

HELPING A HERO.ORG

Audited Financial Statements

Years Ended December 31, 2017
and December 31, 2016

Helping a Hero.Org
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Helping a Hero.Org
Houston, Texas

We have audited the accompanying financial statements of Helping a Hero.Org, (a nonprofit corporation) which comprise the statements of financial position as of December 31, 2017 and 2016, 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 from fraud or error.

Auditor's 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 auditor's judgement, 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 Helping a Hero.Org as of December 31, 2017 and 2016, 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.



Gilbert J. Schorre, Jr.
Certified Public Accountant

Houston, Texas
July 11, 2018

Helping a Hero.Org
Statements of Financial Position
December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 452,339	\$ 325,989
Investment	50,000	-
Notes receivable, net	96,107	392,851
Homes under construction	<u>716,079</u>	<u>896,332</u>
Total Current Assets	1,314,525	1,615,172
Investment	-	50,000
Property and equipment, net	17,841	33,251
Other assets	<u>6,038</u>	<u>21,039</u>
Total Assets	\$ <u>1,338,404</u>	\$ <u>1,719,462</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 109,378	\$ 20,733
Accrued liabilities	<u>22,205</u>	<u>107,563</u>
Total Current Liabilities	<u>131,583</u>	<u>128,296</u>
Total Liabilities	131,583	128,296
Net Assets		
Unrestricted	1,176,821	1,591,166
Temporarily restricted	<u>30,000</u>	<u>-</u>
Total Net Assets	<u>1,206,821</u>	<u>1,591,166</u>
Total Liabilities and Net Assets	\$ <u>1,338,404</u>	\$ <u>1,719,462</u>

See Notes to Financial Statements.

Helping a Hero.Org
Statement of Activities
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 485,302	\$ 32,950	\$ 518,252
Gross proceeds from special events	865,037	-	865,037
Less: Direct expenses	<u>(135,081)</u>	<u>-</u>	<u>(135,081)</u>
Net special events	729,956	-	729,956
Participation from veterans	738,119	-	738,119
Net assets released from restrictions	<u>2,950</u>	<u>(2,950)</u>	<u>-</u>
Total revenue and support	1,956,327	30,000	1,986,327
Expenses:			
Program services	2,200,262	-	2,200,262
Fundraising	131,374	-	131,374
Management and general	<u>39,036</u>	<u>-</u>	<u>39,036</u>
Total expenses	<u>2,370,672</u>	<u>-</u>	<u>2,370,672</u>
Change in net assets	(414,345)	30,000	(384,345)
Net assets, beginning of year	<u>1,591,166</u>	<u>-</u>	<u>1,591,166</u>
Net assets, end of year	<u>\$ 1,176,821</u>	<u>\$ 30,000</u>	<u>\$ 1,206,821</u>

See Notes to Financial Statements.

Helping a Hero.Org
Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 347,590	\$ 25,000	\$ 372,590
Gross proceeds from special events	809,820	-	809,820
Less: Direct expenses	<u>(196,978)</u>	<u>-</u>	<u>(196,978)</u>
Net special events	612,842	-	612,842
Participation from veterans	348,368	-	348,368
Gain on sale of property	99,452	-	99,452
Net assets released from restrictions	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Total revenue and support	1,533,252	(100,000)	1,433,252
Expenses:			
Program services	1,772,746	-	1,772,746
Fundraising	143,696	-	143,696
Management and general	<u>98,278</u>	<u>-</u>	<u>98,278</u>
Total expenses	<u>2,014,720</u>	<u>-</u>	<u>2,014,720</u>
Change in net assets	(481,468)	(100,000)	(581,468)
Net assets, beginning of year	<u>2,072,634</u>	<u>100,000</u>	<u>2,172,634</u>
Net assets, end of year	\$ <u><u>1,591,166</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,591,166</u></u>

See Notes to Financial Statements.

