

**WOUNDED HEROES FOUNDATION, INC.**

Chicago, Illinois

**FINANCIAL STATEMENTS**

**Including Independent Auditors' Report**

**December 31, 2007 and 2006**

**WOUNDED HEROES FOUNDATION, INC.**

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## Independent Auditors' Report

Board of Directors  
Wounded Heroes Foundation, Inc.  
Chicago, Illinois

We have audited the accompanying statement of financial position of Wounded Heroes Foundation, Inc. (the "Foundation") as of December 31, 2007 and 2006 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits provide 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 Wounded Heroes Foundation, Inc. as of December 31, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Vickroy, Krause & Company, LLP*

Chicago, Illinois  
December 15, 2008

**WOUNDED HEROES FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2007 and 2006

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	2007	2006
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 128,344	\$ 2,448
Inventory - wristbands	-	6,240
Other	850	850
Total Current Assets	<u>129,194</u>	<u>9,538</u>
<b>Property and Equipment</b>		
Office equipment	5,445	2,349
Accumulated depreciation	(999)	(495)
Total Property and Equipment, Net	<u>4,446</u>	<u>1,854</u>
<b>Other Assets</b>		
Restricted cash	1,895	1,130
Land	22,000	22,000
Total Other Assets	<u>23,895</u>	<u>23,130</u>
<b>TOTAL ASSETS</b>	<u>\$ 157,535</u>	<u>\$ 34,522</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 4,520
<b>Long-term Liabilities</b>		
Note payable - bank	-	14,000
<b>Net Assets</b>		
Unrestricted	133,640	(7,128)
Temporarily restricted	23,895	23,130
Total Net Assets	<u>157,535</u>	<u>16,002</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 157,535</u>	<u>\$ 34,522</u>

See accompanying notes to financial statements.

**WOUNDED HEROES FOUNDATION, INC.**

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2007 and 2006

	2007		2006	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Revenues and Other Support</b>				
Contributions	\$ 517,417	\$ 3,765	\$ 164,966	\$ 25,030
In-kind donations	4,018	-	5,675	-
	<u>521,435</u>	<u>3,765</u>	<u>170,641</u>	<u>25,030</u>
Net Assets Released from Restrictions	3,000	(3,000)	1,900	(1,900)
Total Revenues and Other Support	<u>524,435</u>	<u>765</u>	<u>172,541</u>	<u>23,130</u>
<b>Expenses</b>				
Program	355,839	-	136,022	-
General and administrative	10,896	-	6,091	-
Fundraising	16,932	-	53,988	-
Total Expenses	<u>383,667</u>	<u>-</u>	<u>196,101</u>	<u>-</u>
Change in Net Assets	140,768	765	(23,560)	23,130
Net Assets at Beginning of Year	(7,128)	23,130	16,432	-
End of Year	<u>\$ 133,640</u>	<u>\$ 23,895</u>	<u>\$ (7,128)</u>	<u>\$ 23,130</u>
				<u>\$ 16,002</u>

See accompanying notes to financial statements.

**WOUNDED HEROES FOUNDATION, INC.**

STATEMENTS OF CASH FLOWS  
For the Year Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 141,533	\$ (430)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation expense	504	495
Donation of land	-	(22,000)
Changes in operating assets and liabilities		
Inventory - wristbands	6,240	4,843
Accounts payable	(4,520)	4,520
	<u>143,757</u>	<u>(12,572)</u>
<b>Net Cash Flows from Operating Activities</b>	143,757	(12,572)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(3,096)	(599)
	<u>(3,096)</u>	<u>(599)</u>
<b>Cash Flows from Financing Activities</b>		
Borrowings on note payable - bank	-	85,000
Payments on note payable - bank	(14,000)	(71,000)
	<u>(14,000)</u>	<u>14,000</u>
<b>Net Cash Flows from Financing Activities</b>	(14,000)	14,000
<b>Net Change in Cash</b>	126,661	829
Cash at Beginning of Year	3,578	2,749
	<u>3,578</u>	<u>2,749</u>
<b>Cash at End of Year</b>	<u>\$ 130,239</u>	<u>\$ 3,578</u>
<b>Cash consists of:</b>		
Cash	\$ 128,344	\$ 2,448
Restricted cash	1,895	1,130
	<u>1,895</u>	<u>1,130</u>
<b>Total Cash</b>	<u>\$ 130,239</u>	<u>\$ 3,578</u>
<b>Supplemental Disclosure</b>		
Cash paid during the year for interest	\$ 332	\$ 1,017
	<u>332</u>	<u>1,017</u>

See accompanying notes to financial statements.

