

Adopt-a-Soldier Platoon, Inc.

Financial Statements

December 31, 2012

Adopt-a-Soldier Platoon, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Adopt-a-Soldier Platoon, Inc.

We have audited the accompanying financial statements of Adopt-a-Soldier Platoon, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 Adopt-a-Soldier Platoon, Inc. as of December 31, 2012, 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.

Report on Summarized Comparative Information

We have previously audited Adopt-a-Soldier Platoon, Inc.'s 2011 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated August 10, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Clifton, New Jersey
August 5, 2013

Adopt-a-Soldier Platoon, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2012

(with comparative information as of December 31, 2011)

| ASSETS | 2012 | 2011 |
|---|------------------|------------------|
| Cash | \$ 10,704 | \$ 16,444 |
| Contributions receivable | 10,000 | - |
| Inventory | 6,236 | 3,840 |
| Prepaid expenses | 681 | - |
| Fixed assets, net | 1,788 | 2,776 |
| Total Assets | \$ 29,409 | \$ 23,060 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities - accounts payable and accrued expenses | \$ 4,081 | \$ 3,633 |
| Net Assets | | |
| Unrestricted | 21,410 | 14,614 |
| Temporarily restricted | 3,918 | 4,813 |
| Total Net Assets | 25,328 | 19,427 |
| Total Liabilities and Net Assets | \$ 29,409 | \$ 23,060 |

See accompanying notes to financial statements.

Adopt-a-Soldier Platoon, Inc.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2012

(with summarized information for the year ended December 31, 2011)

| | Temporarily | | Totals | |
|--|------------------|-----------------|------------------|------------------|
| | Unrestricted | Restricted | 2012 | 2011 |
| Revenues: | | | | |
| Contributions | \$ 77,077 | \$ 73,467 | \$ 150,544 | \$ 98,601 |
| In-kind contributions | 204,555 | | 204,555 | 300,141 |
| Donated professional services & facilities | 14,034 | | 14,034 | 23,923 |
| Dividends / interest earned | 17 | | 17 | 18 |
| Net assets released from restrictions | 74,362 | (74,362) | - | - |
| Total revenues | <u>370,045</u> | <u>(895)</u> | <u>369,150</u> | <u>422,683</u> |
| Expenses: | | | | |
| Program expenses | | | | |
| Soldier welfare & morale | 343,113 | | 343,113 | 430,028 |
| Supporting services | | | | |
| Fundraising expenses | 3,145 | | 3,145 | 4,397 |
| Management & general expenses | 16,991 | | 16,991 | 15,879 |
| Total expenses | <u>363,249</u> | <u>-</u> | <u>363,249</u> | <u>450,304</u> |
| Increase (decrease) in net assets | 6,796 | (895) | 5,901 | (27,621) |
| Net assets - beginning | 14,614 | 4,813 | 19,427 | 47,048 |
| Net assets - ending | <u>\$ 21,410</u> | <u>\$ 3,918</u> | <u>\$ 25,328</u> | <u>\$ 19,427</u> |

See accompanying notes to financial statements.

Adopt-a-Soldier Platoon, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2012

(with summarized information for the year ended December 31, 2011)

