

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

FINANCIAL STATEMENTS

**For the Year Ended
December 31, 2016**

**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, 2016, and the related statements of activities, functional expenses 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 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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Operation Support Our Troops – America, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Ahern, Ltd

September 22, 2017
Chicago, IL

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 (with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 888,528	\$ 785,861
Cash - restricted	3,726	76,547
	<u>892,254</u>	<u>862,408</u>
Certificates of deposit at cost	337,179	317,310
Contributions receivable	-	12,000
Accounts receivable	3,751	25,616
Prepaid expenses	16,006	9,030
Total Assets	<u><u>\$ 1,249,190</u></u>	<u><u>\$ 1,226,364</u></u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 8,580	\$ 15,236
Total liabilities	<u>8,580</u>	<u>15,236</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	150,000	150,000
Lynch program	35,000	35,000
Total board designated reserves	<u>735,000</u>	<u>735,000</u>
Undesignated	<u>501,884</u>	<u>434,731</u>
Total unrestricted net assets	<u>1,236,884</u>	<u>1,169,731</u>
Temporarily restricted net assets	<u>3,726</u>	<u>41,397</u>
Total net assets	<u>1,240,610</u>	<u>1,211,128</u>
Total Liabilities and Net Assets	<u><u>\$ 1,249,190</u></u>	<u><u>\$ 1,226,364</u></u>

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

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2016 (with comparative totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<u>Revenue</u>				
Special Events				
Ticket sales	\$ 67,530	\$ -	\$ 67,530	\$ 221,569
Sponsors	125,246	-	125,246	357,148
Donated materials	1,600	-	1,600	25,703
Donated services	-	-	-	5,601
Fees	-	-	-	16,834
Less cost of direct benefit to donors	(23,601)	-	(23,601)	(234,211)
Less cost of in-kind direct benefit to donors	-	-	-	(17,035)
Merchandise sales	9,903	-	9,903	26,640
Less cost of promotional merchandise sold or distributed	(1,816)	-	(1,816)	(10,771)
Net revenues from special events	<u>178,862</u>	<u>-</u>	<u>178,862</u>	<u>391,478</u>
Contributions	502,440	3,726	506,166	547,433
Donated inventory and supplies	775,980	-	775,980	537,158
Donated materials	11,030	-	11,030	23,884
Donated services	-	-	-	9,784
Donated facilities	4,168	-	4,168	8,034
Dividends and interest	6,904	-	6,904	8,517
Net assets released from restrictions - Satisfaction of program restrictions	41,397	(41,397)	-	-
Total revenue	<u>1,520,781</u>	<u>(37,671)</u>	<u>1,483,110</u>	<u>1,526,288</u>
<u>Expenses</u>				
Program services	1,334,142	-	1,334,142	1,104,342
Management and general	84,865	-	84,865	87,595
Fundraising	34,621	-	34,621	99,205
Total expenses	<u>1,453,628</u>	<u>-</u>	<u>1,453,628</u>	<u>1,291,142</u>
Change in net assets	67,153	(37,671)	29,482	235,146
Net assets, beginning of year - unrestricted	<u>1,169,731</u>	<u>41,397</u>	<u>1,211,128</u>	<u>975,982</u>
Net assets, end of year - unrestricted	<u><u>\$ 1,236,884</u></u>	<u><u>\$ 3,726</u></u>	<u><u>\$ 1,240,610</u></u>	<u><u>\$ 1,211,128</u></u>

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

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016 (with comparative totals for 2015)

	Program Services	Management and General	Fundraising	2016 Total	2015 Total
Salaries	\$ 84,866	\$ 33,233	\$ 4,692	\$ 122,791	\$ 106,714
Payroll taxes	7,178	2,809	416	10,403	7,714
Event costs	16,895	-	18,316	35,211	51,518
Donations to other organizations	25,240	-	-	25,240	123,566
Occupancy	24,435	7,931	1,175	33,541	36,823
Supplies	2,926	2,825	-	5,751	3,972
Donated services	-	-	-	-	9,784
Donated materials	12,630	-	-	12,630	31,310
Postage, shipping and delivery	115,491	952	-	116,443	105,133
Printing and copying	7,838	211	-	8,049	13,323
Travel and meetings	6,190	2,673	-	8,863	8,761
Inventory and supplies					
Donated	775,980	-	-	775,980	537,158
Purchased	15,076	-	-	15,076	13,703
Fees	59	2,672	-	2,731	5,111
Insurance	400	3,938	-	4,338	8,995
Advertising	560	-	-	560	7,120
Program conference	35,864	799	-	36,663	56,881
Professional fees	20,180	20,162	-	40,342	41,492
Telephone	1,261	426	63	1,750	2,482
Staff Development	670	222	-	892	1,645
Volunteer costs	4,522	322	-	4,844	589
Miscellaneous	2,339	-	9,959	12,298	180
Membership support	-	1,349	-	1,349	-
Veteran assistance	173,542	-	-	173,542	117,168
Computer & Website	-	4,341	-	4,341	-
Total Expenses	\$ 1,334,142	\$ 84,865	\$ 34,621	\$ 1,453,628	\$ 1,291,142

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

OPERATION SUPPORT OUR TROOPS - AMERICA, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2016 (with comparative totals for 2015)

	<u>2016</u>	<u>2015</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ 29,482	\$ 235,146
Change in assets - (increase) decrease		
Accounts receivable	33,865	(11,271)
Prepaid expenses	(6,976)	(6,603)
Certificate of deposit	(19,869)	(1,303)
Change in liabilities - (decrease) increase		
Funds held for others	-	(32,901)
Accrued expenses	(6,656)	10,460
Net cash provided (used) by operating activities	<u>29,846</u>	<u>193,528</u>
Net increase (decrease) in cash and cash equivalents	29,846	193,528
Cash and cash equivalents, beginning of year	<u>862,408</u>	<u>668,880</u>
Cash and cash equivalents, end of year	<u><u>\$ 892,254</u></u>	<u><u>\$ 862,408</u></u>

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

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 our military troops, their families, and our veterans. The Organization's major programs are sending care packages to U.S. troops stationed in harm's way and providing one-time grants to veterans in need of financial assistance. 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.

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 three years from the date filed.

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.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consists of bank deposits in federally insured accounts. The accounts may at times, exceed the federally insured limit of \$250,000.

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.

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, 2016, the Organization did not receive donated services that met this recognition criterion.

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 9,000 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.

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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 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, 2016, the Organization received \$775,980 of in-kind donations for inventory and supplies, and various other donated supplies of \$11,030.

In addition, the Organization received \$4,168 in donated facilities for the year ended December 31, 2016 which is included in occupancy costs.

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, 2016, and therefore, no accrual has been recorded in the accompanying financial statements.

Note 2 – Certificates of Deposit

The Organization has five certificates of deposit totaling \$337,179 at December 31, 2016. The certificates bear interest ranging from 1% to 2.47% and have maturities ranging from twelve 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 2019. Rental expense for this lease, included in the Statement of Activities for the year ended December 31, 2016, was \$27,200.

Future minimum lease payments as of December 31, 2016, are as follows:

<u>Years Ending</u>	<u>Amount</u>
2017	\$ 27,600
2018	27,600
2019	18,400
Total future minimum lease payments	<u>\$ 73,600</u>

OPERATION SUPPORT OUR TROOPS – AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of \$1,726 for post-traumatic stress programs/Vet Exchange and \$2,000 for Equine therapy for Leap of Faith.

Note 5 – Subsequent Events

For the fiscal year ended December 31, 2016, the Organization's management has evaluated subsequent events through September 22, 2017, which is the date the financial statements were available to be issued.