

SOLDIERS' ANGELS

FINANCIAL STATEMENTS

December 31, 2016 and 2015

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Soldiers' Angels
San Antonio, Texas

We have audited the accompanying statements of financial position of Soldiers' Angels (a non-profit corporation) as of December 31, 2016 and 2015, and the related statements of activities (with comparative totals for 2015), functional expenses (with comparative totals for 2015), 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.

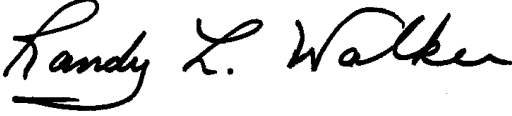
Auditor's Responsibility

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 from 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.

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, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Randy L. Walker". The signature is written in a cursive style with a prominent underline at the end.

San Antonio, Texas
May 26, 2017

SOLDIERS' ANGELS
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 799,743	\$ 331,095
Investments	-	10,254
Receivables	111,243	76,670
Prepaid Expense	6,450	9,382
Asset Held for Sale	27,000	-
Inventory	263,705	696,256
Property and Equipment, net	9,195	6,392
TOTAL ASSETS	\$ 1,217,336	\$ 1,130,049
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	\$ 93,649	\$ 38,177
Accrued Salaries and Benefits	11,249	11,086
Other Liabilities	-	5,000
TOTAL LIABILITIES	104,898	54,263
 NET ASSETS		
Unrestricted	956,212	919,259
Temporarily Restricted	156,226	156,527
TOTAL NET ASSETS	1,112,438	1,075,786
TOTAL LIABILITIES AND NET ASSETS	\$ 1,217,336	\$ 1,130,049

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

SOLDIERS' ANGELS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
(with comparative totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
REVENUES AND SUPPORT				
Program Contributions - In-Kind	\$ 13,710,591	\$ -	\$ 13,710,591	\$ 11,405,839
Program Contributions	1,755,610	55,000	1,810,610	1,736,965
Fundraising - Auto Auctions, net of direct expenses of \$567,370 and \$-0-, respectively	252,791	-	252,791	-
Fundraising - Third Party Events	122,765	-	122,765	119,540
Other Income	2,914	-	2,914	8,321
Store Sales	-	-	-	5,952
Net Assets Released from Restrictions	55,301	(55,301)	-	-
TOTAL REVENUES AND SUPPORT	<u>15,899,972</u>	<u>(301)</u>	<u>15,899,671</u>	<u>13,276,617</u>
EXPENSES				
Program Services	15,368,071	-	15,368,071	12,416,619
General and Administrative	108,197	-	108,197	89,189
Fundraising	386,751	-	386,751	345,522
TOTAL EXPENSES	<u>15,863,019</u>	<u>-</u>	<u>15,863,019</u>	<u>12,851,330</u>
CHANGE IN NET ASSETS	36,953	(301)	36,652	425,287
NET ASSETS, Beginning of Year	<u>919,259</u>	<u>156,527</u>	<u>1,075,786</u>	<u>650,499</u>
NET ASSETS, End of Year	\$ <u>956,212</u>	\$ <u>156,226</u>	\$ <u>1,112,438</u>	\$ <u>1,075,786</u>

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

SOLDIERS' ANGELS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016
(with comparative totals for 2015)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2016 Total</u>	<u>2015 Total</u>
<u>EXPENSES</u>					
Salaries and Wages	\$ 440,391	\$ 31,660	\$ 78,182	\$ 550,233	\$ 469,246
Payroll Taxes	45,175	2,375	5,862	53,412	41,596
Employee Benefits	10,695	1,643	4,055	16,393	11,626
TOTAL PERSONNEL COSTS	496,261	35,678	88,099	620,038	522,468
In-Kind Expenses	13,918,729	-	440	13,919,169	11,206,549
Professional Services	253,337	26,821	158,762	438,920	279,483
Specific Assistance	247,320	3	16	247,339	273,239
Volunteer Expense	182,449	-	-	182,449	64,038
Printing and Reproduction	85,682	383	83,850	169,915	172,937
Travel	58,183	2,946	4,364	65,493	38,698
Postage and Shipping	29,534	259	24,962	54,755	128,348
Supplies	28,588	5,673	9,082	43,343	71,189
Rent	31,114	5,017	4,294	40,425	43,692
Equipment	8,477	1,087	6,862	16,426	11,501
Conference and Meetings	3,962	10,818	379	15,159	1,252
Bank Charges	2,821	11,286	-	14,107	9,967
Telephone and Internet	9,093	3,751	250	13,094	17,594
Other Expense	7,445	-	-	7,445	306
Third Party Event Expenses	19	-	5,391	5,410	-
Insurance	945	3,451	-	4,396	6,007
Depreciation	874	875	-	1,749	2,297
Miscellaneous	1,314	-	-	1,314	-
Membership Dues	1,099	149	-	1,248	1,189
Utilities	825	-	-	825	576
TOTAL EXPENSES	\$ 15,368,071	\$ 108,197	\$ 386,751	\$ 15,863,019	\$ 12,851,330

