

**REPORT OF THE AUDIT OF THE
ACTIVE HEROES, INC.**

**For The Year Ended
December 31, 2013**

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5
SUPPLEMENTAL INFORMATION	
Schedule of Functional Expenses	9
Management Letter Comments	10

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Active Heroes, Inc.
Louisville, Kentucky

We have audited the accompanying Statement of Financial Position of Active Heroes, Inc. (a non-profit corporation) as of December 31, 2013, and the related statement of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Active Heroes' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 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 the Active Heroes, Inc., as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses shown on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Louisville, Kentucky
_____, 2014

ACTIVE HEROES, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 303,497
Gift Card Donations	34,966
Accounts Receivable, Net	<u>779</u>

TOTAL CURRENT ASSETS 339,242

PROPERTY, PLANT & EQUIPMENT

Fixed Assets	380,565
Less: Accumulated Depreciation	<u>(3,919)</u>
TOTAL PROPERTY, PLANT & EQUIPMENT NET	<u>376,646</u>

OTHER ASSETS

Investments	<u>45,172</u>
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TOTAL OTHER ASSETS 45,172

TOTAL ASSETS \$ 761,060

CURRENT LIABILITIES

Taxes Payable - Various	<u>1,735</u>
TOTAL CURRENT LIABILITIES	1,735

LONG-TERM LIABILITIES

Mortgage Payable	<u>177,000</u>
TOTAL LONG-TERM LIABILITIES	177,000

NET ASSETS

Unrestricted:	
Undesignated	537,153
Permanently Restricted	<u>45,172</u>

TOTAL NET ASSETS 582,325

TOTAL LIABILITIES AND NET ASSETS \$ 761,060

The accompanying notes and accountant's report are an integral part of these financial statements.

ACTIVE HEROES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For The Year Ended December 31, 2013

	<u>Unrestricted</u>
SUPPORT AND REVENUE	
Contributions	\$ 274,110
Special Events:	
Event Income	85,923
Grants	310,845
Gain On Fixed Asset Disposal	4,704
Realized Gain On Investments	718
Unrealized Gain On Investments	590
Interest Income	301
TOTAL SUPPORT AND REVENUE	\$ 677,191
 EXPENSES	
Program Services	257,056
Management And General	28,740
Fundraising	15,641
TOTAL EXPENSES	301,437
 CHANGES IN NET ASSETS	400,754
 NET ASSETS AT THE BEGINNING OF THE PERIOD	\$ 181,571
 NET ASSETS AT THE END OF THE PERIOD	\$ 582,325

The accompanying notes and accountant's report are an integral part of these financial statements.

ACTIVE HEROES, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess (Deficit) Expenditures over Revenues	\$ 400,754
Adjustments to Reconcile Net Income to Net Cash Provided by by Operating Activities	
Depreciation	9,384
Decrease (Increase) in:	
Inventory (net of donated items)	(11,333)
Prepaid Expenses	(800)
Gift Card Donations	(19,466)
Endowments	(13,500)
Increase (Decrease) in:	
Taxes Payable	<u>(384)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>364,655</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash payments for the purchase of property	<u>(342,750)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(342,750)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash provided (used) from financing activities	<u>177,000</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>177,000</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	198,905
CASH AND CASH EQUIVALENTS, Beginning of the Year	<u>104,592</u>
CASH AND CASH EQUIVALENTS, End of the Year	<u><u>\$ 303,497</u></u>

The accompanying notes and accountant's report are an integral part of these financial statements.

ACTIVE HEROES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The mission of Active Heroes is to strengthen military families, serve veterans, and benefit active duty military by providing financial support and community reintegration. Active Heroes operates solely with the intention of helping military personnel and families, both active and retired, wherever assistance is needed; addressing the challenges faced by these individuals and providing the support to overcome those challenges.

Basis of Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual method of accounting for both financial statement presentation and federal reporting purposes.

Basis of Presentation

Active Heroes adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organization." Under SFAS No. 117, Active Heroes is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, temporarily restricted net assets are reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect what is reported in the financial statements and disclosures. Accordingly actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using straight-line over the estimated useful lives of the assets. Renewals and betterments that extend the economic useful lives of the related assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are reduced, and any gain or loss is included in operations.

