

SOLDIERS ANGELS

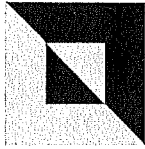
**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

December 31, 2005

SOLDIERS ANGELS

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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, 2005 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, 2005 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.

October 26, 2006
Arcadia, California

R. Edward Beranek
Accountancy Corporation
Certified Public Accountants

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SOLDIERS ANGELS
STATEMENT OF FINANCIAL POSITION
December 31, 2005

Assets

Cash	\$ 54,803
Funds held in escrow	280,813
Equipment at cost, less accumulated depreciation	4,071
Prepaid expenses	<u>3,418</u>
Total assets	<u>\$ 343,105</u>

Liabilities and Net Assets

LIABILITIES

Accounts payable	\$ 148,831
Other liabilities	<u>1,347</u>
Total liabilities	<u>150,178</u>

NET ASSETS

Unrestricted net assets	<u>192,927</u>
Total liabilities and net assets	<u>\$ 343,105</u>

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

SOLDIERS ANGLES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

UNRESTRICTED NET ASSETS

Revenues		
Contributions	\$	586,324
Programs		424,813
Fundraising		<u>1,152,148</u>
Total revenue		<u>2,163,285</u>
Expenses		
Program expenses		
Care packages		1,086,750
Payments to soldiers		<u>9,829</u>
		<u>1,096,579</u>
Supporting services		
Administrative		48,791
Fundraising		<u>829,544</u>
		<u>878,335</u>
Total expenses		<u>1,974,914</u>
Net increase in unrestricted net assets		<u>188,371</u>
Net assets at beginning of the year		<u>4,556</u>
Net assets at end of the year	\$	<u><u>192,927</u></u>

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

SOLDIER'S ANGELS
STATEMENT OF CASH FLOWS
For the Year Ended 12/31/2005

Cash flows from operating activities:

Changes in net assets	\$ 188,371
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	493
(Increase) decrease in assets	
Accounts receivable	3,053
Prepaid expenses	(3,418)
Funds held in escrow	(280,813)
Increase (Decrease) in liabilities	
Accounts payable	137,852
Other liabilities	(870)
	44,668

Cash flows from investing activities:

Purchases of equipment	(3,723)
Net cash (used by) investing activities	(3,723)
Net increase in cash	40,945

Cash

Beginning of the year	13,858
End of the year	\$ 54,803

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

SOLDIERS ANGELS
Notes to Financial Statements
December 31, 2005

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 straight line basis 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 filing requirement in the State of Nevada.

Donated Services

Administrative and management services are a donation of time from the officers and directors of the Organization board. Donated services are not reflected in the financial statements because they do not meet the criteria established under generally accepted accounting principles.

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 are classified as follows:

<u>Description</u>	<u>Amount</u>
Computer	\$ 3,220
Office equipment	<u>1,388</u>
	4,608
Less accumulated depreciation	<u>537</u>
	\$ <u><u>4,071</u></u>

Depreciation expense for the current year amounted to \$493.

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	\$ 156,076
Postage escrow	<u>124,738</u>
Total	<u>\$ 280,813</u>

The amounts held in escrow are paid to vendors under the terms of the contractual agreement.

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>
Care Packages	\$328,128	--
Wounded	84,782	--
Postage & Shipping	21,709	--
General	178,634	--
Advertising/Promotional	42,230	--
Telephone	--	4,485
Web Page	--	--
Scarves	5,515	--
Bank and Paypal Fees	--	270
Accounting Fees	--	6,736
Morale	15,259	--
Phone Cards	21,558	--
Office Expense	--	2,917
Board Expense	--	2,214
Legal Fees	--	2,158
Travel	52,178	735
Licenses	--	50
Mileage	--	805
Professional Fees/Dues	--	6,295
Laptop for wounded soldiers	135,477	--

SOLDIERS ANGELS
Notes to Financial Statements
(continued)

Note 4

Functional Expenses (continued)

<u>Description</u>	<u>Program</u>	<u>Supporting</u>
Soles for Souls	3,574	--
Katrina Assistance	72,651	--
Benevolence	86,058	--
Blankets	1,680	--
Equipment Rental & Maintenance	--	2,848
Amor/Kevlar	46,195	--
Direct Mail	--	829,544
Interest Expense	--	422
Other	<u>951</u>	<u>18,856</u>
Total	<u>\$1,096,579</u>	<u>\$ 878,335</u>