

SOLDIERS' ANGELS

FINANCIAL STATEMENTS

DECEMBER 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Soldiers' Angels
Boerne, Texas

We have audited the accompanying statement of financial position of Soldiers' Angels (a non-profit corporation) as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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, 2014, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Randy L. Walker

June 19, 2015

SOLDIERS' ANGELS
STATEMENT OF FINANCIAL POSITION
December 31, 2014

ASSETS

CURRENT ASSETS

Cash	\$	153,453
Investments		6,011
Receivables		300
Prepaid Expense		9,423
Inventory		727,292

TOTAL CURRENT ASSETS 896,479

Property and Equipment, net 5,722

TOTAL ASSETS \$ 902,201

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	185,364
Other Liabilities		55,000
Accrued Salaries and Benefits		11,338

TOTAL LIABILITIES 251,702

NET ASSETS

Unrestricted 650,499

TOTAL NET ASSETS 650,499

TOTAL LIABILITIES AND NET ASSETS \$ 902,201

The accompanying notes are an integral part of this financial statement.

SOLDIERS' ANGELS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

REVENUES AND SUPPORT	
Program Contributions - In-Kind	\$ 3,179,229
Program Contributions	1,338,231
Store Sales	93,123
Other	<u>6,084</u>
TOTAL REVENUE AND SUPPORT	<u>4,616,667</u>
EXPENSES	
Program Services	3,773,519
General and Administrative	103,645
Fundraising	<u>253,888</u>
TOTAL EXPENSES	<u>4,131,052</u>
CHANGE IN NET ASSETS	485,615
NET ASSETS, Beginning of Year	<u>164,884</u>
NET ASSETS, End of Year	<u>\$ 650,499</u>

The accompanying notes are an integral part of this financial statement.

SOLDIERS' ANGELS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

EXPENSES	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 218,615	\$ 33,724	\$ 43,486	\$ 295,825
Payroll Taxes	24,790	3,824	4,931	33,545
Employee Benefits	9,830	1,517	1,956	13,303
Total Personnel Costs	<u>253,235</u>	<u>39,065</u>	<u>50,373</u>	<u>342,673</u>
In-Kind Disbursements	2,996,294	-	-	2,996,294
Professional Services	222,753	24,529	87,935	335,217
Postage and Shipping	54,904	5,361	55,282	115,547
Specific Assistance	91,955	10	10	91,975
Printing and Reproduction	32,109	5,733	46,164	84,006
Rent	42,036	4,188	5,481	51,705
Travel	19,382	1,109	1,938	22,429
Other Expense	12,411	4,844	599	17,854
Telephone and Internet	12,431	2,712	2,403	17,546
Miscellaneous	10,011	3,985	493	14,489
Supplies	9,343	3,422	1,675	14,440
Bank Charges	6,167	2,454	303	8,924
Equipment	4,255	3,034	591	7,880
Insurance	1,674	1,811	287	3,772
Membership Dues	2,011	8	90	2,109
Utilities	1,399	139	182	1,720
Conference and Meetings	1,053	386	69	1,508
Depreciation Expense	-	786	-	786
Maintenance and Repair	96	69	13	178
TOTAL EXPENSES	<u>\$ 3,773,519</u>	<u>\$ 103,645</u>	<u>\$ 253,888</u>	<u>\$ 4,131,052</u>

The accompanying notes are an integral part of this financial statement.

SOLDIERS' ANGELS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in Net Assets from Operations	\$	485,615
Adjustments to Reconcile Net Change to Net Cash		
Provided by Operations:		
Depreciation		786
Donated Equipment and Vehicles		(1,300)
Donated Investments		(5,926)
Investment Income		103
Loss on Disposal of Assets		16,506
Decrease (Increase) in Assets:		
Receivables		70,136
Inventory		(327,133)
Prepaid Expense		(3,423)
Decrease in Liabilities:		
Accounts Payable		(25,350)
Accrued Liabilities		(12,458)
Other Liabilities		(55,000)
Net Cash Provided By Operating Activities		<u>142,556</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash Purchases of Property and Equipment		(5,208)
Sale of Investments		2,265
Net Cash Used By Investing Activities		<u>(2,943)</u>

Net Increase in Cash Flow 139,613

CASH AND CASH EQUIVALENTS, Beginning of Year 13,840

CASH AND CASH EQUIVALENTS, End of Year \$ 153,453

SUPPLEMENTAL DISCLOSURES

Interest Paid	\$	241
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The accompanying notes are an integral part of this financial statement.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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

Estimates

The preparation of financial statements in conformity with U.S. 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.

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. SA had no temporarily restricted net assets at December 31, 2014.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

- 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, 2014.

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

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, 2014, the value of inventories was \$727,292.

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. The estimated useful lives of the assets are depreciated as follows:

Building and Improvements	5 years
Equipment	5 years

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.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (continued)

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, 2014, 2013, and 2012) 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. 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. According, actual results could differ from those estimates.

Subsequent Events

SA has evaluated subsequent events through June 19, 2015, which is the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

At December 31, 2014, the cost and accumulated depreciation of property and equipment were as follows:

Building Improvements	\$	679
Furniture and Fixtures		<u>5,829</u>
		6,508
Less: Accumulated Depreciation		<u>(786)</u>
Total	\$	<u>5,722</u>

Depreciation expense was \$786 for the year ended December 31, 2014.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 3 – INVESTMENTS

Investments are as follows at December 31, 2014:

	<u>Fair Value</u>		<u>Cost</u>
Equities	\$ 6,011	\$	5,926

Dividend income totaled \$46 for the year ended December 31, 2014. Unrealized loss on investments totaled \$149 for the year ended December 31, 2014.

NOTE 4 – 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 year ended December 31, 2014 was \$33,360.

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

Years ended December 31,			
2015	\$	40,449	
2016		41,005	
2017		41,561	
2018		42,117	
2019		<u>10,564</u>	
Total	\$	<u>175,696</u>	

NOTE 5 – 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 \$55,000 exists at December 31, 2014.

NOTE 6 – 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.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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) are as follows at December 31, 2014:

		Carrying Amount		Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$	153,453	\$	153,453
Receivables	\$	300	\$	300
Prepaid Expense	\$	9,423	\$	9,423
Inventory	\$	727,292	\$	727,292
 Financial Liabilities:				
Accounts Payable	\$	185,364	\$	185,364
Accrued Liabilities	\$	55,000	\$	55,000
Accrued Salaries and Benefits	\$	11,338	\$	11,338

The carrying amounts reported in the statement 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.

NOTE 7 – DONATED MATERIALS AND SERVICES

SA received \$3,179,229 in donated items from various donors during the year ended December 31, 2014. These donated items are included in Program Contributions – In-Kind in the statement of activities. SA disbursed \$2,996,294 in donated food, clothing, and household items to various VA hospitals during the year ended December 31, 2014. These disbursements are included in In-Kind Disbursements in the statement of functional expenses. In addition, a number of volunteers donated approximately 54,700 hours to SA's program services during the year ended December 31, 2014; however, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services contained in generally accepted accounting principles.