

HIRE HEROES USA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

With Independent Auditors' Report Thereon



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hire Heroes USA, Inc.

We have audited the accompanying statements of financial position of Hire Heroes USA, Inc. (d/b/a "Hire Heroes") as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides 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 Hire Heroes as of June 30, 2012 and 2011, 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.

A handwritten signature in blue ink, appearing to read "Fulton Kozak".

Morrow, Georgia
August 20, 2012

HIRE HEROES USA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

| | 2012 | 2011 |
|---|----------------------------|--------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 697,914 | \$ 385,105 |
| Investments | 90,865 | 0 |
| Student loans receivable, net | 141,150 | 152,685 |
| Accounts receivable | 74,000 | 44,761 |
| Inventory | 10,691 | 6,211 |
| Prepaid expenses | 3,926 | 0 |
| Other assets | <u>2,960</u> | <u>0</u> |
| TOTAL CURRENT ASSETS | <u>1,021,506</u> | <u>588,762</u> |
| PROPERTY, PLANT AND EQUIPMENT, NET | 19,092 | 0 |
| TOTAL ASSETS | <u>\$ 1,040,598</u> | <u>\$ 588,762</u> |
| LIABILITIES AND NET ASSETS (DEFICIT) | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 40,777 | \$ 11,949 |
| Accrued expenses | 31,048 | 14,555 |
| Unearned revenue | <u>33,475</u> | <u>29,517</u> |
| TOTAL CURRENT LIABILITIES | <u>105,300</u> | <u>56,021</u> |
| TOTAL LIABILITIES | <u>105,300</u> | <u>56,021</u> |
| NET ASSETS (DEFICIT) | | |
| Unrestricted | 935,298 | 459,418 |
| Temporarily restricted | <u>0</u> | <u>73,323</u> |
| TOTAL NET ASSETS (DEFICIT) | <u>935,298</u> | <u>532,741</u> |
| TOTAL LIABILITIES AND NET ASSETS (DEFICIT) | <u>\$ 1,040,598</u> | <u>\$ 588,762</u> |

The accompanying notes are an integral part of these financial statements.

HIRE HEROES USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | 2012 | 2011 |
|---|-----------------------|-----------------------|
| CHANGES IN UNRESTRICTED NET ASSETS | | |
| CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORT | | |
| Contributions | \$ 989,503 | \$ 419,906 |
| Fundraising | 648,865 | 521,841 |
| Less direct benefit to donors | (298,585) | (307,493) |
| Grants | 245,414 | 75,000 |
| In-kind contributions | 58,077 | 34,424 |
| Other income | 14,877 | 411 |
| Unrealized gain (loss) on investment | 4,064 | 0 |
| Interest and dividend income | 3,495 | 3,562 |
| Net assets released from restriction | <u>73,323</u> | <u>41,192</u> |
| TOTAL CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORT | <u>1,739,033</u> | <u>788,843</u> |
| EXPENSES | | |
| Program activities | 905,198 | 381,859 |
| Management and general | 236,965 | 186,787 |
| Fundraising | <u>120,990</u> | <u>78,839</u> |
| TOTAL EXPENSES | 1,263,153 | 647,485 |
| CHANGE IN UNRESTRICTED NET ASSETS | 475,880 | 141,358 |
| CHANGE IN TEMPORARILY RESTRICTED NET ASSETS | | |
| Restricted grants | 0 | 98,500 |
| Restricted contributions | 0 | 16,015 |
| Net assets released from restriction | <u>(73,323)</u> | <u>(41,192)</u> |
| INCREASE IN TEMPORARILY RESTRICTED NET ASSETS | <u>(73,323)</u> | <u>73,323</u> |
| CHANGE IN NET ASSETS | <u>402,557</u> | <u>214,681</u> |
| NET ASSETS AT THE BEGINNING OF THE YEARS | <u>532,741</u> | <u>318,060</u> |
| NET ASSETS AT THE END OF THE YEARS | <u>\$ 935,298</u> | <u>\$ 532,741</u> |

The accompanying notes are an integral part of these financial statements.

