

SOLDIERS ANGELS

**Financial Statements with
Independent Auditor's Report
December 31, 2006**



SOLDIERS ANGELS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5



R. EDWARD BERANEK
ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Soldiers Angels

We have audited the accompanying statement of financial position of Soldiers Angels (a non-profit organization) as of December 31, 2006 and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 includes 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Soldiers Angels as of December 31, 2006 and the change 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.

July 13, 2007
Arcadia, California

R. Edward Beranek
Accountancy Corporation
Certified Public Accountants

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SOLDIERS ANGELS
STATEMENT OF FINANCIAL POSITION
December 31,2006

Assets

Cash	\$ 404,713
Receivables, net of allowance for doubtful accounts	125,144
Funds held in escrow	1,100,414
Equipment at cost, less accumulated depreciation	<u>6,909</u>
Total assets	<u>\$ 1,637,180</u>

Liabilities and Net Assets

LIABILITIES

Accounts payable	<u>\$ 53,095</u>
Total liabilities	<u>53,095</u>

NET ASSETS

Unrestricted net assets	<u>1,584,085</u>
Total liabilities and net assets	<u>\$ 1,637,180</u>

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

SOLDIERS ANGLES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

UNRESTRICTED NET ASSETS

Revenues		
Programs		\$ 4,565,409
Fundraising		4,747,944
Store sales		117,278
	Total revenue	<u>9,430,631</u>
Expenses		
Program expenses		
Support for the troops		5,007,141
Supporting services		
Fundraising		2,937,818
Administrative		94,513
		<u>3,032,331</u>
	Total expenses	<u>8,039,472</u>
Net increase in unrestricted net assets		<u>1,391,159</u>
Net assets at beginning of the year		<u>192,926</u>
Net assets at end of the year		<u><u>\$ 1,584,085</u></u>

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

SOLDIER'S ANGELS
STATEMENT OF CASH FLOWS
For the Year Ended 12/31/2006

Cash flows from operating activities:

Changes in net assets	\$ 1,391,159
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	1,862
(Increase) decrease in assets	
Accounts receivable	(125,144)
Prepaid expenses	3,418
Funds held in escrow	(819,601)
Increase (decrease) in liabilities	
Accounts payable	(95,736)
Other liabilities	<u>(1,348)</u>
Net cash provided by operating activities	<u>354,610</u>

Cash flows from investing activities:

Purchases of equipment	<u>(4,700)</u>
Net cash (used by) investing activities	<u>(4,700)</u>
Net increase in cash	349,910

Cash

Beginning of the year	<u>54,803</u>
End of the year	<u><u>\$ 404,713</u></u>

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

SOLDIERS ANGELS
Notes to Financial Statements
December 31, 2006

Note 1

Summary of Significant Accounting Policies

Nature of Activities

Soldiers Angels (the "Organization") is a Nevada non-profit corporation organized and incorporated in Nevada on December 26, 2003. The Organization commenced operations in January 2004. The Organization is dedicated to ensuring that our military know that they are loved and supported during and after their deployment into harms way. The Organization is dedicated to providing tangible caring for our military troops. Principal program activities are:

- (1) Making and sending care packages to the Military troops overseas as well as stateside.
- (2) Sending or planting a living tree on behalf of every soldier that dies in the line of duty.
- (3) Gathering items and money to send to wounded soldiers and their families.

Basis of Presentation

Financial statement presentation follows the requirements of Statement of Financial Accounting Standards (SFAS) (particularly No.117) Financial Statements of Non-Profit Organizations. Such standards require that financial statements report information regarding its financial position and activities in as many as three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The Organization's operating activities are classified as unrestricted net assets. Temporarily restricted and permanently restricted net assets classes are not currently used in the Organization.

Equipment and Depreciation

Purchased equipment and improvements that amount to \$250 or more are capitalized and are stated at cost. Should donated equipment be received in the future it will be recorded at the fair market value at the date of donation. Depreciation is computed on the accelerated method using a five year life.

SOLDIERS ANGELS
Notes to Financial Statements
(continued)

Note 1

Summary of Significant Accounting Policies (continued)

Tax Exempt Status

The Organization is exempt from Federal income taxes under provisions of Internal Revenue Code Sections 501(c)(3). There is no income tax filing requirement in the State of Nevada where the Organization is incorporated. However, the Organization has a registration requirement in those states in which it solicits contributions.

