

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

**For The Year Ended
December 31, 2015**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Active Heroes, Inc.
Louisville, Kentucky

We have audited the accompanying financial statements of Active Heroes, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities 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.

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 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 Active Heroes, Inc. as of December 31, 2015, 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.



Louisville, Kentucky
June 28, 2016

ACTIVE HEROES, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	830,530
Gift Cards	835
Accounts Receivable	1,000
Inventory	22,583
Prepaid Expenses	<u>8,738</u>

TOTAL CURRENT ASSETS 863,686

PROPERTY, PLANT & EQUIPMENT

Fixed Assets	647,362
Less: Accumulated Depreciation	<u>(53,322)</u>
TOTAL PROPERTY, PLANT & EQUIPMENT NET	<u>594,040</u>

OTHER ASSETS

Investments	<u>66,582</u>
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TOTAL OTHER ASSETS 66,582

TOTAL ASSETS \$ 1,524,308

CURRENT LIABILITIES

Accounts Payable	67,037
Taxes Payable - Various	<u>2,517</u>
TOTAL CURRENT LIABILITIES	69,554

LONG-TERM LIABILITIES

Mortgage Payable	<u>148,666</u>
TOTAL LONG-TERM LIABILITIES	148,666

NET ASSETS

Unrestricted:	
Undesignated	1,139,696
Temporarily Restricted	99,810
Permanently Restricted	<u>66,582</u>

TOTAL NET ASSETS 1,306,088

TOTAL LIABILITIES AND NET ASSETS \$ 1,524,308

ACTIVE HEROES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For The Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
SUPPORT AND REVENUE			
Contributions	\$ 1,304,287	\$	\$
Grants	2,000	282,919	
Realized Gain On Investments			2,222
Unrealized Gain On Investments			(3,628)
Interest Income	230		1,520
Net Assets Released:			
Satisfaction of Capital Asset Acquisition Restrictions	<u>183,109</u>	<u>(183,109)</u>	
 TOTAL SUPPORT AND REVENUE	 \$ 1,489,626	 \$ 99,810	 \$ 114
 EXPENSES			
Program Services	805,238		
Management And General	97,089		574
Fundraising	<u>33,084</u>		
 TOTAL EXPENSES	 935,411		 574
 CHANGES IN NET ASSETS	 <u>554,215</u>	 <u>99,810</u>	 <u>(460)</u>
 NET ASSETS AT JANUARY 1, 2015 (restated)	 <u>\$ 585,481</u>	 <u>\$</u>	 <u>\$ 67,042</u>
 NET ASSETS AT DECEMBER 31, 2015	 <u><u>\$ 1,139,696</u></u>	 <u><u>\$ 99,810</u></u>	 <u><u>\$ 66,582</u></u>

ACTIVE HEROES, INC.
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess (Deficit) Expenditures over Revenues	\$ 624,599
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	41,505
Decrease (Increase) in:	
Inventory (net of donated items)	(22,583)
Prepaid Expenses	(7,881)
Accounts Receivable	(1,000)
Gift Cards	4,231
Increase (Decrease) in:	
Accounts Payable	67,037
Taxes Payable	(3,137)
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>702,771</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Cash payments for the purchase of Capital Assets	(178,383)
	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(178,383)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Long Term Debt Principal Reduction	14,713
	<hr/>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>14,713</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 539,101
 CASH AND CASH EQUIVALENTS, Beginning of the Year	 291,429
	<hr/>
CASH AND CASH EQUIVALENTS, End of the Year	<u><u>\$ 830,530</u></u>

ACTIVE HEROES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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, 2015
(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, 2014.

ACTIVE HEROES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(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, 2015 is as follows:

Land and Improvements	354,759
Leasehold Improvements	1,415
Buildings	123,686
Equipment	72,488
Furniture and Fixtures	14,805
Vehicles	80,209
Cost of Property and Equipment	<u>\$ 647,362</u>
Less: Accumulated Depreciation	<u>(53,322)</u>
Net Book Value of Property and Equipment	<u>\$ 594,040</u>

Depreciation expense for the year ended December 31, 2015 was \$41,505.

ACTIVE HEROES, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
(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:

<u>Year Ended</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 15,453	\$ 7,186
2017	16,273	6,365
2018	116,940	5,522
Totals	<u>\$ 148,666</u>	<u>\$ 19,073</u>

NOTE 4 – Prior Period Restatement

The beginning net assets have been restated \$4,492 due to omission of accumulated depreciation for some equipment.

ACTIVE HEROES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2015

	Program Services	Management And General	Fundraising	Total
Salaries	\$ 224,695	12,649	12,812	\$ 250,156
Payroll Taxes	19,098	1,688	1,005	21,791
 Total Payroll Expense:	 243,793	 14,337	 13,817	 271,947
Professional Fees	128,160	21,790	1,013	150,963
Advertising, Promotion	42,969	6,177	339	49,485
Office Expense	60,542	9,892	1,220	71,654
Information Technology	23,058	9,017	1,482	33,557
Occupancy	18,248	3,619	1,136	23,003
Travel	13,190	3,769		16,959
Conferences, Conventions, and Meetings	10,056	2,639		12,695
Interest	7,927			7,927
Depreciation	38,149	1,263	2,093	41,505
Insurance	10,826	3,343	1,262	15,431
Utilities	14,816	1,058	390	16,264
Automotive Expense	9,166	4,934	126	14,226
Supplies	16,295	1,467		17,762
Other Fundraising Expense	2,080		10,206	12,286
All Other Expense	165,963	14,358		180,321
 Total	 <u>\$ 805,238</u>	 <u>\$ 97,663</u>	 <u>\$ 33,084</u>	 <u>\$ 935,985</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, 2015, 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: No Comments

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 28, 2016