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

SOLDIERS' ANGELS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in Net Assets from Operations	\$ 36,652	\$ 425,287
Adjustments to Reconcile Net Change to Net Cash Provided by Operations:		
Depreciation	1,749	2,297
Donated House - Held for Sale	(27,000)	-
Donated Investments	(5,177)	(10,254)
Investment Loss (Gain)	1,544	(1,192)
Loss on Disposal of Assets	1,253	-
(Increase) Decrease in Assets:		
Receivables	(34,573)	(76,370)
Prepaid Expense	2,932	41
Inventory	432,551	31,036
Increase (Decrease) in Liabilities:		
Accounts Payable	55,472	(147,187)
Accrued Salaries and Benefits	163	(252)
Other Liabilities	(5,000)	(50,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	460,566	173,406
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash Purchases of Property and Equipment	(5,805)	(2,967)
Withdrawals from Investments	13,887	7,203
NET CASH PROVIDED BY INVESTING ACTIVITIES	8,082	4,236
NET INCREASE IN CASH FLOWS	468,648	177,642
CASH AND CASH EQUIVALENTS, Beginning of Year	331,095	153,453
CASH AND CASH EQUIVALENTS, End of Year	\$ 799,743	\$ 331,095

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

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying statements of Soldiers' Angels (SA) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Nature of Activities

Soldiers' Angels is a non-profit corporation, which was incorporated in Nevada on December 26, 2003 and commenced operations in January 2004. SA offers "boots on the ground" and "virtual" programs and services, which allows the organization to best serve military families and veterans while also ensuring the resources of dedicated volunteers are fully utilized.

SA operates 12 virtual teams where volunteers from all over the country and even internationally can participate in supporting the U.S. military and U.S. veterans. SA's virtual teams and programs include:

- Deployed Adoptions Team
- Ladies of Liberty Team
- Angel Bakers Team
- Chaplain Support Team
- Letter Writing Team
- Special Operations Forces Team
- Operation Top Knot Team
- Women of Valor Team
- Living Legends Team
- Cards Plus Team
- Sewing & Crafting Team
- Adopt-A-Family Team

SA staff and volunteers work to provide "aid and comfort" support to military families and veterans. Most of this work is directed towards the VA Medical Centers and homeless veterans. SA services include:

- Patient Visits
- Luncheons/Dinners
- Hygiene Kits
- Box Lunches
- Break Room Supplies
- Stand Down Support (homeless veterans)
- Valor IT
- Wish List Fulfillment

Basis of Presentation

SA is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of SA and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by SA. SA had no permanently restricted net assets at December 31, 2016 and 2015.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose 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 restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, SA considers all highly liquid savings and securities with a maturity of three months or less to be cash equivalents.

Receivables

The majority of receivables consist of amounts from individuals and organizations. As of December 31, 2016 and 2015, SA had \$111,243 and \$76,670, respectively, in receivables. SA considers all contributions to be fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Inventories

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 using the first-in, first-out method. Donated items are recorded at their estimated fair value at the date of donation. At December 31, 2016 and 2015, the value of inventories was \$263,705 and \$696,256, respectively.

Investments

Investments consist of stocks donated to SA. These investments were valued at the estimated fair market value at the date of the gift.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. SA capitalizes items with a cost of over \$500. Depreciation is computed over the estimated useful lives of the assets as follows:

Building and Improvements	5 years
Furniture and Fixtures	5 years

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

Income Taxes

SA is exempt from Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and by the Nevada Revenue and Taxation code, and as such qualifies for the maximum charitable contributions deduction by donors. There is no income filing requirements in the State of Nevada where SA is incorporated. 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 to be 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 three fiscal years under the statute of limitations (December 31, 2016, 2015, and 2014) remain open and subject to examination by Federal jurisdictions.

Functional Allocation of Expenses

The costs of providing the program and supporting activities of the organization have been reported on a functional basis in the statement of functional expenses. This requires the allocation of certain costs among the various programs and supporting services based on estimates made by management. For purposes of the statement of functional expenses, program services include all direct program expenses plus allocated indirect expenses determined by management to benefit programs operated by SA.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

SA has evaluated subsequent events through May 26, 2017, which is the date the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

SA maintains cash in checking accounts at various financial institutions which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of \$250,000. At December 31, 2016 and 2015, SA had \$474,628 and \$-0-, respectively, in excess of FDIC - insured limits, not including reconciling items.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 – INVESTMENTS

Investments consisted of the following at December 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ -	\$ -	\$ 10,254	\$ 10,254

Dividend income totaled \$114 and \$1,192 for the years ended December 31, 2016 and 2015, respectively. Loss on investments totaled \$1,658 and \$-0- for the years ended December 31, 2016 and 2015, respectively.

