

**OPERATION SUPPORT OUR
TROOPS – AMERICA, INC.**

FINANCIAL STATEMENTS

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

**OPERATION SUPPORT OUR
TROOPS – AMERICA, INC.**

Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors of
Operation Support Our Troops – America, Inc.
Naperville, IL

We have audited the accompanying financial statements of Operation Support Our Troops – America, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year comparative information has been derived from the Organization's 2012 audited financial statements, and, in our report dated April 12, 2013, we expressed an unmodified opinion on those 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 of 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 Operation Support Our Troops – America, Inc. as of December 31, 2013, 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.

Desmond & Ahern, Ltd

June 26, 2014
Chicago, IL

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013 (with comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 713,163	\$ 709,165
Certificates of deposit at cost	299,389	299,389
Accounts receivable	<u>15,096</u>	<u>13,195</u>
Total Assets	<u>\$ 1,027,648</u>	<u>\$ 1,021,749</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 5,143</u>	<u>\$ 6,290</u>
Total liabilities	<u>5,143</u>	<u>6,290</u>
Net Assets - Unrestricted		
Board designated reserves		
Special event	250,000	250,000
Operating expenses	150,000	150,000
Donated goods and services	150,000	150,000
Program development	<u>150,000</u>	<u>150,000</u>
Total board designated reserves	700,000	700,000
Undesignated	<u>322,505</u>	<u>315,459</u>
Total unrestricted net assets	<u>1,022,505</u>	<u>1,015,459</u>
Total Liabilities and Net Assets	<u>\$ 1,027,648</u>	<u>\$ 1,021,749</u>

See independent auditor's report and notes to financial statements.

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013 (with comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
<u>Revenue</u>		
Special Events		
Ticket sales	\$ 132,464	\$ 256,430
Sponsors	254,388	268,119
Donated materials	-	1,475
Donated services	7,467	26,855
Fees	15,535	15,761
Less cost of direct benefit to donors	(241,060)	(153,245)
Less cost of in-kind direct benefit to donors	(800)	(9,503)
Healing field	-	24,045
Merchandise sales	20,574	34,962
Less cost of promotional merchandise sold or distributed	(26,188)	(24,716)
Net revenues from special events	<u>162,380</u>	<u>440,183</u>
Contributions	384,653	280,085
Donated inventory and supplies	946,051	580,909
Donated materials	17,425	8,405
Donated services	1,000	1,809
Donated facilities	22,414	19,455
Dividends and interest	15,203	3,072
Total revenue	<u>1,549,126</u>	<u>1,333,918</u>
<u>Expenses</u>		
Program services	1,393,838	1,123,762
Management and general	79,071	83,561
Fundraising	69,171	72,935
Total expenses	<u>1,542,080</u>	<u>1,280,258</u>
Change in net assets	7,046	53,660
Net assets, beginning of year - unrestricted	<u>1,015,459</u>	<u>961,799</u>
Net assets, end of year - unrestricted	<u><u>\$ 1,022,505</u></u>	<u><u>\$ 1,015,459</u></u>

See independent auditor's report and notes to financial statements.

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013 (with comparative totals for 2012)

	Program Services	Management and General	Fundraising	2013 Total	2012 Total
Salaries	\$ 51,933	\$ 43,867	\$ 12,000	\$ 107,800	\$ 115,030
Payroll taxes	4,290	3,664	983	8,937	9,493
Event costs	-	-	23,512	23,512	22,348
Program conference	27,488	71	1,141	28,700	53,939
Donations to other organizations	104,766	-	-	104,766	233,514
Professional fees	10,250	13,044	-	23,294	31,597
Occupancy	36,751	13,566	3,640	53,957	46,943
Membership support	304	-	-	304	272
Supplies	911	280	130	1,321	2,604
Donated services	548	452	6,667	7,667	19,936
Donated materials	17,261	164	-	17,425	9,105
Postage, shipping and delivery	149,679	224	2,574	152,477	113,010
Printing and copying	5,092	-	5,228	10,320	10,014
Travel	1,800	-	-	1,800	7,661
Inventory and supplies					
Donated	946,051	-	-	946,051	580,910
Purchased	32,184	-	-	32,184	-
Fees	70	1,520	-	1,590	4,167
Insurance	962	822	6,331	8,115	7,090
Advertising	500	-	6,501	7,001	1,988
Volunteer costs	1,155	-	200	1,355	649
Staff development	171	-	-	171	1,076
Telephone	1,152	984	264	2,400	1,993
Miscellaneous	520	413	-	933	6,919
Total Expenses	\$ 1,393,838	\$ 79,071	\$ 69,171	\$ 1,542,080	\$ 1,280,258

See independent auditor's report and notes to financial statements.

