

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coalition to Salute America's Heroes Foundation

We have audited the accompanying financial statements of the Coalition to Salute America's Heroes Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, 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.

Auditors' 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 auditors' 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 the Coalition to Salute America's Heroes Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
September 16, 2016

Financial Statements

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Statement of Financial Position
At December 31, 2015

	<u>2015</u>
Assets	
Current assets:	
Cash	\$ 815,412
Employee advances	3,936
Prepaid expenses	146,001
Inventories	<u>19,621</u>
Total current assets	<u>\$ 984,970</u>
Noncurrent assets:	
Property and equipment, net of accumulated depreciation	\$ 32,410
Investments	1,698,785
Donated artwork	270,000
Security deposits	<u>3,117</u>
Total noncurrent assets	<u>\$ 2,004,312</u>
Total assets	<u><u>\$ 2,989,282</u></u>
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 961,851
Accrued expenses	<u>96,340</u>
Total liabilities	<u>\$ 1,058,191</u>
Net assets:	
Unrestricted	<u>\$ 1,931,091</u>
Total net assets	<u>\$ 1,931,091</u>
Total liabilities and net assets	<u><u>\$ 2,989,282</u></u>

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

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Statement of Activities
Year Ended December 31, 2015

	<u>2015</u>
	<u>Unrestricted</u>
Revenues, gains and other support:	
Contributions	\$ 15,774,505
In-kind contributions	6,106,356
Investment income	(9,839)
Other income	<u>213,105</u>
 Total revenues, gains and other support	 \$ <u>22,084,127</u>
 Expenses:	
Program services:	
Veterans' emergency financial aid	\$ 2,148,402
Veterans' recovery activities	3,523,334
Public awareness of veterans' needs	<u>7,336,488</u>
Total program services	\$ <u>13,008,224</u>
Supporting services:	
Fundraising	\$ 6,845,060
Management and general	<u>1,602,899</u>
Total supporting services	\$ <u>8,447,959</u>
 Total expenses	 \$ <u>21,456,183</u>
 Change in net assets	 \$ 627,944
 Net assets, beginning of year	 <u>1,303,147</u>
 Net assets, end of year	 <u>\$ 1,931,091</u>

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

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Statement of Functional Expenses
Year Ended December 31, 2015

	Program Services				Supporting Services		
	Veterans' emergency financial aid	Veterans' recovery activities	Public awareness of veterans' needs	Total Program Services	Fundraising	Management and general	Total
Expenses:							
Veteran assistance and gifts	\$ 968,097	\$ 3,196,759	\$ -	\$ 4,164,856	\$ -	\$ -	\$ 4,164,856
Promotional events and seminars	-	96,404	83,313	179,717	-	-	179,717
Promotion production	-	-	163,280	163,280	-	-	163,280
PSA media	-	-	3,071,891	3,071,891	-	-	3,071,891
Grants and contributions	-	93,000	-	93,000	-	-	93,000
Printing and mailshop	-	-	1,244,916	1,244,916	2,337,408	301,881	3,884,205
List rental fees	-	-	244,927	244,927	463,441	60,519	768,887
Data processing	-	-	72,796	72,796	151,779	17,498	242,073
Premiums	-	-	665,022	665,022	1,246,917	166,256	2,078,195
Miscellaneous	-	-	1,284	1,284	6,170	425	7,879
Caging and escrow	-	-	-	-	-	388,295	388,295
Interest expense	-	-	1,229	1,229	2,304	308	3,841
Promotional items	-	-	-	-	4,470	-	4,470
Rent expense	34,128	3,553	12,481	50,162	6,043	5,926	62,131
Payroll expense	743,132	77,359	271,783	1,092,274	131,589	129,036	1,352,899
Taxes	53,201	5,538	19,457	78,196	9,421	9,238	96,855
Utilities	10,423	1,085	4,133	15,641	2,167	1,810	19,618
Accounting	-	-	-	-	-	39,962	39,962
Bookkeeping	56,341	22,274	-	78,615	-	52,410	131,025
Legal	-	-	-	-	-	23,735	23,735
Consulting	23,418	6,382	383,755	413,555	644,582	97,396	1,155,533
Royalties	-	-	19,200	19,200	36,000	4,800	60,000
Advertising	-	-	9,298	9,298	-	-	9,298
Outside services	76,469	6,161	58,659	141,289	10,541	18,224	170,054
Travel expense	137,231	10,034	54,260	201,525	22,462	16,738	240,725
Postage and delivery	11,182	1,164	915,337	927,683	1,710,236	229,659	2,867,578
Office expenses	20,306	2,114	8,367	30,787	4,537	8,621	43,945
Depreciation expense	9,050	942	3,310	13,302	1,603	1,571	16,476
Bank and credit card fees	-	-	25,806	25,806	52,430	27,650	105,886
Insurance	5,424	565	1,984	7,973	960	941	9,874
Total	\$ 2,148,402	\$ 3,523,334	\$ 7,336,488	\$ 13,008,224	\$ 6,845,060	\$ 1,602,899	\$ 21,456,183

