

SOLDIERS ANGELS
AUDITED FINANCIAL STATEMENTS
December 31, 2008



SOLDIERS ANGELS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Soldiers Angels

We have audited the accompanying statement of financial position of Soldiers Angels (a Nevada nonprofit public benefit corporation) and as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Soldiers Angels' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements described above present fairly, in all material respects, the financial position of Soldiers Angels as of December 31, 2008, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP

May 29, 2009

SOLDIERS ANGELS
STATEMENT OF FINANCIAL POSITION
December 31, 2008

Assets

Current assets

Cash and cash equivalents	\$ 460,498
Inventory	52,473
Accounts receivable, net	730
Prepaid expenses and other assets	<u>114,557</u>
Total current assets	628,258

Noncurrent assets

Property and equipment, net (Note 2)	<u>7,048</u>
Total noncurrent assets	<u>7,048</u>
Total assets	<u>\$ 635,306</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 345,223
Other liabilities	<u>89,724</u>
Total current liabilities	434,947

Net assets

Unrestricted	<u>200,359</u>
Total net assets	<u>200,359</u>
Total liabilities and net assets	<u>\$ 635,306</u>

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

SOLDIERS ANGELS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Revenue and support	
Program contributions	\$ 18,339,594
Fundraising - direct mail	7,018,360
Store sales	607,302
Interest income	<u>15,359</u>
Total revenue and support	<u>25,980,615</u>
Expenses	
Program services	22,152,856
Management and general	1,059,294
Fundraising	<u>3,960,929</u>
Total expenses	<u>27,173,079</u>
Change in net assets	(1,192,464)
Net assets, beginning of the year	<u>1,392,823</u>
Net assets, end of the year	<u><u>\$ 200,359</u></u>

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

SOLDIERS ANGELS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2008

	Program Services	Management and General	Fundraising	Total
Salaries	\$ -	\$ 263,965	\$ -	\$ 263,965
Payroll taxes		12,577		12,577
Employee benefits		14,481		14,481
Total personnel costs	-	291,023	-	291,023
Accounting fees		20,705		20,705
Airfare	971,254			971,254
Back end fees			67,273	67,273
Bank fees		2,113		2,113
Benevolence	2,853			2,853
Blankets of hope	44,747			44,747
Board expenses		108		108
Canes	2,000			2,000
Celebration	13,042			13,042
Chaplain	87,582			87,582
Christmas/holiday	137,385			137,385
Clothing	11,662			11,662
Conferences, conventions, and meetings	23,338			23,338
Creative fees			27,814	27,814
Credit card clearing			15,173	15,173
Depreciation		2,662		2,662
Donations to others	29,197			29,197
Dues and subscriptions		1,154		1,154
Equipment and maintenance		12,206		12,206
Escrow			21,074	21,074
Events	211,164			211,164
Fallen heroes	8,623			8,623
Family support	472,212			472,212
Fisher house/VA support	107,038			107,038
Front end premiums			14,723	14,723
Fulfillment			87,678	87,678
Fundraising fees			507,161	507,161
Subtotal of functional expenses	\$ 2,122,097	\$ 329,971	\$ 740,896	\$ 3,192,964

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

SOLDIERS ANGELS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2008

	Program Services	Management and General	Fundraising	Total
Subtotal carried forward	\$ 2,122,097	\$ 329,971	\$ 740,896	\$ 3,192,964
General program	1,000			1,000
Insurance		6,958		6,958
Internal fundraising			37,998	37,998
K-9 teams	12,834			12,834
Legal and professional		1,500		1,500
Licenses		4,216		4,216
List rental			182,565	182,565
Living legends	24,925			24,925
Mailhouse/laser			369,760	369,760
Miscellaneous management		378,202		378,202
Museum	59,626			59,626
National guard	46,655			46,655
Occupancy		14,532		14,532
Office expense		5,700		5,700
Operation B. Card/Cool Hero/SOS/Top Knot	71,746			71,746
Other			294,584	294,584
PayPal fees			3,663	3,663
Phone cards	108,172			108,172
Pins/coins/etc.	90,282			90,282
Postage and shipping	324,211	4,717	1,253,765	1,582,693
Printing and publications			1,077,698	1,077,698
Program related activities	17,219,597			17,219,597
Promotion items		17,933		17,933
Project valour	361,593			361,593
Scarves	147,429			147,429
Staff development		7,227		7,227
Store merchandise and expense	692,737			692,737
Supplies		59,438		59,438
Telephone		15,853		15,853
Travel		148,528		148,528
Troop/vet support	298,298			298,298
Webpage		64,519		64,519
Wounded	571,654			571,654
Total functional expenses	\$ 22,152,856	\$ 1,059,294	\$ 3,960,929	\$ 27,173,079