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013 (with comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 7,046	\$ 53,660
Change in assets - (increase) decrease		
Accounts receivable	(1,901)	(13,195)
Prepaid expenses	-	2,085
Certificate of deposit	-	202,202
Change in liabilities - (decrease) increase		
Accrued expenses	<u>(1,147)</u>	<u>2,834</u>
Net cash provided by operating activities	<u>3,998</u>	<u>247,586</u>
Net increase in cash and cash equivalents	3,998	247,586
Cash and cash equivalents, beginning of year	<u>709,165</u>	<u>461,579</u>
Cash and cash equivalents, end of year	<u><u>\$ 713,163</u></u>	<u><u>\$ 709,165</u></u>

See independent auditor's report and notes to financial statements.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

Operation Support Our Troops – America, Inc. is a nonprofit corporation organized under the laws of the State of Illinois for the purpose of supporting the troops deployed overseas in Afghanistan and Iraq. Its major program focuses on sending out care packages to U.S. troops stationed overseas. The Organization relies heavily on its volunteers and in-kind donations. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities in conformity with accounting principles applicable to non-profit organizations.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP).

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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consists of bank deposits in federally insured accounts. At December 31, 2013, the Organization's cash accounts exceeded federally insured limits by approximately \$190,000.

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Inventory

The Organization records inventory donated for care packages as revenue and expense when received and does not recognize these provisions as an asset because it is the Organization's intent to send such donations out as care packages as quickly as possible. Management believes that the impact to the Statement of Activities is not material.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, 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. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Functional Allocation of Expenses

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

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2013, the Organization received \$1,800 in donated services that met this recognition criterion, of which \$800 was in conjunction with its special event.

A number of extremely dedicated volunteers, including the members of the Board of Directors, make significant contributions of time to the Organization's policy-making, program and support functions, estimated to be in excess of 15,000 hours. The value of this contributed time does not meet the criteria for recognition and, accordingly, is not reflected in the accompanying financial statements. However, the strength and success of the Organization's program is critically reliant on these volunteers.

In-Kind Contributions

In addition to receiving cash contributions, the Organization may, at times, receive in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the year ended December 31, 2013, the Organization received \$946,051 of in-kind donations for inventory and supplies.

In addition, the Organization received \$22,414 in donated facilities for the year ended December 31, 2013 which is included in occupancy costs.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Compensated Absences

Employees of the Organization are entitled to paid vacation, sick and personal days off, depending on job classification, length of service and other factors. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees. The estimated liability is not material at December 31, 2013, and therefore, no accrual has been recorded in the accompanying financial statements.

Income Tax Status

Operation Support Our Troops – America, Inc. was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an Organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of the Organization and the nature in which it operates is described above. The Organization continues to operate in compliance with its tax exempt purpose.

The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination for the statutory period.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Note 2 – Certificates of Deposit

The Organization has five certificates of deposit totaling \$299,389. The certificates bear interest ranging from 1.45% to 2.5% and have maturities ranging from thirty-seven to fifty-nine months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Note 3 – Leases

The Organization leases an operating facility under a non-cancellable operating lease arrangement. This lease expires August 2015. Rental expense for this lease, included in the Statement of Activities for the year ended December 31, 2013, was \$28,240.

Future minimum lease payments for 2014 and 2015 are estimated at \$25,960 and \$17,600, respectively.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

Note 4 – Lines of Credit

The Organization is obligated for credit cards issued in its name. At December 31, 2013, the Organization's total available line of credit related to these credit cards is \$25,000, of which \$2,029 is outstanding and included in accrued expenses.

Note 5 – Subsequent Events

For the fiscal year ended December 31, 2013, the Organization's management has evaluated subsequent events through June 26, 2014, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed through that date.