

A Soldier's Child, Inc.
(A Nonprofit Organization)

Financial Statements
With Independent Auditor's Report Thereon

For the Years Ended December 31, 2018 and 2017





Independent Auditor's Report

To the Board of Directors of
A Soldier's Child, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of A Soldier's Child, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years 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 audits 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 A Soldier's Child, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read 'Scott Miller CPA, PLLC'.

Miller CPA, PLLC
Murfreesboro, Tennessee
March 29, 2019

A SOLDIER'S CHILD, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS		2018	2017
		<u>2018</u>	<u>2017</u>
CURRENT ASSETS			
Cash and equivalents	\$	530,165	\$ 475,211
Interest receivable		<u>2,367</u>	<u>-</u>
Total current assets		532,532	475,211
PROPERTY AND EQUIPMENT, NET		6,443	13,917
OTHER ASSET			
Certificate of deposit		<u>200,000</u>	<u>-</u>
TOTAL ASSETS	\$	<u>738,975</u>	<u>\$ 489,128</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	12,935	\$ 5,454
Accrued expenses		<u>14,187</u>	<u>10,580</u>
Total current liabilities		27,122	16,034
NET ASSETS			
Net assets without donor restrictions		<u>711,853</u>	<u>473,094</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>738,975</u>	<u>\$ 489,128</u>

See accompanying notes to financial statements and independent auditor's report.

A SOLDIER'S CHILD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenue and other support		
Contributions	\$ 263,972	\$ 211,744
Fundraising events	280,637	139,684
Corporate sponsorships	621,490	483,067
Interest income	<u>2,367</u>	<u>-</u>
Total revenue and other support	1,168,466	834,495
Expenses		
Program services	783,529	681,213
Supporting services		
Management and general	39,192	36,279
Fundraising	<u>106,986</u>	<u>84,784</u>
Total expenses	<u>929,707</u>	<u>802,276</u>
INCREASE IN NET ASSETS	238,759	32,219
Net assets without donor restrictions at beginning of year	<u>473,094</u>	<u>440,875</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR	<u>\$ 711,853</u>	<u>\$ 473,094</u>

See accompanying notes to financial statements and independent auditor's report.

A SOLDIER'S CHILD, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program Services	Supporting Services		Totals	Program Services	Supporting Services		Totals
		Management and General	Fund- raising			Management and General	Fund- raising	
Compensation and related expenses								
Wages	\$ 128,973	\$ 16,122	\$ 16,122	\$ 161,217	\$ 109,750	\$ 13,719	13,719	\$ 137,188
Employee benefits	16,763	2,095	2,095	20,953	13,055	1,632	1,632	16,319
Payroll taxes	9,867	1,233	1,233	12,333	8,395	1,050	1,050	10,495
Total compensation and expenses	155,603	19,450	19,450	194,503	131,200	16,401	16,401	164,002
Program services	534,965	-	-	534,965	450,534	-	-	450,534
Advertising and promotion	12,635	1,579	1,579	15,793	11,998	1,500	1,500	14,998
Donor management	-	-	13,844	13,844	-	-	4,529	4,529
Office supplies	2,165	271	271	2,707	3,859	483	483	4,825
Equipment rental and maintenance	4,918	615	615	6,148	1,139	142	142	1,423
Professional fees	-	7,760	15,612	23,372	-	7,360	14,808	22,168
Credit card fees	2,235	279	279	2,793	2,730	341	341	3,412
Telephone	3,470	434	434	4,338	4,690	586	586	5,862
Website expense	-	-	1,270	1,270	-	-	1,250	1,250
Dues and subscriptions	3,676	459	459	4,594	2,912	364	364	3,640
Bank charges	-	363	-	363	-	83	-	83
Printing and copying	1,311	164	164	1,639	6,723	840	840	8,403
Travel and entertainment	27,291	3,411	3,411	34,113	27,951	3,494	3,494	34,939
Utilities	2,865	358	358	3,581	2,812	352	352	3,516
Rent	15,360	1,920	1,920	19,200	15,360	1,920	1,920	19,200
Depreciation	5,980	747	747	7,474	9,973	1,247	1,247	12,467
Miscellaneous expense	11,055	1,382	1,382	13,819	9,332	1,166	1,166	11,664
Total expenses before direct benefit cost of fundraising events	783,529	39,192	61,795	884,516	681,213	36,279	49,423	766,915
Direct benefit costs of fundraising events	-	-	45,191	45,191	-	-	35,361	35,361
Total expenses	<u>\$ 783,529</u>	<u>\$ 39,192</u>	<u>\$ 106,986</u>	<u>\$ 929,707</u>	<u>\$ 681,213</u>	<u>\$ 36,279</u>	<u>\$ 84,784</u>	<u>\$ 802,276</u>

See accompanying notes to financials statements and independent auditor's report.

A SOLDIER'S CHILD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 238,759	\$ 32,219
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	7,474	12,467
Increase in operating assets:		
Interest receivable	(2,367)	-
Increase (decrease) in operating liabilities:		
Accounts payable	7,481	(3,385)
Accrued expenses	<u>3,607</u>	<u>2,136</u>
Cash provided by operating activities	254,954	43,437
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	<u>(200,000)</u>	<u>-</u>
NET INCREASE IN CASH AND EQUIVALENTS	54,954	43,437
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>475,211</u>	<u>431,774</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 530,165</u>	<u>\$ 475,211</u>

See accompanying notes to financial statements and independent auditor's report.