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

COALITION TO SALUTE AMERICA'S HEROES

Statement of Cash Flows
Year Ended December 31, 2015

	<u>2015</u>
Cash flows from operating activities:	
Change in net assets	\$ 627,944
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities	
Depreciation expense	16,476
Net gain (loss) of investments	9,867
Change in contributions receivable	15,000
Change in inventories	4,527
Change in prepaid expenses	(64,471)
Change in employee advances	42
Change in accounts payable	202,880
Change in accrued expenses	<u>(17,228)</u>
Net cash provided by (used for) operating activities	<u>\$ 795,037</u>
Cash flows from investing activities:	
Purchases of investments	\$ (1,200,922)
Proceeds from sale of investments	3,767
Purchases of property and equipment	<u>(2,080)</u>
Net cash provided by (used for) investing activities	<u>\$ (1,199,235)</u>
Net increase (decrease) in cash	\$ (404,198)
Cash, beginning of year	<u>1,219,610</u>
Cash, end of year	<u><u>\$ 815,412</u></u>
Supplemental disclosure:	
Cash paid during the year for interest	<u><u>\$ 3,841</u></u>

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

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015

NOTE 1 - DESCRIPTION OF THE ORGANIZATION

Organization - The Corporate Charter was adopted in the District of Columbia. The name Coalition to Salute America's Heroes Foundation (CSAH) was adopted on August 4, 2004. CSAH is a not-for-profit corporation whose purpose is providing support to wounded troops, veterans, and their families and to inform the public of the needs of wounded veterans.

Contributions are received primarily as a result of direct mail and other media solicitations to individuals throughout the country. Contributions are recognized as support when received.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Uses of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Financial Statement Presentation

CSAH follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 for financial statement presentation. Under FASB ASC 958, CSAH is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. The Organization's unrestricted net assets totaled \$1,931,091 at December 31, 2015.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. The Organization had no temporarily restricted net assets at December 31, 2015.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2015.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

CSAH records contributions in accordance with FASB ASC 958. Under FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. CSAH reports gifts of cash and other assets as temporarily or permanently restricted revenue 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 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. When donor restrictions are met in the same reporting period, temporarily restricted contributions are reported as unrestricted contributions.

Income Taxes

CSAH is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes has been made in these financial statements. CSAH has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). However, CSAH is subjected to taxation on unrelated business income. For the year ended December 31, 2015, there was no unrelated business income.

Accounting for Uncertain Tax Positions

CSAH follows FASB ASC 740 in measurement and disclosure of uncertain tax positions. CSAH believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Cash

For purposes of the statement of cash flows, cash consists of demand deposits and money market funds held in banks except for money market funds held as investments.

Investments

Investments which consist of money market and equity securities are reported at fair market value based on quoted prices. Unless restricted by the donor, investment income which consists of interest and dividend income earned, realized and unrealized gains or losses, is included as increases or decreases in unrestricted net assets.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables, including employee advances and promises to give, are carried at original invoice amounts less an estimate for doubtful receivables based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The balance of employee advances at December 31, 2015 is considered to be fully collectible.