Helping a Hero.Org
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Wounded Hero Home	Veteran and Family Support	Community Development and Education	Total Program Services	Management and General	Fundraising	Total
Accounting	\$ 19,110	\$ 1,965	\$ 6,201	\$ 27,276	\$ 2,609	\$ 1,965	\$ 31,850
Bad debt expense	57,897	-	-	57,897	-	-	57,897
Community events (national and local)	-	-	29,621	29,621	-	205,378	234,999
Consultants	80,695	8,298	26,186	115,179	11,015	8,298	134,492
Depreciation	9,246	951	3,000	13,197	1,262	951	15,410
Miscellaneous	10,323	1,062	5,249	16,634	1,409	4,844	22,887
Payroll taxes	8,912	916	2,892	12,720	1,216	916	14,852
Printing and postage	1,761	181	571	2,513	240	181	2,934
Property taxes, insurance and fees	17,644	342	1,080	19,066	455	342	19,863
Public relations	10,671	1,097	3,463	15,231	1,457	28,984	45,672
Rent and utilities	29,630	3,047	9,615	42,292	4,044	3,047	49,383
Salaries	100,000	10,283	32,450	142,733	13,650	10,284	166,667
Telephone, computers and internet	12,299	1,265	3,991	17,555	1,679	1,265	20,499
Veteran and family recreation, and assistance	-	46,704	-	46,704	-	-	46,704
Veteran home construction costs	1,641,644	-	-	1,641,644	-	-	1,641,644
Total expenses by function	1,999,832	76,111	124,319	2,200,262	39,036	266,455	2,505,753
Less costs of direct benefit to donors	-	-	-	-	-	(135,081)	(135,081)
Total expenses included in the expense section on statement of activities	\$ <u>1,999,832</u>	\$ <u>76,111</u>	\$ <u>124,319</u>	\$ <u>2,200,262</u>	\$ <u>39,036</u>	\$ <u>131,374</u>	\$ <u>2,370,672</u>

See Notes to Financial Statements.

Helping a Hero.Org
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Wounded Hero Home	Veteran and Family Support	Community Development and Education	Total Program Services Expenses	Management and General	Fundraising	Total
Accounting	\$ 19,959	\$ 2,495	\$ 2,495	\$ 24,949	\$ 5,821	\$ 2,494	\$ 33,264
Bad debt recovery	(74,413)	-	-	(74,413)	-	-	(74,413)
Community events (national and local)	-	-	43,951	43,951	-	242,939	286,890
Consultants	93,675	11,709	11,709	117,093	27,322	11,709	156,124
Depreciation expense	9,245	1,156	1,156	11,557	2,697	1,155	15,409
Miscellaneous	9,809	4,299	2,151	16,259	2,861	2,787	21,907
Payroll taxes	9,208	1,151	1,151	11,510	2,686	1,151	15,347
Printing and postage	3,076	384	384	3,844	897	9,526	14,267
Property taxes, insurance and fees	11,162	598	598	12,358	1,394	598	14,350
Public relations	5,017	627	627	6,271	1,463	45,541	53,275
Rent and utilities	28,481	3,560	3,560	35,601	8,307	3,560	47,468
Salaries	142,640	17,830	17,830	178,300	41,603	17,830	237,733
Telephone, computers and internet	11,063	1,383	1,383	13,829	3,227	1,384	18,440
Veteran and family recreation, and assistance	-	48,297	-	48,297	-	-	48,297
Veteran home construction costs	<u>1,323,340</u>	<u>-</u>	<u>-</u>	<u>1,323,340</u>	<u>-</u>	<u>-</u>	<u>1,323,340</u>
Total expenses by function	<u>1,592,262</u>	<u>93,489</u>	<u>86,995</u>	<u>1,772,746</u>	<u>98,278</u>	<u>340,674</u>	<u>2,211,698</u>
Less costs of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,978)</u>	<u>(196,978)</u>
Total expenses included in the expense section on statement of activities	<u>\$ 1,592,262</u>	<u>\$ 93,489</u>	<u>\$ 86,995</u>	<u>\$ 1,772,746</u>	<u>\$ 98,278</u>	<u>\$ 143,696</u>	<u>\$ 2,014,720</u>

Helping a Hero.Org
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	\$ (384,345)	\$ (581,468)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Bad debt expense (recovery)	57,897	(74,413)
Depreciation expense	15,410	15,409
Changes in operating assets and liabilities		
Notes receivable	238,847	235,361
Homes under construction	180,253	673,623
Other assets	15,001	13,547
Accounts payable	88,645	(111,962)
Accrued expenses	<u>(85,358)</u>	<u>32,914</u>
Net cash provided by operating activities	<u>126,350</u>	<u>203,011</u>
Cash Flows from Financing Activities		
Payment on note payable	<u>-</u>	<u>(56,453)</u>
Net cash used in financing activities	<u>-</u>	<u>(56,453)</u>
Net increase in cash	126,350	146,558
Cash, beginning of year	<u>325,989</u>	<u>179,431</u>
Cash, end of year	\$ <u>452,339</u>	\$ <u>325,989</u>

See Notes to Financial Statements.

