

***COALITION TO SALUTE  
AMERICA'S HEROES***

***FINANCIAL STATEMENTS***

***FOR THE PERIOD FROM INCEPTION (JANUARY 30,  
2004) TO DECEMBER 31, 2004***

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# Frank & Company, p.c.

Certified Public Accountants  
703-821-0702

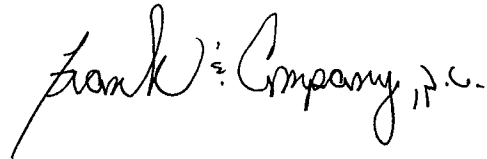
## *REPORT OF INDEPENDENT AUDITOR*

To the Board of Directors of  
Coalition to Salute America's Heroes

We have audited the accompanying balance sheet of Coalition to Salute America's Heroes as of December 31, 2004, and the related statements of activities, functional expenses and cash flows for the period from inception (January 30, 2004) to December 31, 2004. These financial statements are the responsibility of the management of Coalition to Salute America's Heroes. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Coalition to Salute America's Heroes as of December 31, 2004, and the changes in its net assets and its cash flows for the initial period then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Frank & Company, P.C." The signature is written in a cursive, flowing style.

1360 Beverly Road  
Suite 300  
McLean, Virginia 22101  
April 5, 2005

**COALITION TO SALUTE AMERICA'S HEROES**

**BALANCE SHEET**

DECEMBER 31, 2004

**ASSETS**

Current assets:

Cash	\$ 329,248
Grant receivable	900,000
Accounts receivable - affiliate	16,818
Postage receivable	6,982
Miscellaneous receivable	<u>1,000</u>

Total current assets 1,254,048

Property and equipment, less accumulated  
depreciation of \$159

6,587

Total assets

\$ 1,260,635

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 573,733
Accrued expenses	36,000
Accrued interest	9,056
Note payable - related party	<u>500,000</u>

Total current liabilities 1,118,789

Net assets:

Unrestricted net assets	(758,154)
Temporary restricted net assets	<u>900,000</u>

Total net assets 141,846

Total liabilities and net assets

\$ 1,260,635

See accompanying notes to financial statements.

**COALITION TO SALUTE AMERICA'S HEROES**

**STATEMENT OF ACTIVITIES**

*FOR THE PERIOD FROM INCEPTION (JANUARY 30, 2004) TO DECEMBER 31 2004*

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total</u>
<b>Revenues gains and other support:</b>			
Contributions	\$ 455,951	\$ 2,500,000	\$ 2,955,951
Gift in-kind	1,300,000	-	1,300,000
Reclassification	<u>1,600,000</u>	<u>(1,600,000)</u>	<u>-</u>
Total revenues gains and other support	<u>3,355,951</u>	<u>900,000</u>	<u>4,255,951</u>
<b>Expenses:</b>			
Program expenses:			
Conferences and seminars	1,814,517	-	1,814,517
Public awareness	<u>1,737,864</u>	<u>-</u>	<u>1,737,864</u>
Total program expenses	<u>3,552,381</u>	<u>-</u>	<u>3,552,381</u>
Supporting services:			
Fundraising	336,731	-	336,731
Management and general	<u>224,993</u>	<u>-</u>	<u>224,993</u>
Total supporting services	<u>561,724</u>	<u>-</u>	<u>561,724</u>
Total expenses	<u>4,114,105</u>	<u>-</u>	<u>4,114,105</u>
Change in net assets	(758,154)	900,000	141,846
Net assets, January 30, 2004	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, December 31, 2004	<u>\$ (758,154)</u>	<u>\$ 900,000</u>	<u>\$ 141,846</u>

See accompanying notes to financial statements.