A SOLDIER'S CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE A—NATURE OF ACTIVITIES, BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

A Soldier's Child, Inc. (the "Organization") is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and was established in 2008. The Organization is headquartered in Smyrna, Tennessee and serves the children of fallen military personnel who have given their lives on active duty while defending the United States of America.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and other support and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Financial Statements for Not-for-Profit Organizations*. Accordingly, the Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as net assets with donor restriction revenue when received, and such unexpended amounts are reported as net assets with donor restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as "released from restrictions". As of December 31, 2018 and 2017, the Organization had no net assets with donor restrictions.

Net assets with donor restrictions also consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Contributions and Grants

Contributions and grants are recognized as revenue when received or unconditionally pledged. All contributions and grants are available for unrestricted use unless specifically restricted by the donor or grantor. Contributions or grants that are restricted by the donor or grantor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions or grants are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

A SOLDIER'S CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE A—NATURE OF ACTIVITIES, BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents

Cash and equivalents include cash on hand and short-term investments with original maturities of three months or less.

Certificate of Deposit

During the year ended December 31, 2018, the Organization purchased a certificate of deposit with an interest rate of 2.25% maturing in of June 2021. Therefore, the certificate of deposit has been reported as an "other asset" on the statement of financial position.

Property and Equipment, Net

The Organization capitalizes all property and equipment expenditures with a cost of \$500 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or, for donated items, at fair value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period. Depreciation is computed using an accelerated method over the estimated useful lives of the related assets at 5 years.

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program, management and general or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. The Organization has determined the allocation based on estimates of time and effort within the salaries and compensation expense; which in turn created a percent allocation that was used to determine the allocation of advertising and promotion, office supplies, equipment rental and maintenance, professional fees, credit card fees, telephone, dues and subscriptions, printing and copying, travel and entertainment, utilities, rent, depreciation, and miscellaneous expense.

Advertising Expenses

Advertising costs include costs to promote the Foundation and specific programs are expensed as incurred on the statements of functional expenses. Advertising expense for the years ended December 31, 2018 and 2017 totaled \$15,793 and \$14,998, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(2) of the Internal Revenue Code.

The Organization has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are the 2017, 2016 and 2015. However, the Organization is not currently under audit nor has the Organization been contacted by any jurisdiction. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions have been recorded for the years ended December 31, 2018 and 2017.

A SOLDIER'S CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE B—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2018 and 2017:

	2018	2017
Vehicle	\$ 31,369	\$ 31,369
Furniture and equipment	3,696	3,696
Totals	35,065	35,065
Less: Accumulated depreciation	(28,622)	(21,148)
Total property and equipment, net	<u>\$ 6,443</u>	<u>\$ 13,917</u>

For the years ending December 31, 2018 and 2017 depreciation expense totaled \$7,474 and \$12,467, respectively.

NOTE C—AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as December 31, 2018 and 2017, reduced by amounts not available for general use because of donor imposed restrictions within one year of December 31, 2018 and 2017.

	2018	2017
Financial assets, at year-end	\$ 532,532	\$ 475,211
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 532,532</u>	<u>\$ 475,211</u>

The Organization is substantially supported by unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it sends out cash as the restricted grants come in and maintains a level of cash related to contributions without donor restrictions.

NOTE D—FUNCTIONAL EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

For the years ended December 31, 2018 and 2017 the Organization incurred expenses related to program services amounting to \$783,529 and \$681,213, respectively, in relation to management and general amounting to \$39,192 and \$36,279, respectively, and in relation to fundraising \$106,986 and \$84,784, respectively.

A SOLDIER'S CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE E—RISK CONCENTRATION

The Federal Deposit Insurance Corporation ("FDIC") provides coverage up to \$250,000 for substantially all depository accounts. At times throughout the year, the Organization may maintain cash balances in certain accounts in excess of FDIC limits. As of December 31, 2018 and 2017 funds in excess of the FDIC limit totaled \$203,650 and \$207,503, respectively.

NOTE F—RENT

In January 2016 the Organization entered into a lease agreement for specific office space with perpetual lease term requiring no deposit or rent payments. Management estimated the rent cost for the office space if not contributed would be \$1,600 a month. During each of the years ended December 31, 2018 and 2017 the Organization has recorded rent expense of \$19,200 and in turn increased contributions.

NOTE G—RELATED PARTIES

During the years ended December 31, 2018 and 2017 certain members of the board and their companies have performed services for the Organization which totaled \$15,737 and \$13,734, respectively. As of December 31, 2017 and 2016, accounts payable due to the related entity was \$1,068 and \$1,133, respectively.

NOTE H—CONCENTRATION

During the years ended December 31, 2018 and 2017 the Organization received contributions from one donor totaling \$508,333 and \$250,000, respectively, which accounts for 44% and 30%, respectively, of revenue and other support.

NOTE I—SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 29, 2019, which is the date the financial statements were available to be issued. There have been no adjustments to the financial statements to include any subsequent transactions or events.