Inventories

Inventories consist of purchased items stated at the lower of cost (first-in, first-out basis) or market. Donated inventories are stated at fair market value at the time of receipt. Fair market value is the cost the Organization would incur to purchase the inventories.

Property and Equipment

Property and equipment are stated at cost. Donated property and equipment are recorded at fair value at the date of donation. CSAH depreciates property and equipment with a cost of \$500 or more on a straight-line basis over their estimated useful lives of one to ten years. For the year ended December 31, 2015, depreciation expense was \$16,476.

Expenditure for maintenance and repairs are expensed as incurred. Betterments, which increase the value or materially extend the life of the related assets, are capitalized.

Donated Artwork

Donated artwork consists of six canvas paintings which are held by CSAH as investments. Donated artwork is reported at the lower of carrying amount or fair value less cost to sell.

Valuation of Long-Lived Assets

CSAH accounts for the valuation of long-lived assets under FASB ASC 360. FASB ASC 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less costs to sell. There are no impaired assets at December 31, 2015.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Materials

Contributed materials are recorded as contributions at their estimated fair value as of the date of the donation.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been summarized on a functional basis on the schedule of functional expenses. Certain costs have been allocated among program and supporting services as follows:

Veterans' emergency financial aid - Program to assist wounded veterans (and their spouses) with direct financial aid.

Veterans' recovery activities - All expenses incurred to provide wounded veterans with recovery conferences, seminars on educational job training, career counseling, job seeking and placement services, employment opportunities, and to address issues of PTSD and TBI.

Public awareness of veterans' needs - All expenses incurred to educate the general public about the country's wounded troops and veterans and their families and their community needs. Also, all expenses incurred to inform the general public to participate in CSAH's assistance programs.

Fundraising - All expenses incurred with the purpose of raising funds.

Management and general - All other operating expenses incurred by CSAH in the accomplishment of its tax exempt purposes.

Advertising

Advertising is expensed as incurred. For the year ended December 31, 2015, advertising expense was \$9,298.

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that are exposed to concentration of credit risk consist of cash and investment in money market funds. The cash and investment in money market funds are held in high quality institutions. Cash and investments are based on quoted market prices.

The Organization maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The money market funds are not insured by FDIC. CSAH has not experienced any loss in such accounts. As of December 31, 2015, the uninsured balance is \$731,180.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015 (Continued)

NOTE 4 - INVENTORIES

Inventories are comprised of the following as of December 31, 2015:

<u>Inventory Type</u>	<u>Method</u>	<u>Value at 12/31/2015</u>
Shirts	First-in, first-out	\$ 12,814
Lapel pins	First-in, first-out	774
Ornaments	First-in, first-out	4,510
Mugs	First-in, first-out	<u>1,523</u>
Total		<u>\$ 19,621</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015 consists of the following:

Furniture and equipment	\$ 80,351
Website	153,773
Less: Accumulated depreciation	<u>(201,714)</u>
Total	<u>\$ 32,410</u>

NOTE 6 - INVESTMENTS

Investments in money market fund and equity securities are carried at fair value based on quoted prices in active markets. Investments at December 31, 2015, consist of the following:

	<u>Fair Value</u>
Mutual funds	\$ 1,208,408
Money market	<u>490,377</u>
Total	<u>\$ 1,698,785</u>

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015 (Continued)

NOTE 6 - INVESTMENTS (CONTINUED)

Investment income for the years ended December 31, 2015 consisted of the following:

Interest and dividends	\$	35,626
Realized gain (loss)		(1,815)
Unrealized gain (loss)		<u>(43,650)</u>
Total investment income	\$	<u><u>(9,839)</u></u>

NOTE 7 - FAIR VALUE MEASUREMENTS

CSAH follows FASB ASC 820 to disclose fair value measurements of assets and liabilities. FASB ASC 820 requires that assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flows methodologies and similar techniques that use significant unobservable inputs.