HIRE HEROES USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | Program activities | | Management and general | | Fundraising | | Totals | |
|----------------------------|--------------------|-------------------|------------------------|-------------------|-------------------|---------------|---------------------|-------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Salaries and wages | \$ 604,764 | \$ 235,944 | \$ 110,540 | \$ 102,990 | \$ 22,122 | 19,916 | \$ 737,426 | \$ 358,850 |
| Travel and hospitality | 114,704 | 48,618 | 16,858 | 10,152 | 22,336 | 4,810 | 153,898 | 63,580 |
| Fundraising expenses | 0 | 0 | 0 | 0 | 69,349 | 45,981 | 69,349 | 45,981 |
| Payroll taxes | 47,701 | 19,537 | 8,719 | 8,528 | 1,745 | 1,649 | 58,165 | 29,714 |
| Advertising and promotions | 30,513 | 10,673 | 10,135 | 0 | 0 | 0 | 40,648 | 10,673 |
| Benefits | 32,450 | 30,527 | 5,931 | 13,325 | 1,187 | 2,577 | 39,568 | 46,429 |
| Office expenses | 17,600 | 3,555 | 17,238 | 878 | 643 | 300 | 35,481 | 4,733 |
| Rent | 27,153 | 14,465 | 4,963 | 6,314 | 993 | 1,221 | 33,109 | 22,000 |
| Sponsorships | 0 | 0 | 21,475 | 3,018 | 0 | 0 | 21,475 | 3,018 |
| Professional fees | 12,143 | 2,562 | 8,783 | 8,693 | 444 | 216 | 21,370 | 11,471 |
| Management fees | 0 | 0 | 18,180 | 20,080 | 0 | 0 | 18,180 | 20,080 |
| Utilities | 7,594 | 3,419 | 1,388 | 1,492 | 278 | 289 | 9,260 | 5,200 |
| Dues and subscriptions | 3,346 | 1,778 | 3,462 | 1,672 | 0 | 0 | 6,808 | 3,450 |
| Fees and services | 912 | 0 | 2,627 | 427 | 1,806 | 1,814 | 5,345 | 2,241 |
| Insurance | 2,383 | 789 | 5,570 | 345 | 87 | 66 | 8,040 | 1,200 |
| Postage and delivery | 1,709 | 1,211 | 427 | 303 | 0 | 0 | 2,136 | 1,514 |
| Printing and reproduction | 1,568 | 3,618 | 392 | 904 | 0 | 0 | 1,960 | 4,522 |
| Depreciation | 658 | 0 | 0 | 0 | 0 | 0 | 658 | 0 |
| Bad debt | 0 | 0 | 277 | 7,666 | 0 | 0 | 277 | 7,666 |
| Other program expenses | 0 | 5,163 | 0 | 0 | 0 | 0 | 0 | 5,163 |
| TOTAL EXPENSES | \$ 905,198 | \$ 381,859 | \$ 236,965 | \$ 186,787 | \$ 120,990 | 78,839 | \$ 1,263,153 | \$ 647,485 |

The accompanying notes are an integral part of these financial statements.

HIRE HEROES USA, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

| | 2012 | 2011 |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 402,557 | \$ 214,681 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 658 | 0 |
| Bad debt | 277 | 7,666 |
| Unrealized (gain) loss on investments | (4,064) | 0 |
| (Increase) decrease in operating assets | | |
| Accounts receivable | (29,239) | (25,452) |
| Student loan receivable, net | 11,258 | 50,731 |
| Inventory | (4,480) | (6,211) |
| Prepaid expenses | (3,926) | 0 |
| Other assets | (2,960) | 0 |
| Increase in operating liabilities | | |
| Accounts payable | 28,828 | 11,949 |
| Accrued expenses | 16,493 | 14,555 |
| Deferred revenue | <u>3,958</u> | <u>29,517</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 419,360 | 297,436 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (19,750) | 0 |
| Purchase of investments | (86,951) | 0 |
| Proceeds from investments | <u>150</u> | <u>0</u> |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | (106,551) | 0 |
| NET CASH USED IN FINANCING ACTIVITIES | <u>0</u> | <u>0</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 312,809 | 297,436 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEARS | <u>385,105</u> | <u>87,699</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEARS | <u>\$ 697,914</u> | <u>\$ 385,105</u> |

The accompanying notes are an integral part of these financial statements.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

1. ORGANIZATION

Hire Heroes USA, Inc. (“Hire Heroes”) is a mission-focused, 501C(3) not-for-profit organization incorporated in the State of Missouri on September 27, 1990 as Health Careers Foundation. The Organization formerly changed its name from Health Careers Foundation on April 19, 2010.

Hire Heroes is dedicated to creating job opportunities for US military veterans and their spouses through personalized employment training and corporate engagement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Basis of accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and reflect all significant receivables and payables.

• **Basis of presentation of financial statements**

Hire Heroes reports 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. Hire Heroes does not have any permanently restricted net assets.

• **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ materially from those estimates.

• **Cash and cash equivalents**

For financial statement purposes, highly liquid investments with original maturities of three months or less when purchased are reported as cash and cash equivalents.

