

SOLDIERS' ANGELS
FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

To the Board of Directors
Soldiers' Angels
Boerne, Texas

We have audited the accompanying statements of financial position of Soldiers' Angels (a non-profit corporation) as of December 31, 2015 and 2014, and the related statements of activities (with comparative totals for 2014), functional expenses (with comparative totals for 2014), 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

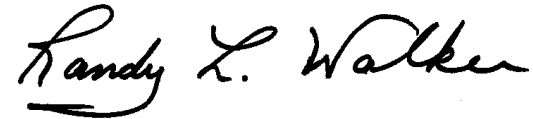
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2015 and 2014, 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 under the first letter of the first name.

San Antonio, Texas
March 24, 2016

SOLDIERS' ANGELS
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 331,095	\$ 153,453
Investments	10,254	6,011
Receivables	76,670	300
Prepaid Expense	9,382	9,423
Inventory	696,256	727,292
TOTAL CURRENT ASSETS	1,123,657	896,479
Property and Equipment, net	6,392	5,722
TOTAL ASSETS	\$ 1,130,049	\$ 902,201
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable	\$ 38,177	\$ 185,364
Accrued Salaries and Benefits	11,086	11,338
Other Liabilities	5,000	55,000
TOTAL LIABILITIES	54,263	251,702
NET ASSETS		
Unrestricted	841,393	650,499
Temporarily Restricted	234,393	-
TOTAL NET ASSETS	1,075,786	650,499
TOTAL LIABILITIES AND NET ASSETS	\$ 1,130,049	\$ 902,201

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

SOLDIERS' ANGELS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
(with comparative totals for 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
REVENUES AND SUPPORT				
Program Contributions - In-Kind	\$ 11,405,839	\$ -	\$ 11,405,839	\$ 3,179,229
Program Contributions	1,440,562	296,403	1,736,965	1,338,231
Fundraising	118,422	1,118	119,540	-
Other	8,321	-	8,321	6,084
Store Sales	5,952	-	5,952	93,123
Net Assets Released from Restrictions	63,128	(63,128)	-	-
TOTAL REVENUES AND SUPPORT	13,042,224	234,393	13,276,617	4,616,667
 EXPENSES				
Program Services	12,416,619	-	12,416,619	3,773,519
General and Administrative	89,189	-	89,189	103,645
Fundraising	345,522	-	345,522	253,888
TOTAL EXPENSES	12,851,330	-	12,851,330	4,131,052
CHANGE IN NET ASSETS	190,894	234,393	425,287	485,615
NET ASSETS, Beginning of Year	650,499	-	650,499	164,884
NET ASSETS, End of Year	\$ 841,393	\$ 234,393	\$ 1,075,786	\$ 650,499

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

SOLDIERS' ANGELS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015
(with comparative totals for 2014)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2015 Total</u>	<u>2014 Total</u>
<u>EXPENSES</u>					
Salaries and Wages	\$ 364,311	\$ 35,106	\$ 69,829	\$ 469,246	\$ 295,825
Payroll Taxes	32,237	3,120	6,239	41,596	33,545
Employee Benefits	9,010	872	1,744	11,626	13,303
TOTAL PERSONNEL COSTS	<u>405,558</u>	<u>39,098</u>	<u>77,812</u>	<u>522,468</u>	<u>342,673</u>
In-Kind Expenses	11,206,549	-	-	11,206,549	2,996,294
Professional Services	165,544	14,924	99,015	279,483	335,217
Specific Assistance	273,239	-	-	273,239	91,975
Printing and Reproduction	88,207	252	84,478	172,937	84,006
Postage and Shipping	65,700	10,880	51,768	128,348	115,547
Supplies	50,854	4,135	16,200	71,189	14,440
Volunteer Expense	64,038	-	-	64,038	11,843
Rent	43,178	321	193	43,692	51,705
Travel	31,871	526	6,301	38,698	22,429
Telephone and Internet	10,608	3,765	3,221	17,594	17,546
Equipment	5,968	466	5,067	11,501	7,880
Bank Charges	1,303	8,664	-	9,967	8,924
Insurance	2,587	2,330	1,090	6,007	3,772
Depreciation Expense	-	2,297	-	2,297	786
Conference and Meetings	396	718	138	1,252	1,508
Membership Dues	137	813	239	1,189	2,109
Utilities	576	-	-	576	1,720
Other Expense	306	-	-	306	6,011
Miscellaneous	-	-	-	-	14,489
Maintenance and Repair	-	-	-	-	178
TOTAL EXPENSES	<u>\$ 12,416,619</u>	<u>\$ 89,189</u>	<u>\$ 345,522</u>	<u>\$ 12,851,330</u>	<u>\$ 4,131,052</u>

