

Adopt-a-Soldier Platoon, Inc.

Financial Statements

December 31, 2011

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 statement of financial position of Adopt-a-Soldier Platoon, Inc. (a nonprofit organization) 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 the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Adopt-a-Soldier Platoon, Inc's 2010 financial statements and, in our report dated August 9, 2011, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 referred to above present fairly, in all material respects, the financial position of Adopt-a-Soldier Platoon, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Karabulut & Yasosky LLP



Clifton, New Jersey
August 10, 2012

Adopt-a-Soldier Platoon, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2011

(with comparative information as of December 31, 2010)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 16,444	\$ 36,649
Contributions receivable	-	11,206
Inventory	3,840	-
Fixed assets, net	2,776	3,765
Total Assets	<u>\$ 23,060</u>	<u>\$ 51,620</u>
LIABILITIES AND NET ASSETS		
Liabilities - accounts payable and accrued expenses	<u>\$ 3,633</u>	<u>\$ 4,572</u>
Net Assets		
Unrestricted	14,614	38,757
Temporarily restricted	4,813	8,291
Total Net Assets	<u>19,427</u>	<u>47,048</u>
Total Liabilities and Net Assets	<u>\$ 23,060</u>	<u>\$ 51,620</u>

See accompanying notes to financial statements.

Adopt-a-Soldier Platoon, Inc.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

(with summarized information for the year ended December 31, 2010)

	Temporarily		Totals	
	Unrestricted	Restricted	2011	2010
Revenues:				
Contributions	\$ 72,441	\$ 26,160	\$ 98,601	\$ 150,873
In-kind contributions	300,141		300,141	129,081
Donated professional services & facilities	23,923		23,923	12,000
Interest	18		18	56
Net assets released from restrictions	29,638	(29,638)	-	-
Total revenues	426,161	(3,478)	422,683	292,010
Expenses:				
Program expenses				
Soldier welfare & morale	430,028		430,028	272,537
Supporting services				
Fundraising expenses	4,397		4,397	3,337
Management & general expenses	15,879		15,879	14,656
Total expenses	450,304	-	450,304	290,530
Increase (decrease) in net assets	(24,143)	(3,478)	(27,621)	1,480
Net assets - beginning	38,757	8,291	47,048	45,568
Net assets - ending	\$ 14,614	\$ 4,813	\$ 19,427	\$ 47,048

See accompanying notes to financial statements.

Adopt-a-Soldier Platoon, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2011

(with summarized information for the year ended December 31, 2010)

	Program Services	Supporting Services		Total Expenses	
	Soldier welfare & morale	Management & General	Fundraising	2011	2010
Direct program expenses					
Care Packages and Related	\$ 273,323	\$ -	\$ -	\$ 273,323	\$ 164,759
Troop Morale	62,597			62,597	38,023
Total Direct program expenses	<u>335,920</u>			<u>335,920</u>	<u>202,782</u>
Donated Postage	52,425			52,425	29,853
Travel & meetings	22,440	491	-	22,931	30,453
Donated Design services	10,613			10,613	-
Donated warehouse facilities	7,810	-	-	7,810	6,500
Supplies	820	1,090	-	1,910	2,882
Cloth patches for donors	-	-	3,518	3,518	2,734
Donor recognition materials	-	-	398	398	592
Advertising	-	-	370	370	-
PayPal Transaction Fees	-	-	111	111	11
Accounting Fees	-	3,500	-	3,500	3,500
Donated professional accounting services	-	5,500	-	5,500	5,500
Telephone & communications	-	1,716	-	1,716	2,371
Depreciation Expense	-	988	-	988	1,021
Data Processing	-	963	-	963	-
Postage	-	382	-	382	99
Post Office box rental	-	96	-	96	92
State of NJ annual registration fees	-	175	-	175	275
Accounting software	-	-	-	-	400
Miscellaneous	-	978	-	978	1,465
Total expenses, year ended December 31, 2011	<u>\$ 430,028</u>	<u>\$ 15,879</u>	<u>\$ 4,397</u>	<u>\$ 450,304</u>	
Percent of total expenses	95.5%	3.5%	1.0%	100.0%	
Total expenses, year ended December 31, 2010	<u>\$ 272,537</u>	<u>\$ 14,656</u>	<u>\$ 3,337</u>		<u>\$ 290,530</u>
Percent of total expenses	93.8%	5.0%	1.1%		100.0%

See accompanying notes to financial statements.

