

**HELPING A HERO.ORG**

Audited Financial Statements

For the Years Ended December 31, 2016 and 2015

**Helping a Hero.Org**  
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**SCHORRE & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Helping a Hero.Org  
Houston, Texas

We have audited the accompanying financial statements of Helping a Hero.Org, (a nonprofit corporation) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 from 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 judgement, 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 Helping a Hero.Org as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.*

A handwritten signature in black ink, appearing to read "Gilbert J. Schorre, Jr.", written in a cursive style.

Gilbert J. Schorre, Jr.  
Certified Public Accountant

Houston, Texas  
August 22, 2017

**Helping a Hero.Org**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

**ASSETS**

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 325,989	\$ 179,431
Notes receivable, net	392,851	553,799
Homes under construction	896,332	1,569,955
Other current assets	-	28,547
Total Current Assets	<u>1,615,172</u>	<u>2,331,732</u>
Investment	50,000	50,000
Property and equipment, net	33,251	48,660
Deposits	<u>21,039</u>	<u>6,039</u>
Total Assets	<u>\$ 1,719,462</u>	<u>\$ 2,436,431</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Notes payable	\$ -	\$ 56,453
Accounts payable and accrued liabilities	128,296	207,344
Total Current Liabilities	<u>128,296</u>	<u>263,797</u>
Total Liabilities	128,296	263,797
Net Assets		
Unrestricted	1,591,166	2,072,634
Temporarily restricted	-	100,000
Total Net Assets	<u>1,591,166</u>	<u>2,172,634</u>
Total Liabilities and Net Assets	<u>\$ 1,719,462</u>	<u>\$ 2,436,431</u>

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

**Helping a Hero.Org**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 347,590	\$ 25,000	\$ 372,590
Gross proceeds from special events	809,820	-	809,820
Less: Direct expenses	<u>(240,439)</u>	<u>-</u>	<u>(240,439)</u>
Net special events	569,381	-	569,381
Program revenues	348,368	-	348,368
Gain on sale of property	99,452	-	99,452
Net assets released from restrictions	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Total revenues and support	1,489,791	(100,000)	1,389,791
Expenses:			
Program services	1,772,746	-	1,772,746
Management and general	98,278	-	98,278
Fundraising	<u>100,235</u>	<u>-</u>	<u>100,235</u>
Total expenses	1,971,259	-	1,971,259
Change in net assets	(481,468)	(100,000)	(581,468)
Net assets, beginning of year	<u>2,072,634</u>	<u>100,000</u>	<u>2,172,634</u>
Net assets, end of year	\$ <u>1,591,166</u>	\$ <u>-</u>	\$ <u>1,591,166</u>

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

**Helping a Hero.Org**  
**Statement of Activities**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Contributions	\$ 624,229	\$ 175,000	\$ 799,229
Gross proceeds from special events	861,671	-	861,671
Less: Direct expenses	<u>(149,150)</u>	<u>-</u>	<u>(149,150)</u>
Net revenues from special events	712,521	-	712,521
Program revenues	476,225	-	476,225
Loss on sale of property	(14,355)	-	(14,355)
Net assets released from restrictions	<u>175,000</u>	<u>(175,000)</u>	<u>-</u>
Total revenues and support	1,973,620	-	1,973,620
Expenses:			
Program services	2,740,578	-	2,740,578
Management and general	134,355	-	134,355
Fundraising	<u>158,767</u>	<u>-</u>	<u>158,767</u>
Total expenses	3,033,700	-	3,033,700
Change in net assets	(1,060,080)	-	(1,060,080)
Net assets, beginning of year	<u>3,132,714</u>	<u>100,000</u>	<u>3,232,714</u>
Net assets, end of year	\$ <u>2,072,634</u>	\$ <u>100,000</u>	\$ <u>2,172,634</u>

