

SOLDIERS' ANGELS

AUDITED FINANCIAL STATEMENTS
December 31, 2011



SOLDIERS' ANGELS

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December 31, 2011

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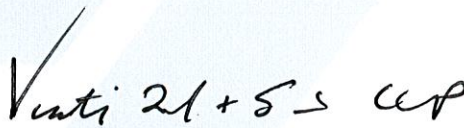
INDEPENDENT AUDITOR'S REPORT

Board of Directors
Soldiers' Angels

We have audited the accompanying statement of financial position of Soldiers' Angels (a Nevada nonprofit public benefit corporation) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Soldiers' Angels management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements described above present fairly, in all material respects, the financial position of Soldiers' Angels as of December 31, 2011, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.


VICENTI, LLOYD & STUTZMAN LLP

July 6, 2012

SOLDIERS' ANGELS

STATEMENT OF FINANCIAL POSITION December 31, 2011

Assets

Current assets

Cash and cash equivalents	\$ 44,033
Accounts receivable, net	88,112
Inventory	1,741,857
Prepaid expenses and other assets	<u>30,000</u>
Total current assets	1,904,002

Noncurrent assets

Property and equipment, net (Note 2)	<u>126,103</u>
Total noncurrent assets	126,103
Total assets	<u>\$ 2,030,105</u>

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 271,212
Accrued salaries and benefits	131,949
Other accrued liabilities	<u>92,329</u>
Total current liabilities	495,490

Net assets

Unrestricted	<u>1,534,615</u>
Total net assets	1,534,615
Total liabilities and net assets	<u>\$ 2,030,105</u>

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

SOLDIERS' ANGELS

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

Revenue and support	
Program contributions	\$ 2,385,288
Program contributions - in kind	3,108,465
Fundraising	3,140,901
Store sales	<u>312,850</u>
Total revenue and support	<u>8,947,504</u>
Expenses	
Program services	6,502,794
Management and general	560,345
Fundraising	<u>1,399,365</u>
Total expenses	<u>8,462,504</u>
Change in unrestricted net assets	<u>485,000</u>
Unrestricted net assets, beginning of the year	250,136
Adjustment for restatement (Note 4)	<u>799,479</u>
Unrestricted net assets, beginning of the year, restated	<u>1,049,615</u>
Unrestricted net assets, end of the year	<u><u>\$ 1,534,615</u></u>

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

SOLDIERS' ANGELS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2011

	Program Services	Management and General	Fundraising	Total
Salaries - Support a Veteran's Employment (S.A.V.E.) Program	\$ 472,623	\$ 111,121	\$ 10,393	\$ 594,137
Salaries - non S.A.V.E. Program	191,407	141,403	154,261	487,071
Payroll taxes	53,045	19,680	12,833	85,558
Employee benefits	63,008	23,373	15,244	101,625
Total personnel costs	780,083	295,577	192,731	1,268,391
Accounting fees		20,273		20,273
Airfare	94,569			94,569
Backpacks	66,952			66,952
Bank fees		11,887		11,887
Blankets of hope	4,659			4,659
Board expenses		11,414		11,414
Caging			36,724	36,724
Canes	1,000			1,000
Celebration	2,849			2,849
Christmas/holiday	113,094			113,094
Credit card clearing			19,623	19,623
Depreciation		27,218		27,218
Dues and subscriptions		2,193		2,193
Equipment and maintenance		15,905		15,905
Events	36,615			36,615
Family support	98,520			98,520
Fisher house/VA support	55,344			55,344
Fulfillment			935	935
Fundraising fees			7,671	7,671
General donations	34,257			34,257
Insurance		5,856		5,856
Subtotal of functional expenses	\$ 1,287,942	\$ 390,323	\$ 257,684	\$ 1,935,949

