

SOLDIERS' ANGELS
AUDITED FINANCIAL STATEMENTS
December 31, 2013



SOLDIERS' ANGELS

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December 31, 2013

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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, 2013, 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, 2013, 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.

A handwritten signature in black ink that reads "Vicenti, Lloyd + Stutzman LLP". The signature is written in a cursive, flowing style.

VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
May 20, 2014

SOLDIERS' ANGELS
STATEMENT OF FINANCIAL POSITION
December 31, 2013

Assets

Current assets

Cash and cash equivalents	\$ 16,293
Accounts receivable, net	70,436
Inventory	400,159
Prepaid expenses and other assets	6,000
Total current assets	492,888

Noncurrent assets

Property and equipment, net (Note 2)	16,506
Total noncurrent assets	16,506
Total assets	<u><u>\$ 509,394</u></u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 210,714
Accrued liabilities	60,000
Accrued salaries and benefits	12,918
Other accrued liabilities	5,878
Total current liabilities	289,510

Long-term liabilities

Accounts payable	55,000
Total long-term liabilities	55,000

Net assets

Unrestricted	164,884
Total net assets	164,884
Total liabilities and net assets	<u><u>\$ 509,394</u></u>

SOLDIERS' ANGELS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Revenue and support	
Program contributions	\$ 1,478,130
Program contributions - in kind	1,439,378
Fundraising	286,015
Store sales	<u>99,712</u>
Total revenue and support	<u>3,303,235</u>
Expenses	
Program services	3,602,811
Management and general	303,874
Fundraising	<u>265,369</u>
Total expenses	<u>4,172,054</u>
Change in unrestricted net assets	(868,819)
Unrestricted net assets, beginning of the year	<u>1,033,703</u>
Unrestricted net assets, end of the year	<u><u>\$ 164,884</u></u>

SOLDIERS' ANGELS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2013

	Program Services	Management and General	Fundraising	Total
Salaries - Support a Veteran's Employment (S.A.V.E.) Program	\$ 86,426	\$ 44,984	\$ 3,600	\$ 135,010
Salaries - non S.A.V.E. Program	188,378	115,602	106,809	410,789
Payroll taxes	22,780	11,335	7,829	41,944
Employee benefits	10,123	13,497	10,122	33,742
Total personnel costs	307,707	185,418	128,360	621,485
Accounting fees	1,400	1,050	1,050	3,500
Airfare	31,419	-	-	31,419
Backpacks	504	-	-	504
Bank fees	2,942	2,207	2,206	7,355
Blankets of hope	2,623	-	-	2,623
Board expenses	28	226	29	283
Business expenses	1,114	1,485	1,113	3,712
Calendars	55,866	-	13,966	69,832
Care packages	11,481	-	-	11,481
Care packages - inkind	2,105,474	-	-	2,105,474
Celebration	82	-	-	82
Cell phone	295	472	412	1,179
Christmas/holiday	23,301	-	-	23,301
Convention	200	-	-	200
Credit card clearing	290	218	217	725
Depreciation	13,675	8,205	5,470	27,350
Direct mail program	21,770	21,770	29,026	72,566
Dues and subscriptions	364	273	272	909
Equipment and maintenance	2,394	1,796	1,795	5,985
Events	72,434	-	-	72,434
Fallen heroes	1,214	-	-	1,214
Family support	29,472	-	-	29,472
Fisher house/VA support	14,673	-	-	14,673
Fundraising fees	-	-	9,836	9,836
Gas reimbursements	814	102	102	1,018
General donations - sponsorship	50,000	-	-	50,000
General donations	8,755	5,253	3,502	17,510
Subtotal of functional expenses	\$ 2,760,291	\$ 228,475	\$ 197,356	\$ 3,186,122