In determining the appropriate levels, CSAH performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by CSAH at December 31, 2015. The inputs and techniques used in measuring fair value were not changed in 2015.

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015 (Continued)

NOTE 7 - FAIR VALUE MEASUREMENTS (CONTINUED)

	12/31/2015	Fair Value Measurements at Reporting Date Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market	\$ 490,377	\$ 490,377	\$ -
Mutual funds	1,208,408	1,208,408	-
Donated artwork	270,000	-	270,000
Total	<u>\$ 1,968,785</u>	<u>\$ 1,698,785</u>	<u>\$ 270,000</u>

CSAH holds investments in money market and equity securities which are publicly traded on various open markets and are considered a Level 1 item. The donated artwork has been valued using a market approach. The values were determined using market prices of similar artwork and are considered a Level 2 item.

NOTE 8 - RETIREMENT PLAN

CSAH established a profit sharing plan in accordance with Section 401(K) of the Internal Revenue Code. Substantially all employees age 21 and over that complete one year of service are eligible to participate. Participants may defer an amount of compensation not exceeding the limit under Federal law. CSAH has the discretion to match each participant's elective deferral. During 2015, CSAH contributed \$71,607 to the plan.

NOTE 9 - IN-KIND CONTRIBUTIONS

During 2015, CSAH produced Public Service Announcements (PSA's). In connection with the airing of the PSAs, CSAH received airtime with a fair value of \$3,048,458 for the year ended December 31, 2015. The amount was recognized as gift in-kind revenue and public awareness of veterans' needs expense in the statement of activities, and as part of PSA media in the statement of functional expenses.

During 2015, CSAH received an in-kind contribution of books, food, quilts, and other promotional items with a fair value of \$3,030,898. The items were used to increase public awareness of veterans' issues and in the veterans' recovery activities. The amount was recognized as gift in-kind revenue and as veterans' recovery activities expense in the statement of activities, and veteran assistance and gifts and promotion production expense in the statement of functional expenses.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015 (Continued)

NOTE 9 - IN-KIND CONTRIBUTIONS (CONTINUED)

During 2015, CSAH received contributed use of office space with a fair value of \$27,000. The space was used for the operations of CSAH. The fair value of rent was recognized as gift in-kind revenue and allocated to the program and supporting services expenses in the statement of activities, and rent expense in the statement of functional expenses.

NOTE 10 - ALLOCATION OF JOINT COSTS

CSAH incurred joint costs of \$10,884,352 during the 2015 fiscal year for direct mail communication materials and activities that include fundraising appeals. During the 2015 fiscal year, \$3,455,876 was allocated to public awareness of veterans' needs, \$6,567,873 was allocated to fundraising, and \$860,603 was allocated to management and general.

NOTE 11 - FUNCTIONAL ALLOCATION OF EXPENSES

CSAH allocates costs between program and supporting services using several methods based on management's best estimate. These estimates include how management spent their time and purpose of services. It is reasonable that these estimates will change in the near term.

For the year ended December 31, 2015, fundraising expense totaled \$6,845,060.

NOTE 12 - OPERATING LEASE

On February 15, 2013, CSAH entered into a five (5) year lease for office space. Future minimum rent payments for this operating lease are as follows:

2016	\$	35,702
2017		36,773
2018		<u>15,510</u>
	\$	<u><u>87,985</u></u>

NOTE 13 - INTERNET FUNDRAISING

On February 1, 2007, CSAH entered into a contract with a direct mail consultant for direct mail consultation services. On July 24, 2013, CSAH and the consulting firm executed an addendum to the contract to include consultation services related to internet and social media fundraising. The addendum calls for revenue from the internet fundraising to be used first to pay direct costs, such as caging fees and list rental fees, before being used to pay consulting fees. In the event that the revenue is insufficient to cover all of the consulting firm's fees, CSAH is not obligated to pay such fees. As of December 31, 2015, all fees due under the internet fundraising agreement had been paid or accrued.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

Notes to Financial Statements
At December 31, 2015 (Continued)

NOTE 14 - SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 16, 2016, the date that the financial statements were available to be issued and none were identified.