

**SOLDIERS' ANGELS**  
**AUDITED FINANCIAL STATEMENTS**  
**December 31, 2009**



# 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) as of December 31, 2009, 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, 2009, 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

July 16, 2010

**SOLDIERS' ANGELS**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2009**

**Assets**

**Current assets**

Cash and cash equivalents	\$ 152,589
Inventory	298,643
Accounts receivable, net	89,095
Prepaid expenses and other assets	<u>52,961</u>
<b>Total current assets</b>	<b>593,288</b>

**Noncurrent assets**

Property and equipment, net (Note 2)	<u>110,918</u>
<b>Total noncurrent assets</b>	<b><u>110,918</u></b>
<b>Total assets</b>	<b><u>\$ 704,206</u></b>

**Liabilities and Net Assets**

**Current liabilities**

Accounts payable	\$ 277,403
Other liabilities	<u>15,012</u>
<b>Total current liabilities</b>	<b>292,415</b>

**Net assets**

Unrestricted	<u>411,791</u>
<b>Total net assets</b>	<b><u>411,791</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 704,206</u></b>

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

**SOLDIERS' ANGELS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2009**

<b>Revenue and support</b>	
Program contributions	\$ 5,592,603
Fundraising - direct mail	4,407,409
Store sales	<u>703,180</u>
<b>Total revenue and support</b>	<u>10,703,192</u>
<b>Expenses</b>	
Program services	8,198,523
Management and general	515,581
Fundraising	<u>1,777,656</u>
<b>Total expenses</b>	<u>10,491,760</u>
<b>Change in net assets</b>	211,432
<b>Net assets, beginning of the year</b>	<u>200,359</u>
<b>Net assets, end of the year</b>	<u><u>\$ 411,791</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, 2009

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 140,544	\$ 177,918	\$ 110,421	\$ 428,883
Payroll taxes	15,620	6,635	8,840	31,095
Employee benefits	7,306	27,471	3,619	38,396
Total personnel costs	163,470	212,024	122,880	498,374
Accounting fees		17,298		17,298
Airfare	639,768			639,768
Back end fees			22,806	22,806
Bank fees		5,872	15,410	21,282
Benevolence	5,287			5,287
Blankets of hope	34,913			34,913
Board expenses		3,964		3,964
Caging			126,059	126,059
Canes	1,500			1,500
Celebration	4,549			4,549
Christmas/holiday	249,106			249,106
Clothing	275			275
Creative fees			707	707
Credit card clearing			23,809	23,809
Depreciation		17,420		17,420
Dues and subscriptions		1,316		1,316
Equipment and maintenance		11,765		11,765
Escrow			7,880	7,880
Events	61,780			61,780
Fallen heroes	4,047			4,047
Family support	171,978			171,978
Fisher house/VA support	165,451			165,451
Front end premiums			778	778
Fulfillment			35,167	35,167
Fundraising fees			81,309	81,309
Subtotal of functional expenses	\$ 1,502,124	\$ 269,659	\$ 436,805	\$ 2,208,588

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

## SOLDIERS' ANGELS

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2009

	Program Services	Management and General	Fundraising	Total
Subtotal carried forward	\$ 1,502,124	\$ 269,659	\$ 436,805	\$ 2,208,588
General donations	115,244			115,244
Insurance		3,144		3,144
Internal fundraising			39,280	39,280
K-9 teams	4,715			4,715
Legal and professional		1,069		1,069
Licenses		4,616		4,616
List expenses			36,237	36,237
Living legends	20,648			20,648
Mailhouse/laser			77,598	77,598
Miscellaneous management		28,041		28,041
Museum	50,633			50,633
National guard	48,220			48,220
Occupancy		24,571		24,571
Office expense		1,756		1,756
Operation B. Card/Cool Hero/SOS/Top Knot	36,023			36,023
Other			9,069	9,069
PayPal fees			785	785
Phone cards	191,533			191,533
Pins/coins/etc.	66,306			66,306
Postage and shipping	377,192	4,318	968,507	1,350,017
Printing and publications		4,441	209,375	213,816
Program related activities	4,057,176			4,057,176
Promotion items		7,592		7,592
Project Valour IT	149,922			149,922
Scarves/Bandana	74,196			74,196
Staff development		8,024		8,024
Store merchandise and expense	113,970			113,970
Supplies		29,163		29,163
Telephone		17,007		17,007
Travel		75,414		75,414
Troop/vet support	587,115			587,115
Warehouse	218,906			218,906
Webpage		36,766		36,766
Wounded	584,600			584,600
<b>Total functional expenses</b>	<b>\$ 8,198,523</b>	<b>\$ 515,581</b>	<b>\$ 1,777,656</b>	<b>\$ 10,491,760</b>

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

**SOLDIERS' ANGELS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2009**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 211,432
Adjustment to reconcile change in net assets to net cash used by operating activities:	
Depreciation	17,420
Change in operating assets:	
Inventory	(246,170)
Accounts receivable	(88,365)
Prepaid expenses and other assets	61,596
Change in operating liabilities:	
Accounts payable	(67,820)
Other liabilities	<u>(74,712)</u>
Net cash used in operating activities	<u>(186,619)</u>
<b>Cash flows from investing activities:</b>	
Purchase of property, plant and equipment	<u>(121,290)</u>
Net cash used in investing activities	<u>(121,290)</u>
<b>Net change in cash and cash equivalents</b>	<b>(307,909)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>460,498</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 152,589</u></b>

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

## SOLDIERS' ANGELS

### NOTES TO FINANCIAL STATEMENTS December 31, 2009

#### 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, 2009.

# SOLDIERS' ANGELS

## NOTES TO FINANCIAL STATEMENTS December 31, 2009

### 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, 2009.

#### 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, 2009; 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 at a warehouse located in San Antonio, Texas, 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:

Building improvements	20 Years
Equipment	5 Years
Vehicles	5 Years

## SOLDIERS' ANGELS

### NOTES TO FINANCIAL STATEMENTS December 31, 2009

#### 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 and inventory. As of December 31, 2009, SA received donations in-kind of \$2,810,595.

##### 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.

##### 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.

**SOLDIERS' ANGELS**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2009**

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

**Subsequent Events**

All events subsequent to the statement of financial position date of December 31, 2009 through July 16, 2010 which is the date these financial statements were available to be issued, have been evaluated in accordance with generally accepted accounting principles. There were no subsequent events requiring recognition as of December 31, 2009.

**NOTE 2 - PROPERTY AND EQUIPMENT:**

Property and equipment at December 31, 2009 consisted of the following:

Building improvements	\$ 63,328
Furniture and fixtures	31,860
Equipment	<u>39,410</u>
	134,598
Less: Accumulated depreciation	<u>(23,680)</u>
Total net property and equipment	<u>\$ 110,918</u>

Depreciation expense for the year ended December 31, 2009 was \$17,420.

**NOTE 3 - OPERATING LEASE:**

During the year, SA entered into an operating lease for facilities with an initial monthly payment of approximately \$11,000. The lease started in September 2009 and has a term of 5 years. Rent expense for the year ended December 31, 2009 was approximately \$40,000. The future minimum lease payments under the lease are as follows:

<u>December 31,</u>	<u>Amount</u>
2010	\$ 141,854
2011	162,894
2012	163,942
2013	165,018
2014	<u>138,290</u>
Total	<u>\$771,998</u>