

**SOLDIERS' ANGELS**  
**AUDITED FINANCIAL STATEMENTS**  
**December 31, 2012**



# SOLDIERS' ANGELS

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Soldiers' Angels

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Soldiers' Angels (SA), a Nevada nonprofit public benefit corporation, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility 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.

### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Soldiers' Angels

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SA as of December 31, 2012, and the results of its activities and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Going Concern**

The accompanying financial statements have been prepared assuming SA will continue as a going concern. As noted in Note 5 to the financial statements, SA has experienced significant cash flow difficulties and does not have adequate cash reserves to meet its current obligations without obtaining additional financing or donations. These factors raise substantial doubt about SA's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The financial statements do not include any adjustments that might result from outcome of this uncertainty. Our opinion is not modified with respect to this matter.



VICENTI, LLOYD & STUTZMAN LLP  
Glendora, CA  
December 4, 2013

**SOLDIERS' ANGELS**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012**

Assets

**Current assets**

Cash and cash equivalents	\$ 90,197
Accounts receivable, net	175,150
Inventory	1,066,255
Prepaid expenses and other assets	<u>6,000</u>
<b>Total current assets</b>	<b>1,337,602</b>

**Noncurrent assets**

Property and equipment, net (Note 2)	<u>99,089</u>
<b>Total noncurrent assets</b>	<u>99,089</u>
<b>Total assets</b>	<b><u>\$ 1,436,691</u></b>

Liabilities and Net Assets

**Current liabilities**

Accounts payable	\$ 235,357
Accrued salaries and benefits	65,652
Other accrued liabilities	<u>101,979</u>
<b>Total current liabilities</b>	<b>402,988</b>

**Net assets**

Unrestricted	<u>1,033,703</u>
<b>Total net assets</b>	<u>1,033,703</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,436,691</u></b>

**SOLDIERS' ANGELS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

<b>Revenue and support</b>	
Program contributions	\$ 2,042,454
Program contributions - in kind	2,651,040
Fundraising	1,307,147
Interest income	11,266
Store sales	<u>135,857</u>
<b>Total revenue and support</b>	<u>6,147,764</u>
<b>Expenses</b>	
Program services	5,377,444
Management and general	522,106
Fundraising	<u>749,126</u>
<b>Total expenses</b>	<u>6,648,676</u>
<b>Change in unrestricted net assets</b>	<u>(500,912)</u>
<b>Unrestricted net assets, beginning of the year</b>	<u>1,534,615</u>
<b>Unrestricted net assets, end of the year</b>	<u><u>\$ 1,033,703</u></u>

## SOLDIERS' ANGELS

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2012

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries - Support a Veteran's Employment (S.A.V.E.) Program	\$ 313,741	\$ 82,312	\$ 6,588	\$ 402,641
Salaries - non S.A.V.E. Program	184,723	148,840	102,667	436,230
Payroll taxes	47,496	22,025	10,410	79,931
Employee benefits	46,499	21,563	10,192	78,254
Total personnel costs	592,459	274,740	129,857	997,056
Accounting fees		18,873		18,873
Airfare	55,086			55,086
Backpacks	11,519			11,519
Bank fees	1,748	8,658		10,406
Blankets of hope	4,556			4,556
Board expenses		4,203		4,203
Caging			17,823	17,823
Celebration	1,246			1,246
Christmas/holiday	63,727			63,727
Credit card clearing			16,753	16,753
Depreciation		27,014		27,014
Dues and subscriptions		3,576		3,576
Equipment and maintenance		11,705		11,705
Events	94,000			94,000
Family support	30,138			30,138
Fisher house/VA support	32,967			32,967
Fundraising fees			6,546	6,546
General donations	14,225			14,225
Insurance		6,701		6,701
Internal fundraising			6,500	6,500
Subtotal of functional expenses	\$ 901,671	\$ 355,470	\$ 177,479	\$ 1,434,620

## SOLDIERS' ANGELS

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2012

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Subtotal carried forward	\$ 901,671	\$ 355,470	\$ 177,479	\$ 1,434,620
Licenses		3,333		3,333
Living legends	1,445			1,445
Mailhouse/laser			115,400	115,400
Miscellaneous management		12,845		12,845
Occupancy		50,967		50,967
Office expense		720		720
Operation B. Card/Cool Hero/SOS/ Top Knot	4,983			4,983
Other	3,289	2,381	16,662	22,332
PayPal fees			48	48
Pins/coins/etc.	3,390			3,390
Postage and shipping	78,734		240,869	319,603
Printing and publications		4,632	179,837	184,469
Program related activities	3,448,352			3,448,352
Promotion items	6,000	768		6,768
Project Valour IT	140,582			140,582
Scarves/bandana	915			915
Soldiers' Angels Support Center	9,352			9,352
Staff development		3,332		3,332
Store merchandise and expense	187,779			187,779
Supplies		35,183		35,183
Telephone		21,014		21,014
Travel		12,630		12,630
Troop/vet support	67,486			67,486
Warehouse	429,489			429,489
Webpage	18,831	18,831	18,831	56,493
Wounded	75,146			75,146
<b>Total functional expenses</b>	<b><u>\$ 5,377,444</u></b>	<b><u>\$ 522,106</u></b>	<b><u>\$ 749,126</u></b>	<b><u>\$ 6,648,676</u></b>



**SOLDIERS' ANGELS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2012**

**Cash flows from operating activities:**

Change in net assets	\$ (500,912)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	27,014
Change in operating assets:	
Inventory	675,602
Accounts receivable	(87,038)
Prepaid expenses and other assets	24,000
Change in operating liabilities:	
Accounts payable	(35,855)
Accrued salaries and benefits	(66,297)
Other accrued liabilities	<u>9,650</u>
Net cash provided by operating activities	<u>46,164</u>
<b>Net change in cash and cash equivalents</b>	46,164
<b>Cash and cash equivalents at beginning of year</b>	<u>44,033</u>
<b>Cash and cash equivalents at end of year</b>	<b><u><u>\$ 90,197</u></u></b>

# **SOLDIERS' ANGELS**

## **NOTES TO FINANCIAL STATEMENTS December 31, 2012**

### **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. SA is dedicated to ensuring that our military know that they are loved and supported during and after their deployment into harm's way.