• **Inventories**

Inventories are stated at cost on a first-in, first-out method.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Fixed assets**

Fixed assets are stated on the basis of cost with the exception of donated items, which are stated at fair market value at the date of donation. Expenditures for renewals and improvements are charged to the property accounts. Expenditures such as maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to operations. The cost and related accumulated depreciation are removed from the accounts for equipment sold or retired. Acquisitions that have an estimated useful life greater than one year are capitalized and are depreciated on the straight-line basis using useful lives ranging from five to ten years. Hire Heroes received unrestricted use of equipment and furnishing for operations during the year.

- **Net assets**

Hire Heroes' net assets and its revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Hire Heroes and changes therein are classified as unrestricted and temporarily restricted as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of Hire Heroes or the passage of time.

- **Contributions and revenues**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

- **Unconditional promises to give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or decreases of liabilities, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Contributed services and materials**
Donated services and materials are recognized as revenue at their fair values in the period received. During the years ended June 30, 2012 and 2011, Hire Heroes received donated use of facilities and equipment. The value of the donated office space, equipment use and utilities was \$58,077 and 34,424 in 2012 and 2011, respectively.
- **Functional allocation of expenses**
The costs of providing the programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and support services.
- **Income taxes**
Hire Heroes is exempt from federal income taxes under Section 501C(3) of the Internal Revenue Code (the “IRC”) whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC is subject to federal income tax. Accordingly, no provision for income taxes has been made.
- **Reclassifications**
Certain reclassifications have been made to the 2011 balances to conform to the 2012 presentation.

3. INVESTMENTS

Investments at June 30, 2012 and 2011 are recorded at fair value and are comprised of the following:

| | 2012 | | 2011 | |
|---------------------|-------------------|------------------|-------------------|-------------|
| | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> |
| Cash for investment | \$ (34) | \$ 0 | \$ 0 | \$ 0 |
| Mutual funds | 50,549 | 50,681 | 0 | 0 |
| Equities | <u>40,350</u> | <u>36,270</u> | <u>0</u> | <u>0</u> |
| Total investments | <u>\$ 90,865</u> | <u>\$ 86,951</u> | <u>\$ 0</u> | <u>\$ 0</u> |

Investment fees for the years ended June 30, 2012 and 2011 totaled \$150 and \$0, respectively.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

4. FAIR VALUE MEASUREMENTS

During the year ended June 30, 2012, Hire Heroes adopted the provisions of Accounting Standards Codifications 820 (“ASC 820”), Fair Value Measurements, for financial assets and liabilities. Under ASC 820, fair value is based on 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 order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest priority to lowest priority, are described as follows:

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

Level 2: Unobservable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Inputs are unobservable inputs for the asset that are supported by little or no market activity and that are significant to the fair value of the underlying asset.

The following table summarized the Hire Heroes’s financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of June 30, 2012 and 2011:

As of June 30, 2012:

| | Total | Level 1 | Level 2 | Level 3 |
|----------------------------|------------------|------------------|----------------|----------------|
| Publicly traded securities | \$ <u>90,865</u> | \$ <u>90,865</u> | \$ <u>0</u> | \$ <u>0</u> |
| Total | \$ <u>90,865</u> | \$ <u>90,865</u> | \$ <u>0</u> | \$ <u>0</u> |

As of June 30, 2011:

| | Total | Level 1 | Level 2 | Level 3 |
|----------------------------|--------------|----------------|----------------|----------------|
| Publicly traded securities | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |
| Total | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> |

5. COMMITMENTS

Hire Heroes leases office space under terms of an operating lease, which expires May 31, 2013. Rent expense was \$33,109 and \$22,000 for the years ended June 30, 2012 and 2011, of this amount \$33,109 and \$22,000 was in-kind rent for office space provided from Med Assets.

Minimum lease payments for the next five years due under the above lease are as follows:

| | |
|------|----------|
| 2013 | \$ 5,920 |
|------|----------|

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

6. STUDENT LOAN RECEIVABLES

Student loan receivables were generated when the Hire Heroes provided educational assistance to students in the form of student loans. The loan awards are interest free to the students while they attend college and accrue interest at the rate of 4% per annum beginning six months after graduation. The Organization has ended the student loan program.

Student loan receivables are stated at the amount management expects to collect on outstanding balances. Management provides for estimated uncollectible amounts through a provision for uncollectible loans and adjustment to a valuation allowance based on its assessment on the current status of individual accounts. Balances that are still outstanding after management has used all reasonable collection efforts are written off through a charge to the uncollectible allowance. As of June 30, 2012 and 2011 the student loan receivable balance was \$279,036 and 306,319, respectively. The uncollectible allowance totaled \$137,886 and 153,634 at June 30, 2012 and 2011, respectively.