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

**Helping a Hero.Org**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2016**

	Wounded Hero Home	Veteran and Family Support	Community Development and Education	Total Program Services Expenses	Management and General	Fundraising	Total
Accounting	\$ 19,959	\$ 2,495	\$ 2,495	\$ 24,949	\$ 5,821	\$ 2,494	\$ 33,264
Bad debt recovery	(74,413)	-	-	(74,413)	-	-	(74,413)
Consultants	93,675	11,709	11,709	117,093	27,322	11,709	156,124
Depreciation expense	9,245	1,156	1,156	11,557	2,697	1,155	15,409
Community events (national and local)	-	-	43,951	43,951	-	2,500	46,451
Legal	5,038	630	630	6,298	1,470	630	8,398
Miscellaneous	4,771	3,669	1,521	9,961	1,391	2,157	13,509
Payroll taxes	9,208	1,151	1,151	11,510	2,686	1,151	15,347
Printing and postage	3,076	384	384	3,844	897	9,526	14,267
Property taxes, insurance and fees	11,162	598	598	12,358	1,394	598	14,350
Public relations	5,017	627	627	6,271	1,463	45,541	53,275
Rent and utilities	28,481	3,560	3,560	35,601	8,307	3,560	47,468
Salaries	142,640	17,830	17,830	178,300	41,603	17,830	237,733
Telephone, computers and internet	11,063	1,383	1,383	13,829	3,227	1,384	18,440
Veteran and family recreation, and assistance	-	48,297	-	48,297	-	-	48,297
Veteran home construction costs	1,323,340	-	-	1,323,340	-	-	1,323,340
Total	\$ <u>1,592,262</u>	\$ <u>93,489</u>	\$ <u>86,995</u>	\$ <u>1,772,746</u>	\$ <u>98,278</u>	\$ <u>100,235</u>	\$ <u>1,971,259</u>

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



**Helping a Hero.Org**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2015**

	<u>Wounded Hero Home</u>	<u>Veteran and Family Support</u>	<u>Community Development and Education</u>	<u>Total Program Services Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ 34,880	\$ 4,360	\$ 4,360	\$ 43,600	\$ 10,173	\$ 4,360	\$ 58,133
Bad debt expense	42,532	-	-	42,532	-	-	42,532
Consultants	58,053	7,257	7,257	72,567	16,932	13,314	102,813
Depreciation expense	9,863	1,233	1,233	12,329	2,877	1,232	16,438
Donations	4,800	600	600	6,000	1,400	600	8,000
Community events (national and local)	-	-	108,750	108,750	-	2,231	110,981
Legal	65,198	8,150	8,150	81,498	19,016	8,150	108,664
Miscellaneous	16,911	3,289	6,708	26,908	3,423	10,443	40,774
Payroll taxes	17,805	2,226	2,226	22,257	5,193	2,226	29,676
Printing and postage	3,646	456	500	4,602	1,064	37,898	43,564
Property taxes, insurance and fees	36,301	755	755	37,811	1,761	755	40,327
Public relations	-	-	-	-	-	46,479	46,479
Rent and utilities	26,786	3,348	3,348	33,482	7,813	3,349	44,644
Salaries	205,912	25,739	25,739	257,390	60,058	25,739	343,187
Telephone, computers and internet	15,928	1,991	1,990	19,909	4,645	1,991	26,545
Veteran and family recreation, and assistance	-	200,482	-	200,482	-	-	200,482
Veteran home construction costs	1,770,461	-	-	1,770,461	-	-	1,770,461
<b>Total</b>	<b>\$ <u>2,309,076</u></b>	<b>\$ <u>259,886</u></b>	<b>\$ <u>171,616</u></b>	<b>\$ <u>2,740,578</u></b>	<b>\$ <u>134,355</u></b>	<b>\$ <u>158,767</u></b>	<b>\$ <u>3,033,700</u></b>

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

**Helping a Hero.Org**  
**Statements of Cash Flows**  
**For the Year Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (581,468)	\$ (1,060,080)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt (recovery) expense	(74,413)	42,532
Depreciation expense	15,409	16,438
Change in operating assets and liabilities		
Notes receivable	235,361	65,674
Homes under construction	673,623	514,442
Other assets	13,547	(24,044)
Accounts payable and accrued expenses	<u>(79,048)</u>	<u>(92,219)</u>
Net cash provided by (used in) operating activities	<u>203,011</u>	<u>(537,257)</u>
Cash flows from financing activities		
Borrowings on notes payable	-	50,000
Payments on notes payable	<u>(56,453)</u>	<u>(5,917)</u>
Net cash (used in) provided by financing activities	<u>(56,453)</u>	<u>44,083</u>
Net increase (decrease) in cash	146,558	(493,174)
Cash and cash equivalents, beginning of year	<u>179,431</u>	<u>672,605</u>
Cash and cash equivalents, end of year	\$ <u>325,989</u>	\$ <u>179,431</u>

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

**Helping a Hero.Org**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**NOTE 1 – NATURE OF BUSINESS**

Helping a Hero.Org (Organization) is a nonprofit corporation established in 2006 under the laws of Texas. The Organization's mission is to provide adapted homes and other emotional, physical, and financial support for severely wounded heroes injured in the Global War on Terror. The Organization's corporate offices are located in Houston, Texas.