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

SOLDIERS' ANGELS
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015	2014
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in Net Assets from Operations	\$ 425,287	\$ 485,615
Adjustments to Reconcile Net Change to Net Cash		
Provided by Operations:		
Depreciation	2,297	786
Donated Equipment and Vehicles	-	(1,300)
Donated Investments	(10,254)	(5,926)
Investment Income	(1,192)	103
Loss on Disposal of Assets	-	16,506
(Increase) Decrease in Assets:		
Receivables	(76,370)	70,136
Prepaid Expense	41	(3,423)
Inventory	31,036	(327,133)
Decrease in Liabilities:		
Accounts Payable	(147,187)	(25,350)
Accrued Salaries and Benefits	(252)	(12,458)
Other Liabilities	(50,000)	(55,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	173,406	142,556
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Cash Purchases of Property and Equipment	(2,967)	(5,208)
Sale of Investments	7,203	2,265
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	4,236	(2,943)
NET INCREASE IN CASH FLOWS	177,642	139,613
CASH AND CASH EQUIVALENTS, Beginning of Year	153,453	13,840
CASH AND CASH EQUIVALENTS, End of Year	\$ 331,095	\$ 153,453
<u>SUPPLEMENTAL DISCLOSURES</u>		
Interest Paid	\$ -	\$ 241

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

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

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, 2015 and 2014.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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 received from individuals and organizations. As of December 31, 2015 and 2014, SA had \$76,670 and \$300, 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, 2015 and 2014, the value of inventories was \$696,256 and \$727,292, 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, 2015 and 2014

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, 2015, 2014, and 2013) 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. Accordingly, actual results could differ from those estimates.

Subsequent Events

SA has evaluated subsequent events through March 24, 2016, which is the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments consisted of the following at December 31:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Equities	\$ 10,254	\$ 10,254	\$ 5,926	\$ 6,011

Dividend income totaled \$1,192 and \$46 for the years ended December 31, 2015 and 2014, respectively. Unrealized loss on investments totaled \$-0- and \$149 for the years ended December 31, 2015 and 2014, respectively.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

		<u>2015</u>		<u>2014</u>
Building and Improvements	\$	<u>679</u>	\$	679
Furniture and Fixtures		<u>8,796</u>		<u>5,829</u>
		<u>9,475</u>		6,508
Less: Accumulated Depreciation		<u>(3,083)</u>		<u>(786)</u>
Total	\$	<u>6,392</u>	\$	<u>5,722</u>

Depreciation expense was \$2,297 and \$786 for the years ended December 31, 2015 and 2014, respectively.

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 years ended December 31, 2015 and 2014 was \$40,449 and \$33,360, respectively.

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

<u>Years ending December 31,</u>				
2016	\$		41,005	
2017			41,561	
2018			42,117	
2019			<u>10,564</u>	
Total	\$		<u>135,247</u>	

NOTE 5 – 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:

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- 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:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$ 331,095	\$ 331,095	\$ 153,453	\$ 153,453
Receivables	\$ 76,670	\$ 76,670	\$ 300	\$ 300
Prepaid Expense	\$ 9,382	\$ 9,382	\$ 9,423	\$ 9,423
Inventory	\$ 696,256	\$ 696,256	\$ 727,292	\$ 727,292
Financial Liabilities:				
Accounts Payable	\$ 38,177	\$ 38,177	\$ 185,364	\$ 185,364
Accrued Salaries and Benefits	\$ 11,086	\$ 11,086	\$ 11,338	\$ 11,338
Other Liabilities	\$ 5,000	\$ 5,000	\$ 55,000	\$ 55,000

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.

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 \$5,000 and \$55,000 existed at December 31, 2015 and 2014, respectively.

NOTE 7 – DONATED MATERIALS AND SERVICES

SA received \$11,405,839 and \$3,179,229 in donated items and services from various donors during the years ended December 31, 2015 and 2014, respectively. These donated items are included in Program Contributions – In-Kind in the statement of activities. SA disbursed \$11,206,549 and \$2,996,294 in donated food, clothing, and household items to various VA hospitals during the years ended December 31, 2015 and 2014, respectively. These disbursements are included in In-Kind Disbursements in the statement of functional expenses.

SOLDIERS' ANGELS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 7 – DONATED MATERIALS AND SERVICES (continued)

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, 2015 and 2014, SA recognized \$137,950 and \$-0-, respectively, in donated services from the Chief Technology Officer.

In addition, a number of volunteers donated approximately 119,953 and 54,700 hours to SA's program services during the years ended December 31, 2015 and 2014, 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 8 – TEMPORARILY RESTRICTED NET ASSETS

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

		<u>2015</u>		2014
Program - Other	\$	<u>158,700</u>	\$	-
Valor IT		<u>39,260</u>		-
Texas SA		<u>34,980</u>		-
Washington SA		<u>1,453</u>		-
Total	\$	<u>234,393</u>	\$	<u>-</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

SA received approximately \$82,737 and \$-0- in in-kind donations from several board members for the years ended December 31, 2015 and 2014, 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.

NOTE 10 – RECLASSIFICATION

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.