The Organization has contracted with a service organization to administer its scholarship awards and student loan program. As part of the agreement, the service organization manages student loan and the scholarship payment process. The total amount receivable from the service organization as of June 30, 2012 and 2011 was \$0 and \$9,639, respectively. The total amount of fees paid to the service organization during June 30, 2012 and 2011 was \$18,180 and 20,080, respectively.

7. FIXED ASSETS

Property, plant and equipment at June 30, 2012 and 2011 are summarized as follows:

| | 2012 | 2011 |
|-------------------------------------|------------------|-------------|
| Website development | \$ <u>19,750</u> | \$ <u>0</u> |
| Total property, plant and equipment | 19,750 | 0 |
| Less accumulated depreciation | <u>(658)</u> | <u>0</u> |
| Net fixed assets | <u>\$ 19,092</u> | <u>\$ 0</u> |

8. INVENTORIES

Inventories at June 30, 2012 and 2011 consisted primarily of apparel to be sold at upcoming fundraising events of the Hire Heroes.

9. ACCRUED VACATION

The Hire Heroes provides vacation and sick pay for its employees. The accrued vacation hours were 436, representing \$10,923 in vacation liabilities at June 30, 2012. At June 30, 2011, the accrued vacation hours were 312, representing \$6,346 in vacation liabilities.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

10. SPECIAL EVENTS

The Hire Heroes conducts several fundraising events throughout the year. The net proceeds from these events are reported as special events revenue in the accompanying statements of activities. The following are summaries of these activities for the years ended June 30, 2012 and 2011:

| | 2012 | | | |
|---------------------------------|--------------------------|-----------------------------|--------------------------|--------------------------|
| | Income | Direct benefit to donors | Expenses | Net income |
| Legends Camp | \$ 485,066 | \$ 263,719 | \$ 84,003 | \$ 137,344 |
| 100 Holes for Our Heroes | 61,676 | 0 | 10,326 | 51,350 |
| MC Marathon | 48,699 | 0 | 21,036 | 27,663 |
| Salute to Veterans Golf Classic | 51,883 | 34,866 | 5,463 | 11,554 |
| Other fundraisers | <u>1,541</u> | <u>0</u> | <u>162</u> | <u>1,379</u> |
| Total | <u>\$ 648,865</u> | <u>\$ 298,585</u> | <u>\$ 120,990</u> | <u>\$ 229,290</u> |

| | 2011 | | | |
|---------------------------------|--------------------------|-----------------------------|-------------------------|--------------------------|
| | Income | Direct benefit to donors | Expenses | Net income |
| Legends Camp | \$ 477,421 | \$ 295,702 | \$ 75,045 | \$ 106,674 |
| 100 Holes for Our Heroes | 19,505 | 0 | 1,778 | 17,727 |
| Salute to Veterans Golf Classic | 14,986 | 4,757 | 1,212 | 9,017 |
| Other fundraisers | 1,957 | 0 | 159 | 1,798 |
| Pittsburgh Golf Tournament | <u>7,972</u> | <u>7,034</u> | <u>645</u> | <u>293</u> |
| Total | <u>\$ 521,841</u> | <u>\$ 307,493</u> | <u>\$ 78,839</u> | <u>\$ 135,509</u> |

Legends Camp

The St. Louis Cardinals Legends Camp (SLCLC) is the Organization's largest annual fundraising event. It is an annual 5 day / 4 night event in Jupiter, Florida, where approximately 80 participants enjoy a host of activities alongside previous St. Louis Cardinals players.

Direct benefit to donors

Direct benefit to donors includes cost of meals, facility rental, greens fees, transportation, appearance fees, and tangible items given to donors as part of the event.

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

11. RETIREMENT PLAN

All eligible employees of Hire Heroes are included in a qualified 401(k) plan. Hire Heroes matches the employee's contributions at 50% up to the first 6% of their annual earnings. The plan stipulates that Hire Heroes has discretion to discontinue the benefit at any time. Under this plan, full-time employees become eligible after 30 days of service and are vested at 20% per year and fully vested after 5 years. Contributions for the years ended June 30, 2012 and 2011 were \$12,481 and 18,338, respectively.

12. RELATED PARTIES

Hire Heroes receives significant support from Med Assets. The Organization's Chairman is the Founder and CEO of Med Assets. During the years ended June 30, 2012 and 2011, Hire Heroes received contributions and in-kind support from Med Assets totaling \$208,692 and 173,316, respectively.

13. SUBSEQUENT EVENTS

Hire Heroes has evaluated subsequent events through August 20, 2012, the date which the financial statements were available to be issued.