

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

Financial Statements
With Independent Auditors' Report Thereon

For the Years Ended December 31, 2017 and 2016





Independent Auditors' 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 statement of financial position as of December 31, 2017, 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 A Soldier's Child, Inc. as of December 31, 2017, 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.

Prior Period Financial Statements

The financial statements of A Soldier's Child, Inc. as of December 31, 2016 and for the year then ended, were audited by another audit firm whose report dated June 16, 2017 expressed an unmodified opinion on those statements.

A handwritten signature in dark ink, appearing to read 'Miller', is written over the printed text 'Miller CPA, PLLC'.

Miller CPA, PLLC
Murfreesboro, Tennessee
February 9, 2018

A SOLDIER'S CHILD, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS		
	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and equivalents	\$ 475,211	\$ 431,774
PROPERTY AND EQUIPMENT, NET	<u>13,917</u>	<u>26,384</u>
TOTAL ASSETS	<u>\$ 489,128</u>	<u>\$ 458,158</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 5,454	\$ 8,839
Accrued expenses	<u>10,580</u>	<u>8,444</u>
Total current liabilities	16,034	17,283
NET ASSETS		
Unrestricted	<u>473,094</u>	<u>440,875</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 489,128</u>	<u>\$ 458,158</u>

See accompanying notes to financial statements and independent auditors' report.

A SOLDIER'S CHILD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Unrestricted revenue and other support		
Contributions	\$ 211,744	\$ 153,366
Fundraising events	139,684	142,263
Corporate sponsorships	<u>483,067</u>	<u>395,896</u>
Total unrestricted revenue and other support	834,495	691,525
Expenses		
Program services	681,213	611,997
Supporting services		
Management and general	36,279	30,621
Fundraising	<u>84,784</u>	<u>77,803</u>
Total expenses	<u>802,276</u>	<u>720,421</u>
CHANGE IN NET ASSETS	32,219	(28,896)
Net assets at beginning of year	<u>440,875</u>	<u>469,771</u>
NET ASSETS AT END OF YEAR	<u>\$ 473,094</u>	<u>\$ 440,875</u>

See accompanying notes to financial statements and independent auditors' report.

A SOLDIER'S CHILD, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Program Services	Supporting Services Management and General	Fund- raising	Totals	Program Services	Supporting Services Management and General	Fund- raising	Totals
Compensation and related expenses								
Wages	\$ 109,750	\$ 13,719	\$ 13,719	\$ 137,188	\$ 94,515	\$ 11,814	11,814	\$ 118,143
Employee benefits	13,055	1,632	1,632	16,319	17,661	2,208	2,208	22,077
Payroll taxes	8,395	1,050	1,050	10,495	7,230	904	904	9,038
Total compensation and expenses	131,200	16,401	16,401	164,002	119,406	14,926	14,926	149,258
Program services	450,534	-	-	450,534	416,467	-	-	416,467
Advertising and promotion	11,998	1,500	1,500	14,998	16,658	2,082	2,082	20,822
Donor management	-	-	4,529	4,529	-	-	5,249	5,249
Office supplies	3,859	483	483	4,825	1,500	188	188	1,876
Equipment rental and maintenance	1,139	142	142	1,423	696	87	87	870
Professional fees	-	7,360	14,808	22,168	-	5,954	11,979	17,933
Credit card fees	2,730	341	341	3,412	2,223	278	278	2,779
Telephone	4,690	586	586	5,862	3,138	392	392	3,922
Website expense	-	-	1,250	1,250	-	-	1,524	1,524
Dues and subscriptions	2,912	364	364	3,640	3,669	459	459	4,587
Bank charges	-	83	-	83	-	225	-	225
Printing and copying	6,723	840	840	8,403	2,630	329	329	3,288
Travel and entertainment	27,951	3,494	3,494	34,939	14,766	1,846	1,846	18,458
Utilities	2,812	352	352	3,516	3,083	385	385	3,853
Rent	15,360	1,920	1,920	19,200	15,360	1,920	1,920	19,200
Depreciation	9,973	1,247	1,247	12,467	5,749	719	718	7,186
Miscellaneous expense	9,332	1,166	1,166	11,664	6,652	831	832	8,315
Total expenses before direct benefit cost of fundraising events	681,213	36,279	49,423	766,915	611,997	30,621	43,194	685,812
Direct benefit costs of fundraising events	-	-	35,361	35,361	-	-	34,609	34,609
Total expenses	\$ 681,213	\$ 36,279	\$ 84,784	\$ 802,276	\$ 611,997	\$ 30,621	\$ 77,803	\$ 720,421

See accompanying notes to financials statements and independent auditors' report.

A SOLDIER'S CHILD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 32,219	\$ (28,896)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	12,467	7,186
Increase in operating liabilities:		
Accounts payable	(3,385)	1,906
Accrued payroll liabilities	<u>2,136</u>	<u>160</u>
Net cash used in operating activities	43,437	(19,644)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of equipment	<u>-</u>	<u>(31,369)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	43,437	(51,013)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>431,774</u>	<u>482,787</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 475,211</u>	<u>\$ 431,774</u>

See accompanying notes to financial statements and independent auditors' report.

A SOLDIER'S CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

Unrestricted Net Assets

Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time 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". The Organization had no temporarily restricted net assets as of December 31, 2017 and 2016.

Permanently Restricted Net Assets

Permanently restricted net assets 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. The Organization had no permanently restricted net assets as of December 31, 2017 and 2016.

Contributions

Contributions are recognized as revenues when received or unconditionally pledged. All contributions are available for unrestricted use unless specially restricted by the donor. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

A SOLDIER'S CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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

Presentation of operating expenses includes production costs directly incurred for program activities and supporting expense activity classifications of management and general as well as fundraising.

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 2014, 2015 and 2016. 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, 2017 and 2016.

NOTE B—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2016 and 2015:

	2017	2016
Vehicle	\$ 31,369	\$ 31,369
Furniture and equipment	3,696	3,696
Totals	35,065	35,065
Less: Accumulated depreciation	(21,148)	(8,681)
Total property and equipment, net	\$ 13,917	\$ 26,384

For the years ending December 31, 2017 and 2016 depreciation expense totaled \$12,467 and \$7,186, respectively.

A SOLDIER'S CHILD, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE C—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, 2017 and 2016 the Organization incurred expenses related to program services amounting to \$681,213 and \$611,997, respectively, in relation to management and general amounting to \$36,279 and \$30,621, respectively, and in relation to fundraising \$84,784 and \$77,803, respectively.

NOTE D—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, 2017 and 2016 funds in excess of the FDIC limit totaled \$207,503 and \$167,799, respectively.

NOTE E—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, 2017 and 2016 the Organization has recorded rent expense of \$19,200 and in turn increased contributions.

NOTE F—RELATED PARTIES

During the years ended December 31, 2017 and 2016 certain members of the board and their companies have performed services for the Organization which totaled \$13,734 and \$11,243, respectively. As of December 31, 2017 and 2016, accounts payable due to the related entity was \$1,133 and \$938, respectively.

NOTE G—CONCENTRATION

During the years ended December 31, 2017 and 2016 the Organization received contributions from one donor totaling \$250,000 and \$57,500, respectively, which accounts for 30% and 8%, respectively, of unrestricted revenue and other support.

NOTE H—SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 9, 2018, 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.