

***COALITION TO SALUTE
AMERICA'S HEROES FOUNDATION***

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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Frank & Company, p.c.

Certified Public Accountants
703-821-0702

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Coalition to Salute America's Heroes Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2016, 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 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 Coalition to Salute America's Heroes Foundation as of December 31, 2016, 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.

Frank Company, P.C.

1360 Beverly Road
Suite 300
McLean, Virginia 22101
July 6, 2017

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

Assets:

Current assets:

Cash	\$ 1,107,875
Contributions receivables	165
Employee advances	17,564
Prepaid expenses	63,334
Inventories	<u>19,528</u>

Total current assets 1,208,466

Property and equipment, net	25,251
Investments	2,180,184
Donated artwork	270,000
Security deposits	<u>3,117</u>

Total assets \$ 3,687,018

Liabilities and net assets:

Current liabilities:

Accounts payable	\$ 925,937
Accrued expenses	<u>60,116</u>

Total current liabilities 986,053

Net assets:

Unrestricted net assets	<u>2,700,965</u>
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Total liabilities and net assets \$ 3,687,018

See accompanying notes to financial statements.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

Unrestricted revenues, gains and other support:	
Contributions	\$ 11,823,945
Gift in-kind	4,129,296
Unrealized gain on investments	52,377
Realized gain on investments	983
Dividend and interest income	72,264
Other income	<u>274,196</u>
Total revenues gains and other support	<u>16,353,061</u>
Expenses:	
Program services:	
Veterans' emergency financial aid	2,162,230
Veterans' recovery activities	2,958,287
Public awareness of veterans' needs	<u>5,609,283</u>
Total program services	<u>10,729,800</u>
Supporting services:	
Fundraising	3,672,498
Management and general	<u>1,180,889</u>
Total supporting services	<u>4,853,387</u>
Total expenses	<u>15,583,187</u>
Change in net assets	769,874
Net assets, beginning of year	<u>1,931,091</u>
Net assets, end of year	<u>\$ 2,700,965</u>

See accompanying notes to financial statements.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Program services			Supporting services		Total
	Veterans' emergency financial aid	Veterans' recovery activities	Public awareness of veterans' needs	Fundraising	Management and general	
Veteran assistance and gifts	\$ 917,861	\$ 1,729,931	\$ -	\$ -	\$ -	\$ 2,647,792
Promotional events & seminars	-	44,493	90,280	-	-	134,773
Promotion production	-	-	196,418	-	-	196,418
Veterans conference production	-	305,279	-	-	-	305,279
Veterans conference facilities and food	-	402,023	-	-	-	402,023
PSA media	-	-	2,435,958	-	-	2,435,958
Grants and contributions	-	132,500	-	-	-	132,500
Printing & Mailshop	-	-	807,524	1,066,626	179,378	2,053,528
List rental fees	-	-	131,108	174,811	30,256	336,175
Data processing	-	-	63,813	76,365	15,240	155,418
Premiums	-	-	720,811	961,082	166,341	1,848,234
Miscellaneous	-	-	848	1,522	195	2,565
Caging and escrow	-	-	-	-	193,151	193,151
Interest expense	-	-	17	23	4	44
Promotional items	-	-	-	2,083	-	2,083
Rent expense	50,116	6,453	10,560	8,415	8,445	83,989
Salaries and benefits	834,685	107,478	175,874	140,148	140,653	1,398,838
Payroll and other taxes	56,269	7,245	11,856	9,448	9,482	94,300
Telephone and utilities	10,832	1,395	2,282	1,819	1,825	18,153
Accounting	-	-	-	-	47,644	47,644
Bookkeeping	56,330	22,270	-	-	52,400	131,000
Legal	-	-	-	-	22,883	22,883
Consulting	18,507	18,528	221,082	342,819	99,551	700,487
Royalties	-	-	11,700	15,600	2,700	30,000
Advertising	-	-	1,728	-	-	1,728
Outside services	71,473	6,072	62,085	9,221	17,078	165,929
Travel expense	111,709	101,147	35,342	22,395	14,087	284,680
Postage and delivery	9,796	70,298	607,834	809,208	141,353	1,638,489
Office expenses	13,804	1,778	3,261	2,670	7,931	29,444
Depreciation expense	5,541	713	1,168	930	934	9,286
Bank and credit card fees	-	-	16,616	26,422	28,464	71,502
Insurance	5,307	684	1,118	891	894	8,894
	<u>\$ 2,162,230</u>	<u>\$ 2,958,287</u>	<u>\$ 5,609,283</u>	<u>\$ 3,672,498</u>	<u>\$ 1,180,889</u>	<u>\$ 15,583,187</u>

See accompanying notes to financial statements.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:	
Change in net assets	\$ 769,874
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	9,286
Net (gain) loss on investments	(90,213)
Change in contributions receivable	(165)
Change in employee advances	(13,628)
Change in prepaid expenses	82,667
Change in inventories	93
Change in accounts payable	(35,914)
Change in accrued expenses	<u>(36,224)</u>
Net cash provided by operating activities	<u>685,776</u>
Cash flows from investing activities:	
Purchase of property and equipment	(2,127)
Purchase of investments	(851,138)
Sales of investments	<u>459,952</u>
Net cash used in investing activities	<u>(393,313)</u>
Net increase in cash	292,463
Cash, beginning of year	<u>815,412</u>
Cash, end of year	<u>\$ 1,107,875</u>
Supplemental disclosure:	
Cash paid during the year for interest	<u>\$ 44</u>

See accompanying notes to financial statements.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. 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.

