

***A Soldier's Child, Inc.***

(A Nonprofit Organization)

**Financial Statements  
With Independent Auditors' Report Thereon**

For the Years Ended December 31, 2016 and 2015

**H A Beasley & Company, PLLC**  
***Certified Public Accountants***  
**Murfreesboro, Tennessee**



**H A Beasley  
& Company, PLLC**

Certified Public Accountants

**Independent Auditors' Report**

Board of Directors  
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, 2016 and 2015, and the related statements of activities, functional expenses, 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.

**Auditors' 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 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, 2016 and 2015, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*H A Beasley & Company, PLLC*

H A Beasley & Company, PLLC  
June 16, 2017

*A Positive Difference Through Professional Accounting Service*

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**A SOLDIER'S CHILD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

ASSETS			
		<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and equivalents	\$	431,774	\$ 482,787
PROPERTY AND EQUIPMENT, NET		<u>26,384</u>	<u>2,201</u>
TOTAL ASSETS	\$	<u>458,158</u>	<u>\$ 484,988</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	8,839	\$ 6,933
Accrued expenses		<u>8,444</u>	<u>8,284</u>
Total current liabilities		17,283	15,217
NET ASSETS			
Unrestricted		<u>440,875</u>	<u>469,771</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>458,158</u>	<u>\$ 484,988</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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Unrestricted revenue and other support		
Contributions	\$ 153,366	\$ 161,941
Fundraising events	142,263	134,664
Corporate sponsorships	<u>395,896</u>	<u>250,477</u>
Total unrestricted revenue and other support	691,525	547,082
Expenses		
Program services	611,997	565,025
Supporting services		
Management and general	30,621	26,238
Fundraising	<u>77,803</u>	<u>80,954</u>
Total expenses	<u>720,421</u>	<u>672,217</u>
CHANGE IN NET ASSETS	(28,896)	(125,135)
Net assets at beginning of year	<u>469,771</u>	<u>594,906</u>
NET ASSETS AT END OF YEAR	<u>\$ 440,875</u>	<u>\$ 469,771</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, 2016 AND 2015**

	2016				2015			
	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	\$ 94,515	\$ 11,814	\$ 11,814	\$ 118,143	\$ 82,459	\$ 10,308	10,308	\$ 103,075
Employee benefits	17,661	2,208	2,208	22,077	15,447	1,931	1,931	19,309
Payroll taxes	7,230	904	904	9,038	6,307	789	789	7,885
Total compensation and expenses	119,406	14,926	14,926	149,258	104,213	13,028	13,028	130,269
Program services	416,467	-	-	416,467	397,700	-	-	397,700
Advertising and promotion	16,658	2,082	2,082	20,822	13,933	1,742	1,742	17,417
Donor management	-	-	5,249	5,249	-	-	4,327	4,327
Office supplies	1,500	188	188	1,876	1,762	220	220	2,202
Equipment rental and maintenance	696	87	87	870	763	96	96	955
Professional fees	-	5,954	11,979	17,933	-	5,284	10,569	15,853
Credit card fees	2,223	278	278	2,779	2,743	343	343	3,429
Telephone	3,138	392	392	3,922	3,131	392	392	3,915
Website expense	-	-	1,524	1,524	-	-	1,843	1,843
Dues and subscriptions	3,669	459	459	4,587	1,764	221	221	2,206
Bank charges	-	225	-	225	-	34	-	34
Printing and copying	2,630	329	329	3,288	3,848	481	481	4,810
Travel and entertainment	14,766	1,846	1,846	18,458	11,050	1,381	1,381	13,812
Utilities	3,083	385	385	3,853	2,632	329	329	3,290
Rent	15,360	1,920	1,920	19,200	15,360	1,920	1,920	19,200
Depreciation	5,749	719	718	7,186	547	69	69	685
Miscellaneous expense	6,652	831	832	8,315	5,579	698	698	6,975
Total expenses before direct benefit cost of fundraising events	611,997	30,621	43,194	685,812	565,025	26,238	37,659	628,922
Direct benefit costs of fundraising events	-	-	34,609	34,609	-	-	43,295	43,295
Total expenses	\$ 611,997	\$ 30,621	\$ 77,803	\$ 720,421	\$ 565,025	\$ 26,238	\$ 80,954	\$ 672,217

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, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (28,896)	\$ (125,135)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	7,186	685
Decrease in operating assets:		
Prepaid expenses	-	4,500
Increase in operating liabilities:		
Accounts payable	1,906	4,549
Accrued payroll liabilities	<u>160</u>	<u>1,053</u>
Net cash used in operating activities	(19,644)	(114,348)
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of equipment	<u>(31,369)</u>	<u>(2,438)</u>
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	(51,013)	(116,786)
<b>CASH AND EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>482,787</u>	<u>599,573</u>
<b>CASH AND EQUIVALENTS AT END OF YEAR</b>	<u>\$ 431,774</u>	<u>\$ 482,787</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, 2016 AND 2015**

**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 the 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, 2016 and 2015.

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, 2016 and 2015.

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, 2016 AND 2015**

**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 the accelerated method.

**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 2013, 2014 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, 2016 and 2015.

**NOTE B—PROPERTY AND EQUIPMENT, NET**

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

	2016	2015
Vehicle	\$ 31,369	\$ -
Furniture and equipment	3,696	3,696
Totals	35,065	3,696
Less: Accumulated depreciation	(8,681)	(1,495)
Total property, plant, and equipment, net	\$ 26,384	\$ 2,201

For the years ending December 31, 2016 and 2015 depreciation expense totaled \$7,186 and \$685, respectively.



**A SOLDIER'S CHILD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015 the Organization incurred expenses related to program services amounting to \$611,997 and \$565,025, respectively, in relation to management and general amounting to \$30,621 and \$26,238, respectively, and in relation to fundraising \$77,803 and \$80,954, 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, 2016 and 2015 funds in excess of the FDIC limit totaled \$167,799 and \$219,984, respectively.

**NOTE E—RENT**

In January 2014 the Organization entered into a lease agreement for specific office space expiring in December 2015 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 the years ended December 31, 2016 and 2015 the Organization has recorded rent expense of \$19,200 and in turn increased contributions. This lease agreement was subsequently renewed to expire in December 2017.

**NOTE F—RELATED PARTIES**

During the years ended December 31, 2016 and 2015 certain members of the board and their companies have performed services for the Organization which totaled \$11,243 and \$9,345, respectively. As of December 31, 2016 and 2015 no amounts were due to or from related parties.

**NOTE G—SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 16, 2017, 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.