| | Program Services | Supporting Services | | Total Expenses | |
|---|--------------------------|----------------------|-------------|----------------|------------|
| | Soldier welfare & morale | Management & General | Fundraising | 2012 | 2011 |
| Direct program expenses | | | | | |
| Care Packages & Related | \$ 222,875 | \$ - | \$ - | \$ 222,875 | \$ 261,501 |
| Supplies | 12,377 | - | - | 12,377 | 10,903 |
| Equipment | 43,376 | - | - | 43,376 | 35,173 |
| Entertainment | 16,817 | - | - | 16,817 | 9,504 |
| Troop Morale | 72,570 | - | - | 72,570 | 55,580 |
| Troop Morale & Welfare - Other | 10,570 | - | - | 10,570 | 18,839 |
| Total Direct program expenses | 306,015 | - | - | 306,015 | 335,920 |
| Donated Postage | 17,946 | - | - | 17,946 | 52,425 |
| Travel & meetings | 9,638 | 156 | - | 9,794 | 22,931 |
| Donated art design services | - | - | - | - | 10,613 |
| Donated warehouse facilities | 8,034 | - | - | 8,034 | 7,810 |
| Supplies | 1,348 | 839 | - | 2,187 | 1,910 |
| Cloth patches for donors | - | - | 471 | 471 | 3,518 |
| Donor recognition materials | - | - | 723 | 723 | 398 |
| Advertising | - | - | 300 | 300 | 370 |
| Fashion Show | - | - | 1,495 | 1,495 | - |
| PayPal Transaction Fees | - | - | 156 | 156 | 111 |
| Accounting Fees | - | 4,000 | - | 4,000 | 3,500 |
| Donated professional accounting services | - | 6,000 | - | 6,000 | 5,500 |
| Telephone & communications | - | 1,341 | - | 1,341 | 1,716 |
| Depreciation Expense | - | 988 | - | 988 | 988 |
| Data Processing | - | 2,088 | - | 2,088 | 963 |
| Postage | 132 | 310 | - | 442 | 382 |
| Post Office box rental | - | 25 | - | 25 | 96 |
| State registration fees | - | 290 | - | 290 | 175 |
| Registered Agent Fees (Mass) | - | 29 | - | 29 | - |
| Miscellaneous | - | 925 | - | 925 | 978 |
| Total expenses year ended December 31, 2012 | \$ 343,113 | \$ 16,991 | \$ 3,145 | \$ 363,249 | |
| Percent of total expenses | 94.4% | 4.7% | 0.9% | 100.0% | |
| Total expenses year ended December 31, 2011 | \$ 430,028 | \$ 15,879 | \$ 4,397 | | \$ 450,304 |
| Percent of total expenses | 95.5% | 3.5% | 1.0% | | 100.0% |

See accompanying notes to financial statements.

Adopt-a-Soldier Platoon, Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

(with comparative information for the year ended December 31, 2011)

| | <u>2012</u> | <u>2011</u> |
|--|------------------|------------------|
| Cash flows from operating activities: | | |
| Increase / (decrease) in net assets | \$ 5,901 | \$ (27,621) |
| Adjustments to reconcile increase / (decrease) in net assets to net cash used in operating activities: | | |
| Depreciation | 988 | 989 |
| Changes in operating assets and liabilities: | | |
| (Increase) / decrease in accounts receivable | (10,000) | 11,206 |
| (Increase) / decrease in inventory | (2,396) | (3,840) |
| (Increase) / decrease in prepaid expenses | (682) | |
| Increase / (decrease) in accounts payable | - | (576) |
| Increase / (decrease) in accrued expenses | 449 | (363) |
| Net cash used in operating activities | <u>(5,740)</u> | <u>(20,205)</u> |
| Net decrease in cash | (5,740) | (20,205) |
| Cash at beginning of year | 16,444 | 36,649 |
| Cash at end of year | <u>\$ 10,704</u> | <u>\$ 16,444</u> |

See accompanying notes to financial statements.

Adopt-a-Soldier Platoon, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(with comparative information for the year ended December 31, 2011)

1. Nature of the Organization

Adopt-a-Soldier Platoon, Inc. (the Organization) is a New Jersey domestic non-profit corporation, incorporated on May 29, 2007. Its mission is to lift the morale and support the welfare of active members and veterans of the United States Armed Forces, their immediate families, and the immediate families of deceased veterans.

The Organization is run entirely by volunteers. There are no employees. The Organization's By-Laws prohibit salaries and benefits. Volunteers are reimbursed for out-of-pocket expenditures incurred in the conduct of business on behalf of the Organization.