**COALITION TO SALUTE AMERICA'S HEROES**

**STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE PERIOD FROM INCEPTION (JANUARY 30, 2004) TO DECEMBER 31, 2004

	Program expenses		Supporting services		Total
	Conferences and seminars	Public awareness	Fundraising	Management and general	
Direct mail - printing	\$ -	\$ -	\$ 105,522	\$ -	\$ 105,522
Direct mail - postage	-	-	52,465	-	52,465
Direct mail - PFR fees	-	-	42,202	-	42,202
Direct mail - list rentals	-	-	20,163	-	20,163
Data processing	-	-	13,329	-	13,329
Other fundraising expense	-	-	28,179	-	28,179
Veteran's gifts	2,124	-	-	-	2,124
Lodging	106,114	-	-	-	106,114
Air travel	195,132	-	-	-	195,132
Summit management fee	59,398	-	-	-	59,398
Personnel	123,685	-	-	-	123,685
Food and Beverage	147,270	-	-	-	147,270
Entertainment	258,677	-	-	-	258,677
Conference taping	11,197	-	-	-	11,197
Theme park	147,734	-	-	-	147,734
Shuttles	69,094	-	-	-	69,094
Childcare	41,975	-	-	-	41,975
Printing-brochures & flyers	23,558	-	-	-	23,558
Shipping & delivery	4,424	-	-	-	4,424
Tours	8,988	-	-	-	8,988
Promotional fee	102,736	-	-	-	102,736
Gifts	21,479	-	-	-	21,479
Communication	10,554	-	-	-	10,554
Costumes	250	-	-	-	250
Equipments	33,766	-	-	-	33,766
Tommy Franks - Luncheon travel	12,990	-	-	-	12,990
Public information	17,668	-	-	-	17,668
Promotion - public service announcement	-	1,345,000	-	-	1,345,000
Postage & communication	4,176	-	-	-	4,176
Consulting expense	149,260	88,875	26,688	58,637	323,460
Outside services	172,054	288,068	36,243	1,350	497,715
Caging expense	-	-	-	3,629	3,629
Rent	408	72	54	66	600
Telephone	7,639	1,348	1,011	1,236	11,234
Legal & accounting	11,230	1,982	1,486	1,816	16,514
Office supplies	2,220	392	294	359	3,265
Printing (office)	15,439	2,724	2,043	2,498	22,704
Messenger service	2,456	434	325	397	3,612
Promotion	-	-	-	146,784	146,784
Travel	35,528	6,270	4,702	5,747	52,247
Auto	562	99	75	91	827
Depreciation expense	108	19	14	18	159
Dues & subscription	102	18	14	16	150
Miscellaneous office	1,972	348	261	319	2,900
Bank charges	3,799	670	503	615	5,587
Interest expense	6,158	1,087	815	996	9,056
Insurance - liability	1,036	183	137	167	1,523
Group health insurance	1,557	275	206	252	2,290
<b>Total</b>	<b>\$ 1,814,517</b>	<b>\$ 1,737,864</b>	<b>\$ 336,731</b>	<b>\$ 224,993</b>	<b>\$ 4,114,105</b>

See accompanying notes to financial statements.

**COALITION TO SALUTE AMERICA'S HEROES**

**STATEMENT OF CASH FLOWS**

*FOR THE PERIOD FROM INCEPTION (JANUARY 30, 2004) TO DECEMBER 31 2004*

**Cash flows from operating activities:**

Change in net assets	\$ 141,846
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	159
Increase in receivables	(907,982)
Increase in accrued expenses	45,056
Increase in accounts payable	<u>573,733</u>
Net cash used in operating activities	<u>(147,188)</u>

**Cash flows from investing activities:**

Advance to affiliate	(16,818)
Purchase of property and equipment	<u>(6,746)</u>
Net cash used in investing activities	<u>(23,564)</u>

**Cash flows from financing activities:**

Loan from related party	<u>500,000</u>
Net increase in cash	329,248
Cash, beginning	<u>-</u>
Cash, ending	<u><u>\$ 329,248</u></u>

**Supplemental information:**

Interest paid	<u><u>\$ -</u></u>
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See accompanying notes to financial statements.

# COALITION TO SALUTE AMERICA'S HEROES

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

### 1. Organization

*Organization* - Coalition to Salute America's Heroes (CSAH) is a not-for-profit corporation organized in 1984 and has undergone several name changes over the past years and has been largely inactive. The name Coalition to Salute America's Heroes was adopted August 4, 2004 and its purpose changed to providing support to wounded troops, veterans, and their families and of informing the public of the needs of wounded veterans.

Contributions have been received principally from CSAH's founder and from an affiliated organization. Contributions are recognized as support when received.

### 2. Summary of significant accounting policies

*Financial statement presentation* - CSAH follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* for financial statement presentation. Under SFAS No. 117, CSAH is required to report information regarding its financial position and activities according to three classes of net assets as follows:

*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 CSAH and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by CSAH.

CSAH records contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. CSAH reports gifts of cash and other assets as temporarily or permanently restricted revenue if they are received with donor stipulations that limits the use of the donated assets. When a donor restriction expires,

## ***COALITION TO SALUTE AMERICA'S HEROES***

### ***NOTES TO FINANCIAL STATEMENTS***

*DECEMBER 31, 2004*

#### **2. Summary of significant accounting policies (continued)**

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. When donor restrictions are met in the same reporting period, temporarily restricted contributions are reported as unrestricted contributions.