The Organization's principal programs include:

***Wounded Hero Home Program***

The Wounded Hero Home Program is the signature homebuilding program for severely wounded warriors injured in support of the Global War on Terror. Traditionally, homes are built in master planned communities with the developer and builder donating time and materials toward the construction of the house, in addition to their paid services.

Helping a Hero.Org donates cash funds, facilitates the solicitation of materials and labor from third party vendors and oversees the project.

The veteran is required to take out a minimum \$50,000 mortgage on the home plus contribute the proceeds of their Veteran Administration Specially Adapted Housing Grant (SAH), Special Housing Adaption (SHA) Grant, and/or Improvement and Structural Alterations (HISA) Grant to which the veteran is so eligible. A projected mortgage amount range is determined prior to construction and the actual mortgage amount is determined at the end of the building process, both are based on the minimum required \$50,000 veteran investment, applicable VA grants, and any additional upgrades selected by the veteran over the maximum \$100,000 cash contribution by the Organization and cost of land.

Each home is built to address the special adaption standards for the veteran who will live in the home and is designed to ensure maximum independence within the constraints of the budget. The home is recorded at cost plus any in-kind donations from the builder or other sources. To date, the Organization has awarded at least 100 homes in 22 states.

***Community Development and Education Program***

The Organization conducts a groundbreaking ceremony before the construction of a new home for the wounded warrior. The ceremony allows the Organization to introduce the wounded warrior and his, or her, family to the community, educate the community about the needs of the wounded warrior, educate other businesses about the opportunity for giving back to the wounded warriors directly and indirectly through the Wounded Hero Home program's ongoing projects, and honor the wounded warrior for his or her service.

The Organization has a welcome home ceremony when the home is completed and the wounded hero is ready to move in. The ceremony allows the Organization to thank all the vendors who have donated time or products to the home as well as to educate the community about the adaption needs that this wounded hero has as a result of his/her permanent injuries.

**Helping a Hero.Org**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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***Veteran and Family Support***

The wounded heroes and their families often face an uphill battle with their marriages as they transition from the military back into civilian life. The divorce rate is an average of 85% among the most severely wounded. The Organization is committed to equipping these families to enhance their communication skills and work through these crisis issues so that they can rebuild their marriages based on the new normal they now face. Over 40 families have participated in the retreats, webinars, and crisis communication support modules.

The caregivers, primarily spouses and parents, face the 24/7 day to day challenges of supporting our wounded warriors. They are often overlooked and unappreciated. The Organization organizes and offers retreats that provide encouragement, fun, pampering, and camaraderie for these caregivers. Over 50 caregivers have participated in these programs.

The Organization provides ongoing support for wounded warriors and their families, with priority given to home recipients. Support includes financial support, sports events, fishing and hunting outings, rodeos, Operation Merry Christmas, and others. Over 300 wounded warriors have received assistance.

The wounded warriors have often been in the military since high school and are unfamiliar with what it takes to sustain a household in the civilian world. The Organization helps them develop a budget and make better financial decisions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The financial statements of the Organization have been presented on the accrual basis of accounting. The Organization classifies resources into net asset classes in accordance with donor-imposed restrictions. A description of these categories follow:

- Unrestricted - Net assets are resources over which the Organization has unrestricted discretionary control.
- Temporarily Restricted - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When donor stipulated time restriction ends or a 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.
- Permanently restricted - Net assets subject to donor-imposed restrictions stipulations that they be maintained permanently by the Organization. Generally the donor of these assets permits the Organization to use all or part of the income earned and capital gain, if any, on related investments for general or specific purposes. The Organization has no permanently restricted net assets as of December 31, 2016 and 2015.

**Helping a Hero.Org**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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***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.

***Cash and Cash Equivalents***

Cash and cash equivalents are held in depository bank accounts which are insured up to the federal limit by the Federal Deposit Insurance Corporation. Cash and cash equivalents have maturities at date of purchase of three months or less. At times, the cash balance maintained at a single institution may exceed federally insured limits. The Organization has not experienced any losses in these accounts.

***Homes Under Construction***

Homes under construction represents primarily land and building costs for homes that will be sold to veterans upon completion. The Organization contracts with various home builders for the construction which typically lasts less than a year. In-kind contributions are recognized upon completion.

***Investment***

The investment consists of a certificate of deposit and is carried at fair value.

***Notes Receivable***

Notes receivable are stated at the amount management expects to collect from outstanding balances.

***Contributions including In-Kind Contributions***

Contributions received during the period are recognized as support when cash is received. Contributions are recorded as restricted or unrestricted based upon the existence or absence of donor-imposed restrictions.