Donations-in-Kind

Material donations-in-kind items received by Organization were recorded as income along with a corresponding charge to expense. Such items amounted to \$3,308,011 in the current year.

Advertising

Advertising costs are expensed in the year incurred.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the use of estimates in many areas, for example, (1) to determine the lives of certain assets and (2) to evaluate market value of investments. These estimates affect the carrying values of those assets and the results of operations for the period. Actual results could differ from those estimates.

Note 2

Equipment and Depreciation

Equipment is classified as follows:

<u>Description</u>	<u>Amount</u>
Computer	\$ 7,920
Office equipment	<u>1,388</u>
	9,308
Less accumulated depreciation	<u>2,399</u>
	\$ <u><u>6,909</u></u>

Depreciation expense for the current year amounted to \$1,862.

SOLDIERS ANGELS
Notes to Financial Statements
(continued)

Note 3 **Funds Held in Escrow**

The Organization has entered into a direct mail fundraising agreement which requires that amounts collected from contributors are placed into two escrow accounts. These amounts are as follows:

Direct mail escrow	\$ 945,512
Postage escrow	<u>154,902</u>
Total	<u><u>\$1,100,414</u></u>

The amounts held in escrow are used by Soldiers Angels to pay any up front costs of subsequent direct mailings. These funds are available to Soldiers Angels for their needs and are wired to Soldiers Angels' bank accounts within hours of being requested. There are no restrictions on these funds.

Note 4 **Functional Expenses**

The following sets forth the functional expenses included in the Statement of Activity:

<u>Description</u>	<u>Program</u>	<u>Supporting</u>
Agency Fee	\$ -	\$ 460,358
Airfare/Hotels	50,612	-
All Other	-	16,171
Armor/Kevlar	40,846	-
Auditing Fees	-	11,841
Back-End	-	45,527
Bank Fees	-	1,337
Benevolence	3,092	-
Blankets of Hope	7,000	-
Bulk Mailing Postage	-	1,017,280
Bumper Sticker	1,467	-
Canes	60	-
Care Packages	413,824	-
Celebrations	47,136	-
Christmas/Holidays for Heroes	127,927	-
Conference, Convention, Meeting	-	1,658
Credit Card Clearing	-	2,711

SOLDIERS ANGELS
Notes to Financial Statements
(continued)

Note 4

Functional Expenses (continued)

<u>Description</u>	<u>Program</u>	<u>Supporting</u>
Data Processing	-	76,290
Depreciation & Amortization	-	1,862
Dues and Subscriptions	-	99
Escrow	-	28,924
Fisher House	6,400	-
Front-End Premiums	-	8,252
Fulfillment	-	43,367
General Troop Support		
Care Packages	1,562,500	-
Coffee	600,000	-
Clothes	600,000	-
Other	545,511	-
Humanitarian Aide	10,447	-
In-house Publications	-	5,000
Insurance - Non-Employee	-	2,564
Interest - General	-	420
Katrina Support	63,098	-
Licenses	-	1,715
List Rental	-	293,852
Living Legends	18,232	-
Magnets	8,014	-
Mailhouse/Laser	-	303,082
Mailing services	-	1,800
Memorial Day Event - DC	4,432	-
Miscellaneous	-	9,066
Office Expense	-	6,395
Outside Computer Services	-	1,122
Paypal Fees	-	13,674
Pins, Coins	70,429	-
Postage, Shipping, Delivery	75,917	-
Printing	-	644,717
Printing & Copying	-	539

SOLDIERS ANGELS
Notes to Financial Statements
(continued)

Note 4

Functional Expenses (continued)

<u>Description</u>	<u>Program</u>	<u>Supporting</u>
Professional Fees - Other	-	8,718
Project Valour IT	248,252	-
Promotional Items	-	1,107
Rent, Parking, Other Occupancy	-	2,558
Scarves (Cool & Sand)	60,177	-
Soldiers/Family Assistance	144,367	-
Tax Preparation	-	3,014
Telephone & Telecommunications	-	1,165
Temporary Help - Contract	-	100
Travel	-	878
Utilities	-	600
Webpage/Programming	-	14,568
Wounded/Backpack	297,401	-
TOTAL	<u>\$ 5,007,141</u>	<u>\$ 3,032,331</u>