NOTE 4 – ASSET HELD FOR SALE

SA received several donated homes during the year ended December 31, 2016. SA does not accept these donated homes unless a buyer for the home is secured. These homes were recorded at estimated fair market value/sales price on the date of receipt and sold shortly thereafter. At December 31, 2016, SA had one home held for sale valued at \$27,000. This home was sold in January 2017. There were no comparable transactons in 2015.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2016	2015
Building and Improvements	\$ 679	679
Furniture and Fixtures	12,553	8,796
	13,232	9,475
Less: Accumulated Depreciation	(4,037)	(3,083)
Total	\$ 9,195	6,392

Depreciation expense was \$1,749 and \$2,297 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 – OTHER LIABILITIES

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. A remaining balance of \$-0- and \$5,000 existed at December 31, 2016 and 2015, respectively.

NOTE 7 – RECLASSIFICATION

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the 2016 presentation. Net assets and temporarily restricted net assets were changed by these reclassifications.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Menlo Park and Other	\$ 87,314	\$ 57,533
Valor IT Support	8,990	25,000
Job Training	15,812	23,994
Box Lunches	38,163	50,000
Landstuhl	5,947	-
Total	\$ <u>156,226</u>	\$ <u>156,527</u>

NOTE 9 – DONATED MATERIALS AND SERVICES

SA received \$13,710,591 and \$11,405,839 in donated items and services from various donors during the years ended December 31, 2016 and 2015, respectively. These donated items are included in Program Contributions – In-Kind in the statement of activities. SA disbursed \$13,919,169 and \$11,206,549 in donated food, clothing, and household items to various VA hospitals during the years ended December 31, 2016 and 2015, respectively. These disbursements are included in In-Kind Expenses in the statement of functional expenses.

Contributed services are recorded in the financial statements to the extent that those services create or enhance a nonfinancial asset or meet the following criteria: a) the service requires specialized skills, b) the service is provided by individuals who possess those skills, and c) the service would typically need to be purchased if not contributed. For the years ended December 31, 2016 and 2015, SA recognized \$0- and \$137,950, respectively, in donated services from the Chief Technology Officer.

In addition, a number of volunteers donated approximately 155,869 and 119,953 hours to SA's program services during the years ended December 31, 2016 and 2015, respectively; however, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services as defined above.

NOTE 10 – RELATED PARTY TRANSACTIONS

SA received approximately \$85,095 and \$82,737 in in-kind donations from several board members for the years ended December 31, 2016 and 2015, respectively. These amounts are included in Program Contributions - In-Kind in the statement of activities. Additionally, SA has access to warehouse space owned by a board member. This space is used periodically by SA as the need arises. No in-kind revenue or expense has been reflected in the financial statements for the use of this warehouse space due to irregular use of the space.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

SA adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect SA's financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

SA does not have Level 2 or Level 3 assets or liabilities.

SA's financial instruments (Level 1) were as follows at December 31:

	<u>2016</u>		<u>2015</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:				
Cash and Cash Equivalents	\$ 799,743	\$ 799,743	\$ 331,095	\$ 331,095
Receivables	\$ 111,243	\$ 111,243	\$ 76,670	\$ 76,670
Prepaid Expense	\$ 6,450	\$ 6,450	\$ 9,382	\$ 9,382
Asset Held for Sale	\$ 27,000	\$ 27,000	\$ -	\$ -
Inventory	\$ 263,705	\$ 263,705	\$ 696,256	\$ 696,256
Financial Liabilities:				
Accounts Payable	\$ 93,649	\$ 93,649	\$ 38,177	\$ 38,177
Accrued Salaries and Benefits	\$ 11,249	\$ 11,249	\$ 11,086	\$ 11,086
Other Liabilities	\$ -	\$ -	\$ 5,000	\$ 5,000

The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

SA's financial instruments also include investments. The fair values of investments are based on quoted market prices for those or similar investments.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 12 – LEASES

SA entered into an operating lease for facilities with an initial monthly payment of \$3,336 that increases every year thereafter. The lease commenced in March 2014 and has a term of 5 years. Rent expense for the years ended December 31, 2016 and 2015 was \$40,425 and \$43,692, respectively.

Future annual lease payments under this existing lease agreement are as follows:

<u>Years ending December 31,</u>		
2017	\$	41,561
2018		42,117
2019		<u>10,564</u>
Total	\$	<u>94,242</u>