misstatements are

immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, you have recommended adjusting journal entries that have been posted to the Organization's accounts. We are in agreement with those adjustments.

No events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Sincerely,

UTAH DEFENSE ALLIANCE INC.

Tage I Flint
Tage I Flint (Nov 8, 2022 08:12 MST)

Tage Flint, President

Kevin J Sullivan
Kevin J Sullivan (Nov 8, 2022 10:16 MST)

Kevin Sullivan, Consultant