

SOLDIERS' ANGELS

AUDITED FINANCIAL STATEMENTS
December 31, 2010



SOLDIERS' ANGELS

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INDEPENDENT AUDITORS' 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, 2010, 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, 2010, 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

June 6, 2011

SOLDIERS' ANGELS
STATEMENT OF FINANCIAL POSITION
December 31, 2010

<u>Assets</u>	
Current assets	
Accounts receivable, net	\$ 112,269
Inventory	698,987
Total current assets	811,256
Noncurrent assets	
Property and equipment, net (Note 2)	148,855
Total noncurrent assets	148,855
Total assets	\$ 960,111
<u>Liabilities and Net Assets</u>	
Current liabilities	
Bank overdraft	\$ 15,350
Accounts payable	482,549
Other liabilities	212,076
Total current liabilities	709,975
Net assets	
Unrestricted	250,136
Total net assets	250,136
Total liabilities and net assets	\$ 960,111

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

SOLDIERS' ANGELS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Revenue and support	
Program contributions	\$ 7,315,646
Fundraising - direct mail	4,257,256
Store sales	<u>678,198</u>
Total revenue and support	<u>12,251,100</u>
Expenses	
Program services	9,784,780
Management and general	745,158
Fundraising	<u>1,882,817</u>
Total expenses	<u>12,412,755</u>
Change in unrestricted net assets	(161,655)
Unrestricted net assets, beginning of the year	<u>411,791</u>
Unrestricted net assets, end of the year	<u><u>\$ 250,136</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, 2010

	Program Services	Management and General	Fundraising	Total
Salaries - Support a Veteran's Employment (S.A.V.E.) Program	\$ 338,316	\$ 56,396	\$ 11,582	\$ 406,294
Salaries - non S.A.V.E. Program	60,845	217,169	234,557	512,571
Payroll taxes	45,083	30,897	27,800	103,780
Employee benefits	21,018	14,405	12,961	48,384
Total personnel costs	465,262	318,867	286,900	1,071,029
Accounting fees		46,504		46,504
Airfare	262,074			262,074
Backpacks	202,492			202,492
Bank fees		9,920		9,920
Benevolence	2,604			2,604
Blankets of hope	11,150			11,150
Board expenses		13,469		13,469
Caging			37,733	37,733
Canes	3,000			3,000
Celebration	3,324			3,324
Christmas/holiday	116,091			116,091
Credit card clearing			63,848	63,848
Depreciation		25,765		25,765
Dues and subscriptions		1,594		1,594
Equipment and maintenance		15,264		15,264
Events	159,203			159,203
Fallen heroes	10,358			10,358
Family support	138,629			138,629
Fisher house/VA support	113,332			113,332
Fulfillment			7,787	7,787
Fundraising fees			15,450	15,450
General donations	137,421			137,421
Insurance		4,910		4,910
Legal and professional		26,740		26,740
Subtotal of functional expenses	\$ 1,624,940	\$ 463,033	\$ 411,718	\$ 2,499,691

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

SOLDIERS' ANGELS

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Subtotal carried forward	\$ 1,624,940	\$ 463,033	\$ 411,718	\$ 2,499,691
Licenses		5,529		5,529
List expenses			39,897	39,897
Living legends	6,013			6,013
Mailhouse/laser			215,260	215,260
Miscellaneous management		48,231		48,231
National guard	13,601			13,601
Occupancy		35,711		35,711
Office expense		1,209		1,209
Operation B. Card/Cool Hero/SOS/ Top Knot	33,497			33,497
Other			41,440	41,440
Phone cards	14,259			14,259
Pins/coins/etc.	48,070			48,070
Postage and shipping	353,997		712,294	1,066,291
Printing and publications		1,687	424,861	426,548
Program related activities	4,964,263			4,964,263
Promotion items		13,250		13,250
Project Valour IT	447,803			447,803
Scarves/Bandana	125,863			125,863
Soldiers' Angels Support Center	82,528			82,528
Staff development		10,389		10,389
Store merchandise and expense	318,566			318,566
Supplies		33,653		33,653
Telephone		22,692		22,692
Travel		72,427		72,427
Troop/vet support	145,159			145,159
Warehouse	1,117,795			1,117,795
Webpage	37,348	37,347	37,347	112,042
Wounded	451,078			451,078
Total functional expenses	<u>\$ 9,784,780</u>	<u>\$ 745,158</u>	<u>\$ 1,882,817</u>	<u>\$ 12,412,755</u>

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

SOLDIERS' ANGELS

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2010

Cash flows from operating activities:

Change in net assets	\$ (161,655)
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	25,765
Change in operating assets:	
Inventory	(400,344)
Accounts receivable	(23,174)
Prepaid expenses and other assets	52,961
Change in operating liabilities:	
Bank overdraft	15,350
Accounts payable	205,146
Other liabilities	197,064
Net cash used in operating activities	<u>(88,887)</u>

Cash flows from investing activities:

Purchase of property, plant and equipment	<u>(63,702)</u>
Net cash used in investing activities	<u>(63,702)</u>

Net change in cash and cash equivalents	(152,589)
Cash and cash equivalents at beginning of year	152,589
Cash and cash equivalents at end of year	<u>\$ -</u>

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

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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. Soldiers' Angels is dedicated to ensuring that our military know that they are loved and supported during and after their deployment into harms way.

Soldiers' Angels is dedicated to providing tangible caring for our military troops. Principal program activities are:

1. Making and sending packages to the military troops overseas as well as stateside.
2. Sending or planting a living tree on behalf of every soldier that dies in the line of duty.
3. Gathering items and money to send to wounded soldiers and their families.

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.

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, 2010.

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

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, 2010.

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, 2010; therefore, no allowance for doubtful accounts has been recorded.

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

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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, 2010, SA received donations in-kind of \$5,000,189.

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. However, the Organization 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 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. With few exceptions, the organization is no longer subject to U.S. federal tax authorities for years before 2006.

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.

SOLDIERS' ANGELS

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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

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.

Subsequent Events

All events subsequent to the statement of financial position date of December 31, 2010 through June 6, 2011 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, 2010.

NOTE 2 – PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2010 consisted of the following:

Building improvements	\$ 74,022
Furniture and fixtures	42,068
Equipment	<u>82,210</u>
	198,300
Less: Accumulated depreciation	<u>(49,445)</u>
Total net property and equipment	<u>\$ 148,855</u>

Depreciation expense for the year ended December 31, 2010 was \$25,765.

SOLDIERS' ANGELS

**NOTES TO FINANCIAL STATEMENTS
December 31, 2010**

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, 2010 was \$145,108. The future minimum lease payments under the lease are as follows:

<u>December 31,</u>	<u>Amount</u>
2011	\$ 162,894
2012	163,942
2013	165,018
2014	<u>138,290</u>
	<u>\$ 630,144</u>