*Promises to give* - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included in support until the conditions are substantially met.

*Functional expenses* - The costs of providing various program and supporting services have been summarized on a functional basis on the schedule of functional expenses. Certain costs have been allocated among program and supporting services as follows:

*Conferences and seminars* - All expenses incurred to provide wounded veterans with conferences and seminars on educational job training, career counseling, job seeking and placement services, employment opportunities and assessing other services.

*Public awareness* - All expenses incurred to educate the general public about the country's wounded troops and veterans and their families and their community needs. Also, all expenses incurred to inform the general public to participate in CSAH's assistance programs.

*Management and general* - All other operating expenses incurred by CSAH in the accomplishment of its tax exempt purposes.

*Fundraising* - All expenses incurred with the purpose of raising funds.

## **COALITION TO SALUTE AMERICA'S HEROES**

### **NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2004

#### **2. Summary of significant accounting policies (continued)**

*Property and equipment* - Property and equipment are stated at cost and are depreciated on a straight-line basis over their estimated useful lives of five to seven years. CSAH capitalizes property and equipment with an estimated useful life greater than one year. Property and equipment consists of furniture and equipment. For the period from inception (January 30, 2004) to December 31, 2004, depreciation expense was \$159.

*Contributed materials* - Contributed materials are recorded as contributions at their estimated fair value as of the date of the donation.

*Income Taxes* - CSAH has received a tax determination letter from the Internal Revenue Service and is exempt from federal and California income taxes under Section 501(c)(3) of the Internal Revenue Code and related sections of the California Code. As such, only unrelated business income is subject to income tax. For the period from inception (January 30, 2004) to December 31, 1994, there was no unrelated business income.

*Cash* - For purposes of the statement of cash flows, cash consists of demand deposits and money market funds held in banks.

*Advertising* - Advertising is expensed as incurred.

*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.

#### **3. Related party transactions**

The President and founder of Coalition to Salute America's Heroes is also the President of Help Hospitalized Veterans, Inc. (HHV). During the period from inception (January 30, 2004) to December 31, 2004, HHV gave a grant of \$2,500,000 to CSAH. During 2004, \$1,600,000 of the grant was received. At December 31, 2004, the outstanding grant receivable is \$900,000, which is expected to be collected within one year.

**COALITION TO SALUTE AMERICA'S HEROES**

**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2004

**3. Related party transactions (continued)**

CSAH has advanced funds to HHV for postage on a fundraising appeal conducted by HHV on behalf of a special project to raise funds for CSAH. At December 31, 2004, the receivable due from HHV is \$16,818.

On July 1, 2004, CSAH entered into a line of credit (LOC) agreement with its President. The LOC allows CSAH to borrow up to \$650,000. The note bears a fixed interest rate of 4.83%. Accrued interest is payable monthly, in arrears, on the first day of each calendar monthly beginning on January 1, 2006. As of December 31, 2004, \$9,056 in interest has been accrued.

Beginning on January 1, 2006, the principal balance is payable monthly based on a 10 year amortization. At December 31, 2006, there is a balloon payment due and the entire unpaid principal balance of the LOC and interest, is due and payable in full.

As of December 31, 2004, the outstanding balance of the LOC is \$500,000.

Future principal payments over the next five years are as follows:

2005	\$ -
2006	500,000
2007	-
2008	-
2009	-
	<hr/>
	<u>\$ 500,000</u>

**4. Contributed materials**

CSAH produced a public service announcement (PSA). In connection with the airing of the PSA's, CSAH received airtime with a fair value of \$1,300,000 for the period from inception (January 30, 2004) to December 31, 2004. The \$1,300,000 was recognized as contribution revenue and PSA production expense in the public awareness expense in the statement of activities.

***COALITION TO SALUTE AMERICA'S HEROES***

***NOTES TO FINANCIAL STATEMENTS***

*DECEMBER 31, 2004*

**5. Expense allocations**

CSAH allocates costs between program and supporting services using several methods based on management's best estimate. These estimates include how management spent their time and purpose of services.

**6. Temporarily restricted net assets**

At December 31, 2004, CSAH had temporary restricted net assets of \$900,000 that are time restricted and consists of a grant receivable.

**7. Financial risk**

CSAH maintain cash balances that may exceed federally insured limits. CSAH does not believe that this practice results in any significant credit risk.

**8. Contingent liability**

The President and founder of CSAH has incurred expenses for his travel and other costs and that of consultants performing services for CSAH. These expenses total \$119,730 and are payable only upon approval by the Board of Directors and subject to available cash flow.