The Organization recognizes contribution revenues for certain materials and services that would be purchased if not donated, at the fair value of those items.

In-kind contributions include the following items for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Construction materials and labor	\$ 274,999	\$ 446,417
Other	-	139,554
	<u>\$ 274,999</u>	<u>\$ 585,971</u>

***Program Revenues***

Under the Wounded Hero Home Program, the veteran funds a portion of the construction costs through a third-party mortgage and proceeds from VA grants, as described more fully in Note 1. Revenues generated from the Wounded Hero Home Program are used to support ongoing program expenses.

**Helping a Hero.Org**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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***Property and Equipment***

Property and equipment purchased by the Organization is recorded at cost. Donated property and equipment is recorded at fair value at the date of gift. Depreciation is computed using the straight-line method over the asset's useful life, which is five years for furniture and equipment.

***Income Taxes***

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business taxable income. For the years ended December 31, 2016 and 2015, no provision for unrelated taxes is required. The Organization believes it has appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's tax returns for 2016, 2015 and 2014 are subject to examination by the Internal Revenue Service. Tax penalties and interest, if any, would be accrued as incurred and would be classified as general and administrative expense in the Statement of Activities.

***Functional Expense Allocation***

Expenses directly related to a program are recorded to that specific program. Other indirect expenses are allocated based upon a percentage determined by management.

**NOTE 3 - NOTES RECEIVABLE**

Notes receivable primarily represent short-term financing on the home while the veteran secures a mortgage from a third-party lender and awaits the proceeds of the VA grant. Interest rates on the notes vary; the Organization has historically forgiven accrued interest. The notes are unsecured.

	2016	2015
Notes receivable	\$ 635,135	\$ 884,583
Less allowance	(242,284)	(330,784)
	<u>\$ 392,851</u>	<u>\$ 553,799</u>

**NOTE 4 – INVESTMENT**

The investment at December 31, 2016 and 2015 consists of a certificate of deposit which matures September 30, 2018. The certificate of deposit is pledged as collateral to the \$50,000 letter of credit for security on rent expense.

**Helping a Hero.Org**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**NOTE 5 - PROPERTY AND EQUIPMENT**

As of December 31, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 80,109	\$ 80,109
Less accumulated depreciation	<u>(46,858)</u>	<u>(31,449)</u>
	<u>\$ 33,251</u>	<u>\$ 48,660</u>

**NOTE 6 - NOTES PAYABLE**

As of December 31, 2015, the Organization was obligated for the following notes payable:

- Promissory note dated December 21, 2015, payable to a mortgage company in the amount of \$50,000. The 4.5% note was secured by certain property and was fully paid March 2016.
- Installment note payable in the amount of \$6,453 secured by certain property. The note was fully paid October 2016.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2016</u>	<u>2015</u>
Geographic purpose restriction	\$ <u>-</u>	\$ <u>100,000</u>

**NOTE 8 – NON-CASH EXPENSES**

Non-cash expenses were comprised of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
In-kind	\$ 274,999	\$ 585,971
Bad debt (recovery) expense	(74,473)	42,532
Depreciation	<u>15,409</u>	<u>16,438</u>
	<u>\$ 215,935</u>	<u>\$ 644,941</u>

**Helping a Hero.Org**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2016 and 2015**

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**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

***Operating Leases***

In September 2013, the Organization entered into a sixty-one-month lease agreement for office space. The monthly payments are subject to annual adjustments. Minimum annual rental commitments under this agreement is as follows:

Year ending December 31, 2017	\$ 38,067
Year ending December 31, 2018	<u>28,550</u>
	<u>\$ 66,617</u>

Rent expense for the years ended December 31, 2016 and 2015, totaled \$36,844 and \$36,233, respectively.

***Litigation***

From time to time, the Organization is subject to claims that arise out of the normal course of business. The Organization is not a party to any litigation as of December 31, 2016.

***Letter of Credit***

The Organization entered into an agreement with a bank for a letter of credit up to \$50,000. The letter of credit expires September 30, 2018 and is secured by a \$50,000 certificate of deposit. The Organization did not utilize the letter of credit during 2016 or 2015.

**NOTE 10 - RELATED PARTIES**

During the years ended December 31, 2016 and 2015, the Organization paid consulting fees for fundraising, media, and home construction advisory services in the amounts of \$120,000 and \$96,000, respectively, to companies affiliated with former Board members.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 22, 2017, which is the date the financial statements were available for issuance. There were no events that met the criteria for recognition or disclosure in the financial statements.