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

SOLDIERS' ANGELS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2011

	Program Services	Management and General	Fundraising	Total
Subtotal carried forward	\$ 1,287,942	\$ 390,323	\$ 257,684	\$ 1,935,949
Licenses		5,327		5,327
List expenses			58,560	58,560
Living legends	4,138			4,138
Mailhouse/laser			129,137	129,137
Miscellaneous management		25,049		25,049
Occupancy		29,645		29,645
Office expense		1,441		1,441
Operation B. Card/Cool Hero/SOS/ Top Knot	10,091			10,091
Other	643	3,174	83,693	87,510
Phone cards	990			990
Pins/coins/etc.	26,872			26,872
Postage and shipping	136,399		517,628	654,027
Printing and publications		3,088	326,114	329,202
Program related activities	3,198,323			3,198,323
Promotion items		5,438		5,438
Project Valour IT	208,601			208,601
Scarves/bandana	23,312			23,312
Soldiers' Angels Support Center	65,749			65,749
Staff development		6,359		6,359
Stokely Iraq trip	32,717			32,717
Store merchandise and expense	278,455			278,455
Supplies		26,503		26,503
Telephone		20,740		20,740
Travel		16,709		16,709
Troop/vet support	88,942			88,942
Warehouse	850,164			850,164
Webpage	26,549	26,549	26,549	79,647
Wounded	262,907			262,907
Total functional expenses	\$ 6,502,794	\$ 560,345	\$ 1,399,365	\$ 8,462,504

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

SOLDIERS' ANGELS

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2011

Cash flows from operating activities:	
Change in net assets	\$ 485,000
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	27,218
Change in operating assets:	
Inventory	(243,391)
Accounts receivable	24,157
Prepaid expenses and other assets	(30,000)
Change in operating liabilities:	
Bank overdraft	(15,350)
Accounts payable	(211,337)
Accrued salaries and benefits	29,570
Other accrued liabilities	(17,368)
Net cash provided by operating activities	<u>48,499</u>
Cash flows from investing activities:	
Purchase of property, plant and equipment	<u>(4,466)</u>
Net cash used in investing activities	<u>(4,466)</u>
Net change in cash and cash equivalents	44,033
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ 44,033</u></u>

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

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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 120,000 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 20,000 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 more than 8,000 laptop computers, 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 PTS and TBI through equine-type therapy).
4. For all veterans and their families – SA distributes approximately \$200,000 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, 2011

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, 2011.

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, 2011.

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 collectibility 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, 2011; therefore, no allowance for doubtful accounts has been recorded.

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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 the Organization'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, 2011, SA received donations in-kind of \$3,108,465.

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

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

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

Income Taxes (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 are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not (>50%) 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 of \$250,000. SA has not incurred losses related to these investments.

SA also maintains non-interest bearing bank accounts with one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) under the Dodd-Frank Deposit Insurance Provision.

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, 2011

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

Subsequent Events

All events subsequent to the statement of financial position date of December 31, 2011 through July 6, 2012 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, 2011.

NOTE 2 – PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2011 consisted of the following:

Building improvements	\$ 74,945
Furniture and fixtures	45,611
Equipment	<u>82,210</u>
	202,766
Less: Accumulated depreciation	<u>(76,663)</u>
Total net property and equipment	<u>\$ 126,103</u>

Depreciation expense for the year ended December 31, 2011 was \$27,218.

NOTE 3 – OPERATING LEASE:

SA entered into an operating lease for facilities with an initial monthly payment of approximately \$11,000. The lease started in September 2009 and has a term of 5 years. Rent expense for the year ended December 31, 2011 was \$149,244. The future minimum lease payments under the lease are as follows:

<u>December 31,</u>	<u>Amount</u>
2012	\$ 163,942
2013	165,018
2014	<u>138,290</u>
	<u>\$ 467,250</u>

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 4 – RESTATEMENT OF BEGINNING NET ASSETS:

In reviewing the accounting records for the 2011 inventory, SA observed that the donations in kind inventory amount was lower than expected. Research revealed that the donation in kind was not being priced at the North Carolina public warehouse. The warehouse was counting and pricing purchased items but did not price the donated items, even though they had been instructed to count and price all inventory items whether purchased or donated. The corporate office initiated and required the pricing of donations in kind items for the 2011 and 2010 inventory. The result is that SA restated beginning net assets for 2011 to add donation in kind inventory of \$799,479.