ACTIVE HEROES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Contributions

Active Heroes has adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions and unconditional promises to give are recorded at their fair market value immediately, even if the donor has restricted their use and the restriction will be met in a future reporting period. Active Heroes, to date, has not received any unconditional promises to give that are recorded as contributions.

Contributed Services

The Organization receives a substantial amount of services donated by volunteers in carrying out the Organization's mission. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under generally accepted accounting principles.

Income Taxes

Active Heroes is incorporated as a not-for-profit entity under Section 501 (c) (3) of the 1954 Internal Revenue Code. In accordance with filing requirements of the IRS, an annual information return is timely filed.

Cash & Cash Equivalents

Active Heroes considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. All accounts held by Active Heroes were within FDIC limits.

Inventories

Inventories of items held for resale are carried at cost as of the end of the year. Reserves for obsolete inventory are recorded when condition is identified. No reserves were recorded at December 31, 2013.

ACTIVE HEROES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Functional Expenses

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

Property and Equipment

Property and equipment, consisting of vehicles, machinery and equipment, and furniture and fixtures purchased after January 1, 2013 are recorded at cost and at market value when acquired by gift. In accordance with generally accepted accounting principles, the expenditures for long-lived assets are capitalized and depreciated on a systematic basis over the useful life of the underlying asset on a straight line basis.

NOTE 2 - PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2013 is as follows:

Land	\$	297,850
Leasehold Improvements		1,415
Equipment		48,672
Furniture and Fixtures		6,320
Vehicles		26,308
Cost of Property and Equipment	\$	380,565
Less: Accumulated Depreciation		(3,919)
Net Book Value of Property and Equipment	\$	<u>376,646</u>

Depreciation expense for the year ended December 31, 2013 was \$9,384.

ACTIVE HEROES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
(Continued)

NOTE 3 – LONG TERM DEBT

On November 25, 2013, Active Heroes, Inc. entered an installment note for the purchase of land to be used for the retreat. The principal amount borrowed was \$177,000 at a rate of 4.99% with 60 monthly payments of \$1,887 beginning January 10, 2014 and ending December 10, 2018 when a balloon payment of \$101,709 is due. Future principal and interest amounts follow:

Year Ended	Principal	Interest
<u>December 31</u>	<u> </u>	<u> </u>
2014	\$ 13,621	\$ 9,018
2015	14,712	7,927
2016	15,453	7,186
2017	16,274	6,365
2018	116,940	5,522
Totals	<u>\$ 177,000</u>	<u>\$ 36,018</u>

ACTIVE HEROES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2013

	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 60,250	\$ 2,426	\$ 3,192	\$ 65,868
Payroll Taxes	4,608	186	244	5,038
Total Payroll Expense:	64,858	2,612	3,436	70,906
Grants	5,106			5,106
Conferences, Conventions, and Meetings	21,742	216		21,958
Advertising, Promotion	49,700		6,983	56,683
Professional Fees	11,667	4,884		16,551
Information Technology	22,747	1,998	193	24,938
Occupancy	7,387	6,116	240	13,743
Depreciation	6,968	2,416		9,384
Insurance	6,886	1,616	842	9,344
Office Expense	7,415	1,112	176	8,703
Postage and Freight	212	417	227	856
Supplies	14,539	1,703	122	16,364
Printing	6,196			6,196
Dues and Subscriptions	1,523	127	1,828	3,478
Travel	28,132	4,904	1,594	34,630
Repairs and Maintenance	1,966			1,966
Bank and Investment Fees	12	619		631
Total	<u>\$ 257,056</u>	<u>\$ 28,740</u>	<u>\$ 15,641</u>	<u>\$ 301,437</u>

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To the Senior Management and
The Board of Directors of
Active Heroes, Inc.
Louisville, Kentucky

MANAGEMENT LETTER COMMENTS

In planning and performing our audit of the financial statements of Active Heroes, Inc. as of and for the year ended December 31, 2013, we considered Active Heroes Inc.'s internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure. Accordingly we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control and therefore there can be no assurance that all such deficiencies have been identified. However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Our comments are summarized as follows:

Current Year: No Comments

Prior Year:

2012-01 Lack of Segregation of Accounting Duties

2012-02 Statement Of Acknowledgement Of Charitable Contributions Should Be Provided To Donors

This report is intended solely for the information and use of management, Board of Directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



Louisville, Kentucky
June 19, 2013