Helping a Hero.Org
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 1 – NATURE OF BUSINESS

Helping a Hero.Org (Organization) is a nonprofit corporation established in 2006 under the laws of Texas. The Organization's mission is to provide adapted homes and other emotional, physical, and financial support for severely wounded heroes injured in the Global War on Terror. The Organization's corporate offices are located in Houston, Texas.

The Organization's principal programs include:

Wounded Hero Home Program

The Wounded Hero Home Program is the signature homebuilding program for severely wounded warriors injured in support of the Global War on Terror. Traditionally, homes are built in master planned communities with the developer and builder donating time and materials toward the construction of the house, in addition to their paid services.

Helping a Hero.Org donates cash funds, facilitates the solicitation of materials and labor from third party vendors and oversees the project.

The veteran is required to take out a minimum \$50,000 mortgage on the home plus contribute the proceeds of their Veteran Administration Specially Adapted Housing Grant (SAH), Special Housing Adaption (SHA) Grant, and/or Improvement and Structural Alterations (HISA) Grant to which the veteran is so eligible. A projected mortgage amount range is determined prior to construction and the actual mortgage amount is determined at the end of the building process, both are based on the minimum required \$50,000 veteran investment, applicable VA grants, and any additional upgrades selected by the veteran over the maximum \$100,000 cash contribution by the Organization and cost of land.

Each home is built to address the special adaption standards for the veteran who will live in the home and is designed to ensure maximum independence within the constraints of the budget. The home is recorded at cost plus any in-kind donations from the builder or other sources. To date, the Organization has awarded at least 100 homes in 22 states.

Community Development and Education Program

The Organization conducts a groundbreaking ceremony before the construction of a new home for the wounded warrior. The ceremony allows the Organization to introduce the wounded warrior and his, or her, family to the community, educate the community about the needs of the wounded warrior, educate other businesses about the opportunity for giving back to the wounded warriors directly and indirectly through the Wounded Hero Home program's ongoing projects, and honor the wounded warrior for his or her service.

The Organization has a welcome home ceremony when the home is completed and the wounded hero is ready to move in. The ceremony allows the Organization to thank all the vendors who have donated time or products to the home as well as to educate the community about the adaption needs that this wounded hero has as a result of his/her permanent injuries.

Helping a Hero.Org
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Veteran and Family Support

The wounded heroes and their families often face an uphill battle with their marriages as they transition from the military back into civilian life. The divorce rate is an average of 85% among the most severely wounded. The Organization is committed to equipping these families to enhance their communication skills and work through these crisis issues so that they can rebuild their marriages based on the new normal they now face. Over 40 families have participated in the retreats, webinars, and crisis communication support modules.

The caregivers, primarily spouses and parents, face the 24/7 day to day challenges of supporting our wounded warriors. They are often overlooked and unappreciated. The Organization organizes and offers retreats that provide encouragement, fun, pampering, and camaraderie for these caregivers. Over 50 caregivers have participated in these programs.

The Organization provides ongoing support for wounded warriors and their families, with priority given to home recipients. Support includes financial support, sports events, fishing and hunting outings, rodeos, Operation Merry Christmas, and others. Over 300 wounded warriors have received assistance.

The wounded warriors have often been in the military since high school and are unfamiliar with what it takes to sustain a household in the civilian world. The Organization helps them develop a budget and make better financial decisions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been presented on the accrual basis of accounting. The Organization classifies resources into net asset classes in accordance with donor-imposed restrictions. A description of these categories follow:

- Unrestricted - Net assets are resources over which the Organization has unrestricted discretionary control.
- Temporarily Restricted - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When donor stipulated time restriction ends or a 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.
- Permanently restricted - Net assets subject to donor-imposed restrictions stipulations that they be maintained permanently by the Organization. Generally the donor of these assets permits the Organization to use all or part of the income earned and capital gain, if any, on related investments for general or specific purposes. The Organization has no permanently restricted net assets as of December 31, 2017 and 2016.

Helping a Hero.Org
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains its cash and cash equivalents in four financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At December 31, 2017 and 2016, the Organization had no uninsured balances.

Credit risk for notes receivables exists due to the unsecured nature of the notes. The Organization establishes an allowance for doubtful accounts based upon factors such as specific risk and historical trends.

Cash and Cash Equivalents

The Organization considers short-term investments with maturities of three months or less to be cash equivalents.

Homes Under Construction

Homes under construction represents primarily land and building costs for homes that will be sold to veterans upon completion. The Organization contracts with various home builders for the construction which typically lasts less than a year. In-kind contributions are recognized upon completion of construction.