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.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of CSAH and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by CSAH.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2. Summary of significant accounting policies (continued)

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. 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, 2016, there is 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.

CSAH's federal Return of Organization Exempt from Income Tax (Form 990) is open to examination by the IRS for three years after it is filed.

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, 2016 is considered to be fully collectible.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2. Summary of significant accounting policies (continued)

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 CSAH 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 over their estimated useful lives of one to ten years.

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.

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.

Donated artwork - Donated artwork consists of six canvas paintings which are held by CSAH as long-lived assets. Due to the inexhaustible nature of the paintings, the artwork is not being amortized. Management estimates it has a value of approximately \$270,000.

Valuation of long-lived assets - CSAH reviews long-lived assets and certain identifiable intangible assets 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 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, 2016.

Gifts-in-kind- Gifts-in-kind are recorded as contributions at their estimated fair value as of the date of the donation.

Functional 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.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

2. Summary of significant accounting policies (continued)

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, 2016, advertising expense was \$1,728.

3. Concentration of credit risk

Financial instruments that are potentially subject to concentration of credit risk consist primarily of cash in banks. CSAH places its cash in financial institutions that are insured by the Federal Deposit Insurance Corporation. CSAH maintains cash balances that may exceed federally insured limits. CSAH has not experienced any losses.

CSAH invests in a professionally managed portfolio that contains various securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Money market and security investments are held at brokerage firms that are members of Securities Investor Protection Corporation. CSAH maintains balances at those firms that may be in excess of federally insured limits. CSAH has not experienced any such losses.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

4. Inventories

Inventories are comprised of the following as of December 31, 2016:

<u>Inventory Type</u>	<u>Method</u>	<u>Value</u>
Shirts	First-in, first-out	\$ 12,933
Lapel pins	First-in, first-out	774
Ornaments	First-in, first-out	4,485
Mugs	First-in, first-out	<u>1,336</u>
		<u>\$ 19,528</u>

5. Property and equipment

Property and equipment at December 31, 2016 consists of the following:

Furniture and equipment	\$ 103,648
Website	<u>132,603</u>
	236,251
Less: Accumulated depreciation	<u>211,000</u>
	<u>\$ 25,251</u>

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, 2016, consist of the following:

Money market	\$ 146,256
Domestic equities	10,146
Mutual funds:	
Open end mutual funds	<u>2,023,782</u>
Total investments	<u>\$ 2,180,184</u>

Investment return for the year ended December 31, 2016 consisted of interest and dividend totaling \$72,264, unrealized gain of \$52,377, and realized gain of \$983.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

7. Fair value measurement

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 market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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, 2016. The inputs and techniques used in measuring fair value were not changed in 2016.

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.

	Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Money market	\$ 146,256	\$ 146,256	\$ -
Domestic equities	10,146	10,146	-
Mutual funds:			
Open end mutual funds	<u>2,023,782</u>	<u>2,023,782</u>	<u>-</u>
Total	<u>\$ 2,180,184</u>	<u>\$ 2,180,184</u>	<u>\$ -</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.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 2016, CSAH contributed \$70,541 to the plan.

9. Contributed materials and services

During 2016, CSAH produced Public Service Announcements (PSA's). In connection with the airing of the PSAs, CSAH received airtime with a fair value of \$2,395,920 for the year ended December 31, 2016. 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.

CSAH received other miscellaneous materials, including books, food, quilts, and other promotional items, with a fair value of \$1,696,176 during the year ended December 31, 2016. The items were used to increase public awareness of veterans' issues and in the veterans' recovery activities. The fair value of these items 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.

During 2016, CSAH received contributed use of office space with a fair value of \$37,200 during the year ended December 31, 2016. The space was used for the operations of CSAH. The fair value of the 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.

10. Allocation of joint costs

CSAH incurred joint costs of \$6,539,998 during the 2016 fiscal year for direct mail and electronic communication materials and activities that include fundraising appeals. During the 2016 fiscal year, \$2,533,226 was allocated to public awareness of veterans' needs, \$3,424,008 was allocated to fundraising, and \$582,764 was allocated to management and general.

COALITION TO SALUTE AMERICA'S HEROES FOUNDATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

11. Expense allocations

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.

12. Lease

On February 15, 2013, CSAH entered into a five (5) year lease for office space. In accordance with the lease, the base rent is abated for the first ninety (90) days after the rent commencement date.

Future minimum rental payments for this operating lease are as follows:

<u>For the year ended</u>	
2017	\$ 36,773
2018	<u>15,510</u>
	<u>\$ 52,283</u>

For the year ended December 31, 2016, rent expense was \$83,989 of which \$37,200 was a gift-in-kind.

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, 2016, all fees due under the internet fundraising agreement had been paid or accrued.

14. Subsequent events

Management has evaluated subsequent events through July 6, 2017, the date which the financial statements were available to be issued.