SA is dedicated to providing tangible caring for our military troops. Principle program activities are:

1. For the deployed – SA ships more than 100,000 care/gift packages each year with snacks, seasonal clothing, hand-made quilts, games, gifts and whatever the troops request.
2. For the wounded in theatre – SA has distributed more than 10,000 First Response Backpacks that provide immediate clothing and hygiene products for the wounded while they are treated at forward care facilities (often times, their first stop during medical evacuation).
3. For the wounded at home – SA has given over \$150,000 of laptops and ipads, including special voice-controlled computers to severely-wounded, and helped heal inconspicuous wounds through Operation Harmony (teaching piano and guitar to our wounded veterans) and the Heroes and Horses Project (peer to peer counseling and teambuilding for veterans suffering from Post-Traumatic Stress and Traumatic Brain Injury through equine-type therapy).
4. For all veterans and their families – SA distributes approximately \$100,000 in financial assistance annually to veteran families throughout the US, and SA routinely provides support & advocacy through travel, housing and employment assistance.
5. For unemployed veterans – One of SA's crown jewels has been our Soldiers' Angels Veterans Employment (SAVE) Project where SA has provided temporary employment and stewardship to more than 30 veterans who ultimately found meaningful, long-term employment.

#### **Basis of Presentation**

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

#### **Net Assets**

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.

# SOLDIERS' ANGELS

## NOTES TO FINANCIAL STATEMENTS December 31, 2012

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Net Assets (Continued)

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, 2012.

**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, 2012.

#### 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 collectability 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, 2012; therefore, no allowance for doubtful accounts has been recorded.

# SOLDIERS' ANGELS

## NOTES TO FINANCIAL STATEMENTS December 31, 2012

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Inventory

Inventories consist primarily of 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 SA's mission. Merchandise that is purchased is valued at the lower of cost or market. Inventory items are currently held at warehouses located in San Antonio, Texas, Ramseur, North Carolina, and Pasadena, California. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

#### 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

#### Contributed Services and Donated Items

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, 2012, SA received donations in-kind of \$2,651,040.

# **SOLDIERS' ANGELS**

## **NOTES TO FINANCIAL STATEMENTS December 31, 2012**

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

#### **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 SA is incorporated. A tax return is filed in California, the location of its corporate office. SA has a registration requirement in those states in which SA solicits contributions.

SA has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal levels. The primary tax positions evaluated are related to SA's continued qualification as a tax-exempt organization and whether there is unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

SA files informational returns in the U.S. federal jurisdiction. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

#### **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 fundraising functions, based upon the estimated benefit received by each function.

**SOLDIERS' ANGELS**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

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

**Subsequent Events**

All events subsequent to the statement of financial position date of December 31, 2012 through December 4, 2013 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, 2012.

**NOTE 2 – PROPERTY AND EQUIPMENT:**

Property and equipment at December 31, 2012 consisted of the following:

Building improvements	\$ 74,945
Furniture and fixtures	45,611
Equipment	<u>82,210</u>
	202,766
Less: Accumulated depreciation	<u>(103,677)</u>
Total net property and equipment	<u>\$ 99,089</u>

Depreciation expense for the year ended December 31, 2012 was \$27,014.

**NOTE 3 – OPERATING LEASE:**

SA entered into an operating lease for facilities with an initial monthly payment of approximately \$13,647. The lease started in September 2009 and has a term of 5 years. SA vacated the facilities prior to the end of the lease term. See note 4 for contingencies.

SA entered into an operating lease for facilities with an initial monthly payment of approximately \$2,649. The lease commenced in April 2013 and has a term of 3 years. Rent expense for the year ended December 31, 2012 was \$143,685.

**SOLDIERS' ANGELS**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2012**

**NOTE 3 – OPERATING LEASE: (Continued)**

The future minimum lease payments are as follows:

<u>December 31,</u>	<u>Amount</u>
2013	\$ 23,841
2014	32,616
2015	33,711
2016	<u>8,496</u>
	<u>\$ 98,664</u>

**NOTE 4 – CONTINGENCIES:**

SA is subject to various claims for damages that arise in the normal course of business. In management's opinion, although the outcomes of these claims are unknown at this time, any losses that may occur would not have a material impact on SA's financial statements.

**NOTE 5 – MANAGEMENT'S PLANS:**

SA has experience significant cash flow difficulties and does not have adequate reserves to pay its current liabilities. SA management's plan to mitigate the circumstances which caused doubt regarding SA's ability to continue as going concern is as follows:

SA has retained a nonprofit management consultant to restructure the organization. The nonprofit consultant made lay off recommendations and those recommendations were implemented, cutting the staff in half. SA has been negotiating with vendors on overdue invoices to work out payment schedules and cut monthly costs by 50%.

The consultant has been actively conducting fundraising events, including submission to over 70 grants to foundations, and meeting actively with corporations and individuals to increase funding. For the first time, SA has a donor database and can actively track donor activity, solicitations and giving potential. In the last 30 days SA has sent out two email solicitations raising \$20,000, and a solicitation to its members raised a monthly recurring gift amount of over \$5,000. SA has over \$150,000 in pending grants and anticipates a major gift for approximately \$150,000 - \$200,000.

SA actively pays its debts and anticipates relieving the debt by the end of the 2013.