Investment

The investment consists of a certificate of deposit and is carried at fair value.

Notes Receivable

Notes receivable are stated at the amount management expects to collect from outstanding balances.

Contributions including In-Kind Contributions

Contributions received during the period are recognized as support when cash is received. Contributions are recorded as restricted or unrestricted based upon the existence or absence of donor-imposed restrictions.

Contributions of assets other than cash are recorded at estimated fair value at date of gift.

The Organization recognizes contribution revenues for certain materials and services that would be purchased if not donated, at the fair value of those items. In-kind contributions consist of construction materials and labor for the years ended December 31, 2017 and 2016 in the amounts of \$363,769 and \$274,999, respectively.

Helping a Hero.Org
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Program Revenues

Under the Wounded Hero Home Program, the veteran funds a portion of the construction costs through a third-party mortgage and proceeds from VA grants, as described more fully in Note 1. Revenues generated from the Wounded Hero Home Program are used to support ongoing program expenses.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. Donated property and equipment is recorded at fair value at the date of gift. Depreciation is computed using the straight-line method over the asset's useful life, which is five years for furniture and equipment.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business taxable income. For the years ended December 31, 2017 and 2016, no provision for unrelated taxes is required. The Organization believes it has appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's tax returns for 2017, 2016 and 2015 are subject to examination by the Internal Revenue Service. Tax penalties and interest, if any, would be accrued as incurred and would be classified as general and administrative expense in the Statement of Activities.

Functional Expense Allocation

Expenses directly related to a program are recorded to that specific program. Other indirect expenses are allocated based upon a percentage determined by management.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements in order for them to be in conformity with the 2017 presentation. Total net assets and change in net assets are unchanged due to these reclassifications.

NOTE 3 - NOTES RECEIVABLE

Notes receivable primarily represent short-term financing on the home while the veteran secures a mortgage from a third-party lender and awaits the proceeds of the VA grant. Interest rates on the notes vary; the Organization has historically forgiven accrued interest. The notes are unsecured.

	<u>2017</u>	<u>2016</u>
Notes receivable	\$ 394,725	\$ 635,135
Less allowance	<u>(298,618)</u>	<u>(242,284)</u>
	<u>\$ 96,107</u>	<u>\$ 392,851</u>

Helping a Hero.Org
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

NOTE 4 – INVESTMENT

The investment at December 31, 2017 and 2016 consists of a certificate of deposit which matures September 30, 2018. The certificate of deposit is pledged as collateral to the \$50,000 letter of credit for security on rent expense. Investment income is immaterial for the years ended December 31, 2017 and 2016.

NOTE 5 - PROPERTY AND EQUIPMENT

As of December 31, property and equipment consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 80,109	\$ 80,109
Less accumulated depreciation	(62,268)	(46,858)
	<u>\$ 17,841</u>	<u>\$ 33,251</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Wounded Hero Home Program	\$ 25,000	\$ -
Veteran specific	5,000	-
	<u>\$ 30,000</u>	<u>\$ -</u>

NOTE 7 – NON-CASH EXPENSES

Non-cash expenses were comprised of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
In-kind	\$ 363,769	\$ 274,999
Bad debt expense (recovery)	57,897	(74,473)
Depreciation	15,410	15,409
	<u>\$ 437,076</u>	<u>\$ 215,935</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating Leases

In September 2013, the Organization entered into a sixty-one-month lease agreement for office space. The monthly payments are subject to annual adjustments. Minimum annual rental commitments for the year ended December 31, 2018 is \$28,550.

Helping a Hero.Org
Notes to Financial Statements
For the Years Ended December 31, 2017 and 2016

Rent expense for the years ended December 31, 2017 and 2016, totaled \$41,710 and \$36,844, respectively.

Litigation

From time to time, the Organization is subject to claims that arise out of the normal course of business. The Organization is not a party to any litigation as of December 31, 2017.

Letter of Credit

The Organization entered into an agreement with a bank for a letter of credit up to \$50,000. The letter of credit expires September 30, 2018 and is secured by a \$50,000 certificate of deposit. The Organization did not utilize the letter of credit during 2017 or 2016.

NOTE 9 - RELATED PARTIES

During the years ended December 31, 2017 and 2016, the Organization paid consulting fees for fundraising, media, and home construction advisory services in the amounts of \$128,000 and \$120,000, respectively, to companies affiliated with former Board members.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 11, 2018, which is the date the financial statements were available for issuance. There were no events that met the criteria for recognition or disclosure in the financial statements.