

WOUNDED HEROES FOUNDATION, INC.

Chicago, Illinois

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2008 and 2007

WOUNDED HEROES FOUNDATION, INC.

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-8



Baker Tilly Virchow Krause, LLP
1301 W 22nd St, Ste 400
Oak Brook, IL 60523-3389
tel 630 990 3131
fax 630 990 0039
bakertilly.com

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Wounded Heroes Foundation, Inc. (the "Foundation") as of December 31, 2008 and 2007 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 audits. As discussed in Note 6, the Foundation has restated its 2007 consolidated financial statements during the current year to properly disclose the recording of a liability, in conformity with accounting principles generally accepted in the United States of America.

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, 2008 and 2007 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.

Baker Tilly Virchow Krause, LLP

Chicago, Illinois
October 2, 2009

WOUNDED HEROES FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	ASSETS	
	2008	2007 Restated
Current Assets		
Cash	\$ 158,495	\$ 128,344
Other	850	850
Total Current Assets	<u>159,345</u>	<u>129,194</u>
Property and Equipment		
Office equipment	5,445	5,445
Accumulated depreciation	(1,988)	(999)
Total Property and Equipment, Net	<u>3,457</u>	<u>4,446</u>
Other Assets		
Restricted assets	<u>23,895</u>	<u>23,895</u>
Total Other Assets	<u>23,895</u>	<u>23,895</u>
TOTAL ASSETS	<u>\$ 186,697</u>	<u>\$ 157,535</u>
	LIABILITIES AND NET ASSETS	
Current Liabilities		
Advance	\$ 22,000	\$ 22,000
Net Assets		
Unrestricted	162,802	133,640
Temporarily-restricted	<u>1,895</u>	<u>1,895</u>
Total Net Assets	<u>164,697</u>	<u>135,535</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 186,697</u>	<u>\$ 157,535</u>

WOUNDED HEROES FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2008 and 2007

	2008		2007 Restated	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenues and Other Support				
Contributions	\$ 532,385	\$ 32,498	\$ 517,417	\$ 3,765
In-kind donations	1,205	-	4,018	-
	<u>533,590</u>	<u>32,498</u>	<u>521,435</u>	<u>3,765</u>
				<u>525,200</u>
Net Assets Released from Restrictions	32,498	(32,498)	3,000	(3,000)
	<u>566,088</u>	<u>-</u>	<u>524,435</u>	<u>765</u>
Total Revenues and Other Support		<u>566,088</u>		<u>525,200</u>
Expenses				
Program	492,163	-	355,839	-
General and administrative	18,089	-	10,896	-
Fundraising	26,674	-	16,932	-
	<u>536,926</u>	<u>-</u>	<u>383,667</u>	<u>-</u>
Total Expenses		<u>536,926</u>		<u>383,667</u>
Change in Net Assets	29,162	-	140,768	765
Net Assets at Beginning of Year	133,640	1,895	(7,128)	1,130
	<u>\$ 162,802</u>	<u>\$ 1,895</u>	<u>\$ 133,640</u>	<u>\$ 1,895</u>
End of Year		<u>\$ 164,697</u>		<u>\$ 135,535</u>

See accompanying notes to financial statements

WOUNDED HEROES FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 29,162	\$ 141,533
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation expense	989	504
Changes in operating assets and liabilities		
Inventory - wristbands	-	6,240
Accounts payable	-	(4,520)
Net Cash Flows from Operating Activities	<u>30,151</u>	<u>143,757</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(3,096)
Cash Flows from Financing Activities		
Payments on note payable - bank	-	(14,000)
Net Cash Flows from Financing Activities	-	(14,000)
Net Change in Cash	30,151	126,661
Cash at Beginning of Year	<u>130,239</u>	<u>3,578</u>
Cash at End of Year	<u>\$ 160,390</u>	<u>\$ 130,239</u>
Cash consists of:		
Cash	\$ 158,495	\$ 128,344
Restricted cash	<u>1,895</u>	<u>1,895</u>
Total Cash	<u>\$ 160,390</u>	<u>\$ 130,239</u>
Supplemental Disclosure		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 332</u>

WOUNDED HEROES FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

NOTE 1 – Purpose of Foundation

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.

NOTE 2 – Summary of Significant Accounting Policies

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, 2008 and 2007

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

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 \$989 and \$504 for the years ended December 31, 2008 and 2007, respectively.

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.

Fair Value of Financial Instruments

Effective January 1, 2008, the Foundation adopted FASB Statement No. 157, Fair Value Measurements ("SFAS No. 157"), which provides a framework for measuring, reporting, and disclosing fair value under generally accepted accounting principles. SFAS No. 157 applies to all assets and liabilities that are measured, reported, and/or disclosed on a fair value basis. The cumulative effect of adopting SFAS No. 157 was no change to January 1, 2008 net assets.

In accordance with FASB Staff Position FAS 157-2, Effective Date of FASB Statement 157, the Foundation has deferred the adoption of certain provisions of SFAS No. 157 related to nonfinancial assets and liabilities measured at fair value on a nonrecurring basis.

As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various valuation methods including the market, income, and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be readily observable, market corroborated, or generally unobservable inputs. Whenever possible, the Foundation attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs.

WOUNDED HEROES FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 2 – Summary of Significant Accounting Policies (cont.)

Fair Value of Financial Instruments (cont.)

Based on the observability of the inputs used in the valuation methods the Foundation is required to provide the following information according to the fair value hierarchy. The fair value ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

At this time the Foundation's short-term financial instruments consists only of cash, which is classified in Level 1.

NOTE 3 – Federal Income Tax Status

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.

NOTE 4 – Restricted Cash

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

NOTE 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2008:

	<u>2008</u>	<u>2007</u>
Restricted cash	<u>\$1,895</u>	<u>\$1,895</u>

WOUNDED HEROES FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2008 and 2007

NOTE 6 – Restatement

During the preparation of the 2008 financial statements, the need to restate temporarily restricted assets was identified. In 2006, a single-family lot located in Zion, Illinois was donated to the Foundation with certain restrictions. These restrictions stated 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. As of December 31, 2008, these dates have passed and the Foundation will not meet the restrictions. As such, the lot will revert back to the City of Zion and restatement is necessary to properly classify this as a current liability. The restatement of net assets as of January 1, 2007 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
As of January 1, 2007			
Balance at January 1, 2007, as previously reported	\$ (7,128)	\$ 23,130	\$ 16,002
Reclassify land received with conditions to current liability	<u>-</u>	<u>(22,000)</u>	<u>(22,000)</u>
Balance at January 1, 2007, as restated	<u>\$ (7,128)</u>	<u>\$ 1,130</u>	<u>\$ (5,998)</u>