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

SOLDIERS ANGELS

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2008

Cash flows from operating activities:	
Change in net assets	\$ (1,192,464)
Adjustment to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,662
Change in operating assets:	
Inventory	(52,473)
Accounts receivable	153,210
Prepaid expenses and other assets	165,855
Change in operating liabilities:	
Accounts payable	141,829
Other liabilities	<u>14,746</u>
Net cash used in operating activities	<u>(766,635)</u>
Net change in cash and cash equivalents	(766,635)
Cash and cash equivalents at beginning of year	<u>1,227,133</u>
Cash and cash equivalents at end of year	<u><u>\$ 460,498</u></u>

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

SOLDIERS ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

Soldiers Angels (SA), a non-profit corporation, was incorporated in Nevada on December 26, 2003 and commenced operations in January 2004. Soldiers Angels is dedicated to ensuring that our military know that they are loved and supported during and after their deployment into harms way.

Soldiers Angels is dedicated to providing tangible caring for our military troops. Principal program activities are:

1. Making and sending 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

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of SA are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives.

Accordingly, all the financial transactions have been recorded and reported by net asset class as follows:

Unrestricted - These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Temporarily Restricted – SA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. SA has no temporarily restricted net assets at December 31, 2008.

SOLDIERS ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Permanently Restricted - These net assets are received by donors who stipulate that resources are to be maintained permanently, but permits SA to expend all of the income (or other economic benefits) derived from the donated assets. SA has no permanently restricted net assets at December 31, 2008.

Cash and Cash Equivalents

Cash and Cash Equivalents - For purposes of the statement of cash flows, SA considers all highly liquid investments with maturity of three months or less to be cash equivalents.

Accounts Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. All accounts receivable are deemed to be fully collectible at December 31, 2008; therefore, no allowance for doubtful accounts has been recorded.

Inventories

Inventories consist of primarily merchandise purchased for resale through the Organization's store, such as care packages, which are gifts to be sent to deployed soldiers or their family members, or collectible items from which profits are used to help fund the Organization's mission. Inventory items, which are currently held by a third-party warehouse located at Newbury Park, California, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

Property and Equipment

Expenditures for fixed assets in excess of \$250 are capitalized at cost. Donated assets to be used in SA's programs are capitalized at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Estimated useful life is as follows:

Equipment	5 Years
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SOLDIERS ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributed Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received.

In addition, some unpaid volunteers have made contributions of their time to SA. However, the value of these services is not reflected in these statements because the criteria for recognition have not been satisfied.

Material donations of in-kind items received by SA were recorded as income along with a corresponding charge to expense. As of December 31, 2008, SA received donation in-kind of \$14,824,175.

Income Taxes

SA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and by the Nevada Revenue and Taxation Code. 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.

Concentration of Credit Risks

SA places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposits Insurance Corporation insurance limit. SA has not incurred losses related to these investments.

Use of Accounting Estimates

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates.

SOLDIERS ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Functional Allocation of Expenses

The costs of providing the program and supporting activities of the organization have been summarized on a functional basis in the statement of activities, and presented in detail in the statement of functional expenses. Accordingly, certain costs have been allocated among the program, administrative, and fund raising functions, based upon the estimated benefit received by each function.

NOTE 2 - PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2008 consisted of the following:

Computers	\$ 4,700
Office equipments	<u>8,608</u>
	13,308
Less: Accumulated depreciation	<u>(6,260)</u>
Total net property and equipment	<u>\$ 7,048</u>

Depreciation expense for the year ended December 31, 2008 was \$2,662.