# WOUNDED HEROES FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2007 and 2006

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### **NOTE 1 – Purpose of Foundation**

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Wounded Heroes Foundation, Inc. (the "Foundation") began operations June 1, 2005. The Foundation seeks to assist those men and women of the United States Armed Forces who have been severely wounded during the conflicts in Iraq, Afghanistan and other hot spots around the world. Many of the injuries are traumatic amputations, gunshot wounds, burns and blast injuries that will retire these brave warriors from military service. The Foundation's mission is to demonstrate love and support by helping to meet the basic needs of these wounded heroes and their families. These programs consist of providing emotional and financial support by giving quality personal care, clothing and recreational items to enhance their recovery.

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### **NOTE 2 – Summary of Significant Accounting Policies**

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#### ***Basis of Accounting***

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting and in accordance with Statement of Financial Accounting Standards ("SFAS") Number 116, *Accounting for Contributions Received and Contributions Made* and SFAS Number 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS Statement 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets can be defined as follows:

Unrestricted Net Assets - These are net assets whose use is not restricted by the donors. The Foundation itself has complete control and discretion over how they can be used.

Temporarily Restricted Net Assets - This represents net assets that have restrictions stipulated by donors - either regarding the time period in which they can be used or the purpose which they can be put (e.g. a grant specifically intended to cover the salary of a person to be hired for a specified purpose). Expenses do not get recorded in this category. Contributions that are to be used for a specific purpose are initially recorded as temporarily restricted, and when the restrictions are met, they are reported in the statement of activities as net assets released from restrictions, and are reclassified as unrestricted.

Permanently Restricted Net Assets - This represents net assets which the Foundation must maintain in perpetuity. For example, if an organization receives an amount which the donor requires to be invested in perpetuity, this is a permanently restricted net asset.

#### ***Contributed Services***

The Foundation receives donations of services for administrative and marketing activities. It is not feasible to determine the value of these services, nor do they create or enhance non-financial assets. They are reflected in the financial statements in the sense that the Foundation does not incur any cost for these services, and, accordingly, has greater funds available to it than would be if these services were purchased.

**WOUNDED HEROES FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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

***Property and Equipment***

Property and equipment is stated at cost. The Foundation capitalizes property and equipment with a cost of \$500 or more and an estimated useful life of one year or more. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are as follows:

Office furniture, fixtures and equipment	5 years
Trailer	7 years

Depreciation expense was \$504 and \$495 for the years ended December 31, 2007 and 2006, respectively.

***Inventory - Wristbands***

The Foundation utilizes the wristbands for such purposes as raising donations and awareness of their mission. Wristbands are carried at the lower of cost (determined by the first-in, first-out method) or market. All of the wristbands were utilized in 2007.

***Contributions***

Contributions received are measured at their fair value and are classified as unrestricted, temporarily restricted, or permanently restricted support. If donor restrictions are met within the same reporting period as when the contribution was made, those contributions are recorded as unrestricted support.

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**NOTE 3 – Land**

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Land consists of a single-family lot located in Zion, Illinois that was donated to the Foundation on December 6, 2006 with certain restrictions. These restrictions state that the Foundation shall have two years from the date of conveyance to commence construction of a single family residence and three years from the date of conveyance to complete the construction of the single family residence. If these restrictions are not adhered to, the lot will revert back to the City of Zion.

The lot was appraised on December 6, 2006 and was recorded at fair market value.

**WOUNDED HEROES FOUNDATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2007 and 2006

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**NOTE 4 – Note Payable - Bank**

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The Foundation had a \$35,000 unsecured revolving line of credit which had a due date of February 20, 2008. The interest rate on the note was 6.75% and was payable in monthly installments. The note was personally guaranteed by a board member of the Foundation. The outstanding balance on the line of credit was \$0 and \$14,000 at December 31, 2007 and 2006, respectively. This line of credit was terminated in 2007.

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**NOTE 5 – Federal Income Tax Status**

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The Foundation has been granted exemption from federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no federal income tax provision has been recorded in these financial statements.

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**NOTE 6 – Restricted Cash**

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Restricted cash consists of amounts designated for "Homes for Heroes" and a wounded veteran account held by the Foundation.

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**NOTE 7 – Temporarily Restricted Net Assets**

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Temporarily restricted net assets consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Land	\$22,000	\$22,000
Restricted cash	1,895	1,130
Total Temporary Restricted Net Assets	<u>\$23,895</u>	<u>\$23,130</u>