Adopt-a-Soldier Platoon, Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

(with comparative information for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase / (decrease) in net assets	\$ (27,621)	\$ 1,480
Adjustments to reconcile increase / (decrease) in net assets to net cash used in operating activities:		
Depreciation	989	1,021
Changes in operating assets and liabilities:		
(Increase) / decrease in accounts receivable	11,206	(11,206)
(Increase) / decrease in inventory	(3,840)	
Increase / (decrease) in accounts payable	(576)	(2,424)
Increase / (decrease) in accrued expenses	(363)	3,996
Net cash used in operating activities	<u>(20,205)</u>	<u>(7,133)</u>
Cash flows from investing activities:		
Purchase of fixed assets	-	(50)
Disposal of fixed assets	-	210
Net cash provided by investing activities	<u>-</u>	<u>160</u>
Net decrease in cash	(20,205)	(6,973)
Cash at beginning of year	36,649	43,622
Cash at end of year	<u>\$ 16,444</u>	<u>\$ 36,649</u>

See accompanying notes to financial statements.

Adopt-a-Soldier Platoon, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

(with summarized information for the year ended December 31, 2010)

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.

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

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(with summarized information for the year ended December 31, 2010)

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 Iraq, 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

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(with summarized information for the year ended December 31, 2010)

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, 2011 and 2010 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.

In a letter dated September 14, 2009, the Organization was notified by the Internal Revenue Service that it is no longer required to file Form 8734 at the end of its five-year ruling period in year 2012. Instead, beginning in year 2013, the Internal Revenue Service will reevaluate the Organization's status as a public charity via its rules for computing public support consistent with the redesigned Form 990.

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, 2011 and 2010 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

Adopt-a-Soldier Platoon, Inc.

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(with summarized information for the year ended December 31, 2010)

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.

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 26 percent of the total revenues during the year, about 16 percent being cash and donated postage and the remaining 10 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

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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.

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 10, 2012, the date the financial statements were available to be issued.

3. Inventories

The inventory balance at December 31, 2011 and December 31, 2010, was \$3,840 and \$0, respectively. The December 31, 2011 inventory balance consists of a gift-in-kind donation of foodstuffs and personal grooming items received on December 28, 2011. These goods were shipped to military units in Afghanistan in early January 2012. 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, 2011 and December 31, 2010, at cost, consists of:

	<u>2011</u>	<u>2010</u>	<u>Useful life</u>
Computer equipment	\$ 4,979	\$ 4,979	5 years
Less accumulated depreciation	<u>(2,203)</u>	<u>(1,214)</u>	
Total Fixed assets	<u>\$ 2,776</u>	<u>\$ 3,765</u>	

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(with summarized information for the year ended December 31, 2010)

5. Gifts-in-Kind

During the years ended December 31, 2011 and December 31, 2010, the Organization received the following non-cash contributions:

	<u>2011</u>	<u>2010</u>
Personal care / comfort items	\$ 81,949	\$ 33,903
Foodstuffs	96,956	43,560
Recreation equipment	68,811	21,765
Postage & shipping	<u>52,425</u>	<u>29,853</u>
	<u>\$ 300,141</u>	<u>\$ 129,081</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, 2011 and December 31, 2010, the Organization received the following donations of professional services and facilities:

	<u>2011</u>	<u>2010</u>
Professional audit	\$ 5,500	\$ 5,500
Design services	10,613	-
Warehouse space	<u>7,810</u>	<u>6,500</u>
	<u>\$ 23,923</u>	<u>\$ 12,000</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 \$9,000, of which services valued at \$5,500 were donated.

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

Adopt-a-Soldier Platoon, Inc.

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(with summarized information for the year ended December 31, 2010)

the warehouse space is valued at \$7,810 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, 2011, \$4,813 is temporarily restricted, primarily for the purchase of KIA (killed-in-action) bracelets to honor the fallen. At December 31, 2010, \$8,291 is temporarily restricted, primarily for the 2011 Super Bowl Party and the Roq'n for the Troops event held in January 2011.

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.