Contributions are received primarily from a network of individual and business supporters that has grown mostly by word-of-mouth. The Organization maintains a public website (www.adoptasoldierplatoon.org) for informing the public about its mission and to solicit contributions from individuals and businesses domiciled in New Jersey. Contributions are recognized upon receipt of funds, property or written pledges. On January 14, 2013, the Organization received a "Certificate for Solicitation" from the Commonwealth of Massachusetts enabling it to solicit donations from the general public during the remainder of 2013.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with the Not-for-Profit Entities Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) ("ASC Section 958"). The Balance Sheet and Income Statement Subtopics of ASC 958 require the Organization to present its net assets and its revenue and gains (losses) based upon the existence or absence of donor imposed restrictions into these classes:

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 the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets.

Adopt-a-Soldier Platoon, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(with comparative information for the year ended December 31, 2011)

The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as temporarily or permanently restricted revenue if they are received with donor stipulation that limits 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.

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

Program Services – Distribution of personal care supplies, foodstuffs and recreational items to U.S. military units serving abroad, primarily those stationed in combat zones. Support numerous combat surgical hospitals in Afghanistan, Kuwait and Germany to help comfort the wounded during recovery and transport and help maintain morale of medical staff. Provide equipment such as laptop computers, webcams, digital cameras and camcorders to allow troops to communicate with their families. Provide exercise and sporting equipment. Sponsor special events and activities and provide recreational equipment in connection with morale, welfare and recreation (MWR) activities conducted at military bases.

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

Fundraising - All expenses incurred with the purpose of raising funds, promoting public awareness and recognizing donor contributions.

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.

Adopt-a-Soldier Platoon, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(with comparative information for the year ended December 31, 2011)

Tax Exempt Status

The Organization received a tax determination letter from the Internal Revenue Service and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, only unrelated business income is subject to income tax. For the years ended December 31, 2012 and 2011 the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the financial statements.

Cash

For purposes of the statement of cash flows, cash consists of demand deposits held in banks.

Contributions Receivable

Contributions receivable are all due within one year. Management evaluates total contributions receivable, and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is unlikely. The allowance for doubtful accounts at December 31, 2012 and 2011 were both \$0.

Advertising

Advertising is expensed in the year incurred.

Equipment and Depreciation

The Organization's policy is to capitalize equipment valued at \$1,000 or more. Existing equipment acquired in prior years is necessary to maintain the Organization's website and to communicate with grantees and donors. A significant portion of the cost of this equipment was funded by a donation restricted for this purpose. Capital assets are depreciated over its useful life. Computer and related equipment is depreciated over five years on a straight line basis.

Adopt-a-Soldier Platoon, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(with comparative information for the year ended December 31, 2011)

Inventory

Inventory consists of purchased and donated products. Purchased inventory is valued at the lower of cost or market using the first-in, first-out (FIFO) method. Donated inventory is stated at its estimated fair value on the date of receipt. Thereafter, it is stated at the lower of cost or market.

Concentration of Revenues

The Organization's largest donor was responsible for 18 percent of the total revenues during the year, about 9.2 percent being cash and donated postage and the remaining 8.8 percent being gifts-in-kind and donated warehouse space. If this donor was lost in the future, management does not believe it would prevent the Organization from accomplishing its overall mission. Nevertheless, management is continually seeking new donors which would reduce the risk of concentration of revenues.

Support

Support is recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of donated assets is transferred to the Organization. Gifts in kind are recorded at fair value at the date of the gift.

The Organization receives donated personal care and comfort items, foodstuffs, and recreation equipment. The valuation of contributed goods is based on management's estimate of fair value for each item received. Items are valued upon receipt. Fair values are determined based on numerous factors which may include (a) amounts specified by the donor as being the wholesale selling price, (b) current retail or selling price of similar items, if known, or (c) management's own subjective appraisals based on research. Additionally, items of a unique or personal nature which do not have readily determinable fair values and goods which do not conform to the Organization's size or quality requirements for shipping are either assigned a nominal value or not assigned a value.