SOLDIERS' ANGELS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Subtotal carried forward	\$ 2,760,291	\$ 228,475	\$ 197,356	\$ 3,186,122
Insurance	1,553	2,071	1,553	5,177
Internet	4,833	3,625	3,625	12,083
K-9	18,840	-	-	18,840
Legal	3,197	3,197	1,598	7,992
Loss on asset disposal	27,617	16,570	11,046	55,233
Licenses	585	585	293	1,463
Lunch	59	44	45	148
Membership and dues	674	84	84	842
Merchant service	4,927	2,956	1,970	9,853
Miscellaneous G&A	7,233	7,233	3,617	18,083
Miscellaneous Activity	27,914	-	-	27,914
National guard	9,250	-	-	9,250
Operation Outreach	5,810	-	-	5,810
Office expense	3,788	2,273	1,515	7,576
Payroll expenses	1,753	1,052	700	3,505
PayPal fees	665	665	5,319	6,649
Printing and copying	15,588	9,353	6,234	31,175
Postage - activity expenses	63,214	-	-	63,214
Project Valour IT	21,107	-	-	21,107
Rent	19,975	11,985	7,990	39,950
Returned checks	1,232	1,232	1,641	4,105
Soldiers' Angels Support Center	5,318	-	-	5,318
Staff development	937	937	468	2,342
Storage	51,724	2,722	-	54,446
Store Boxes/Envelopes	126,063	-	14,007	140,070
Store Merchandise	1,372	1,372	4,117	6,861
Telephone	2,264	1,358	906	4,528
Training	83	50	33	166
Travel	1,080	648	431	2,159
Utilities	1,775	1,065	709	3,549
Veteran Support	16,109	-	-	16,109
Warehouse	333,761	-	-	333,761
Waste	280	168	112	560
Webpage	35,987	3,999	-	39,986
Webpage - database	1,391	155	-	1,546
Wounded	13,744	-	-	13,744
Wounded - Germany	10,818	-	-	10,818
Total functional expenses	<u>\$ 3,602,811</u>	<u>\$ 303,874</u>	<u>\$ 265,369</u>	<u>\$ 4,172,054</u>

SOLDIERS' ANGELS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

Cash flows from operating activities:	
Change in net assets	\$ (868,819)
Adjustment to reconcile change in net assets to net cash used by operating activities:	
Depreciation	27,350
Loss on disposal of assets	55,233
Change in operating assets:	
Inventory	666,096
Accounts receivable	104,714
Change in operating liabilities:	
Accounts payable	(24,643)
Accrued liabilities	115,000
Accrued salaries and benefits	(52,734)
Other accrued liabilities	<u>(96,101)</u>
Net cash used by operating activities	<u>(73,904)</u>
Net change in cash and cash equivalents	(73,904)
Cash and cash equivalents at beginning of year	<u>90,197</u>
Cash and cash equivalents at end of year	<u>\$ 16,293</u>

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2013

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 and advocacy through travel, housing and employment assistance.
5. For unemployed veterans – One of SA's crown jewels has been the 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, 2013

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, 2013.

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, 2013.

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, 2013; therefore, no allowance for doubtful accounts has been recorded.

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2013

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, 2013, SA received donations in-kind of \$1,439,378.

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2013

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, 2013**

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

Subsequent Events

All events subsequent to the statement of financial position date of December 31, 2013 through May 20, 2014 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, 2013.

NOTE 2 – PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2013 consisted of the following:

Building improvements	\$ 18,804
Furniture and fixtures	<u>5,398</u>
	24,202
Less: Accumulated depreciation	<u>(7,696)</u>
Total net property and equipment	<u>\$ 16,506</u>

Depreciation expense for the year ended December 31, 2013 was \$27,350.

NOTE 3 – OPERATING LEASE:

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, 2013 was \$39,950.

The future minimum lease payments are as follows:

<u>December 31,</u>	<u>Amount</u>
2014	\$ 32,616
2015	32,892
2016	<u>8,223</u>
	<u>\$ 73,731</u>

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2013

NOTE 4 – CONTINGENCIES:

During 2013, SA terminated one of its leases before the end of the lease term. SA agreed to pay the former lease holder a settlement of \$110,000 over the next two years. As part of the early lease termination, SA also wrote off the related leasehold improvements and other equipment, and recorded a loss on disposal of non-current assets of \$55,233.

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.