Donated services are recognized in the financial statements at their fair value as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A number of unpaid volunteers have made a contribution of their time to the Organization's program. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(with comparative information for the year ended December 31, 2011)

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure through August 5, 2013, the date the financial statements were available to be issued. No subsequent events have been identified by management.

3. Inventories

The inventory balance at December 31, 2012 and December 31, 2011, was \$6,236 and \$3,840, respectively. The December 31, 2012 inventory balance consists primarily of exercise gear, and includes foodstuffs and electronic items purchased during December 2012. The December 31, 2011 inventory balance consists of a gift-in-kind donation of foodstuffs and personal grooming items. All goods for program services purchased by the Organization or received as gifts-in-kind from donors are shipped usually within a one week window to military units for distribution to the troops.

4. Fixed Assets

Fixed assets as of December 31, 2012 and December 31, 2011, at cost, consists of:

| | <u>2012</u> | <u>2011</u> | <u>Useful life</u> |
|-------------------------------|-----------------|-----------------|--------------------|
| Computer equipment | \$ 4,979 | \$ 4,979 | 5 years |
| Less accumulated depreciation | <u>(3,191)</u> | <u>(2,203)</u> | |
| Total Fixed assets | <u>\$ 1,788</u> | <u>\$ 2,776</u> | |

Adopt-a-Soldier Platoon, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(with comparative information for the year ended December 31, 2011)

5. Gifts-in-Kind

During the years ended December 31, 2012 and December 31, 2011, the Organization received the following non-cash contributions:

| | <u>2012</u> | <u>2011</u> |
|-------------------------------|-------------------|-------------------|
| Personal care / comfort items | \$ 41,787 | \$ 81,949 |
| Foodstuffs | 105,532 | 96,956 |
| Recreation equipment | 39,290 | 68,811 |
| Postage & shipping | <u>17,946</u> | <u>52,425</u> |
| | <u>\$ 204,555</u> | <u>\$ 300,141</u> |

Personal care and comfort items consist of items such as soap, oral hygiene products, shampoo, skin cream, neck pillows, and clothing articles. Recreation equipment consists primarily of fitness and exercise gear and electronic equipment used to support morale, welfare and recreation programs at military bases. Electric equipment includes digital movie cameras, computers, webcams, portable DVD players for use by hospital patients, karaoke machines, and video game equipment and software.

6. Donated Professional Services & Facilities

During the years ended December 31, 2012 and December 31, 2011, the Organization received the following donations of professional services and facilities:

| | <u>2012</u> | <u>2011</u> |
|--------------------|------------------|------------------|
| Professional audit | \$ 6,000 | \$ 5,500 |
| Design services | 0 | 10,613 |
| Warehouse space | <u>8,034</u> | <u>7,810</u> |
| | <u>\$ 14,034</u> | <u>\$ 23,923</u> |

On April 25, 2011, the State of New Jersey raised the audit threshold of nonprofits to \$500,000 of revenues from \$250,000. The Organization, however, has continued to retain the services of a public accounting firm to conduct an audit as it plans to register in other state jurisdictions that maintain lower audit thresholds. The professional fees to conduct the audit were \$10,000, of which services valued at \$6,000 were donated.

The Organization is provided with limited warehouse space donated by a local business. The

Adopt-a-Soldier Platoon, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

(with comparative information for the year ended December 31, 2011)

space is available for use during normal business hours and is used for receiving donated goods and preparing care packages to be mailed to the troops. The annual use of the warehouse space is valued at \$8,034 as determined by quotes from local retail storage facilities.

7. Temporarily Restricted Net Assets

Cash contributions and gifts-in-kind donated for use in connection with specific program services are so identified to assure that they are used in accordance with the donor's express wishes. At December 31, 2012, \$3,918 is temporarily restricted for several projects including care for the wounded, KIA (killed-in-action) bracelets to honor the fallen and entertainment activities to be conducted at U.S. military bases. At December 31, 2011, \$4,813 was temporarily restricted, primarily for the purchase of KIA bracelets.

8. Expense Allocation

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The costs of providing various program services and supporting activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.