

HIRE HEROES USA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

With Independent Auditors' Report Thereon



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Hire Heroes USA, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, 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 to fraud or error.

Auditor's Responsibility


Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits 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 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 Hire Heroes USA, Inc. as of June 30, 2015 and 2014, 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.


Morrow, Georgia
August 31, 2015

HIRE HEROES USA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	ASSETS	
	2015	2014
CURRENT ASSETS		
Cash	\$ 2,728,470	\$ 1,994,272
Investment - restricted	4,000	-
Investments	309,224	124,721
Accounts receivable – current portion	1,284,428	776,146
Prepaid expenses	<u>2,492</u>	<u>2,105</u>
TOTAL CURRENT ASSETS	<u>4,328,614</u>	<u>2,897,244</u>
NON CURRENT ASSETS		
Property, plant, and equipment, net	22,625	11,192
Accounts receivable – long-term portion	-	200,000
Intangible asset, net	-	4,583
Other assets – non current	<u>8,683</u>	<u>1,775</u>
TOTAL NON CURRENT ASSETS	<u>31,308</u>	<u>217,550</u>
TOTAL ASSETS	<u>\$ 4,359,922</u>	<u>\$ 3,114,794</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 70,433	\$ 38,470
Accrued expenses	162,655	80,816
Unearned revenue	<u>19,944</u>	<u>26,061</u>
TOTAL CURRENT LIABILITIES	<u>253,032</u>	<u>145,347</u>
TOTAL LIABILITIES	<u>253,032</u>	<u>145,347</u>
NET ASSETS		
Unrestricted	1,653,569	1,550,423
Temporarily restricted	<u>2,453,321</u>	<u>1,419,024</u>
TOTAL NET ASSETS	<u>4,106,890</u>	<u>2,969,447</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,359,922</u>	<u>\$ 3,114,794</u>

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

HIRE HEROES USA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORT		
Grants	\$ 1,985,464	\$ 1,147,297
Contributions	858,823	1,512,136
Special events	384,858	386,938
Less direct benefit to donors	(9,850)	(44,030)
In-kind contributions	195,239	505,040
Interest and dividend revenue	17,428	3,916
Other revenue	2,839	1,345
Unrealized gain (loss) on investment	(26,592)	15,756
Net assets released from restriction	<u>1,087,785</u>	<u>235,280</u>
 TOTAL CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORT	 <u>4,495,994</u>	 <u>3,763,678</u>
 EXPENSES		
Program activities	3,896,332	2,746,308
Management and general	399,618	444,629
Fundraising	<u>96,898</u>	<u>67,120</u>
 TOTAL EXPENSES	 4,392,848	 3,258,057
 CHANGE IN UNRESTRICTED NET ASSETS BEFORE EXTRAORDINARY EVENT	 103,146	 505,621
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted grants	2,122,082	1,419,024
Net assets released from restriction	<u>(1,087,785)</u>	<u>(235,280)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS BEFORE EXTRAORDINARY EVENT	 <u>1,034,297</u>	 <u>1,183,744</u>
 CHANGE IN NET ASSETS BEFORE EXTRAORDINARY EVENT	 <u>1,137,443</u>	 <u>1,689,365</u>
 CHANGE IN EXTRAORDINARY EVENTS		
Discontinued operations – Student loan program	<u>-</u>	<u>84,552</u>
 CHANGE IN NET ASSETS	 <u>1,137,443</u>	 <u>1,604,813</u>
 NET ASSETS AT THE BEGINNING OF THE YEARS	 <u>2,969,447</u>	 <u>1,364,634</u>
 NET ASSETS AT THE END OF THE YEARS	 <u>\$ 4,106,890</u>	 <u>\$ 2,969,447</u>

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

HIRE HEROES USA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	Program activities			Management and general			Fundraising			Totals	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
Salaries and wages	\$ 2,616,054	\$ 1,641,200	\$ 122,977	\$ 176,076	\$ 55,899	\$ 15,893	\$ 2,794,930	\$ 1,833,169			
Travel and hospitality	331,955	260,861	17,940	6,182	19,397	27,164	369,292	294,207			
Advertising and promotions	97,300	403,113	125,083	103,023	-	-	222,383	506,136			
Benefits	201,817	107,707	9,487	11,556	4,313	1,043	215,617	120,306			
Office expenses	186,975	39,765	21,939	32,689	3,995	386	212,909	72,840			
Payroll taxes	193,234	125,513	9,084	13,466	4,129	1,215	206,447	140,194			
Rent	122,321	79,011	5,751	14,453	2,614	2,891	130,686	96,355			
Fees and services	84,752	5,506	3,986	30,156	1,814	12,845	90,552	48,507			
Professional fees	-	53,394	64,781	13,478	-	1,217	64,781	68,089			
Utilities	40,208	16,683	1,889	2,815	859	602	42,956	20,100			
Other program expenses	9,888	486	-	-	-	-	9,888	486			
Insurance	-	-	9,680	8,491	-	-	9,680	8,491			
Depreciation	9,597	9,450	-	-	-	-	9,597	9,450			
Management fees	-	-	4,123	26,380	-	-	4,123	26,380			
Fundraising expenses	-	-	-	-	3,878	3,702	3,878	3,702			
Postage and delivery	2,202	2,372	504	454	-	-	2,706	2,826			
Dues and subscriptions	-	408	2,377	200	-	162	2,377	770			
Printing and reproduction	29	839	7	210	-	-	36	1,049			
Sponsorships	-	-	10	5,000	-	-	10	5,000			
TOTAL EXPENSES	\$ 3,896,332	\$ 2,746,308	\$ 399,618	\$ 444,629	\$ 96,898	\$ 67,120	\$ 4,392,848	\$ 3,258,057			

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

HIRE HEROES USA, INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,137,443	\$ 1,604,813
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	9,597	9,450
Bad debt	-	84,552
Unrealized loss/(gain) on investments	32,343	(15,756)
(Increase) decrease in operating assets		
Accounts receivable – current portion	(508,282)	(752,343)
Accounts receivable – long-term portion	200,000	(200,000)
Student loan receivable, net	-	26,727
Prepaid expenses	(387)	(237)
Other assets	(6,908)	2,960
Increase (decrease) in operating liabilities		
Accounts payable	31,963	(7,336)
Accrued expenses	81,839	32,140
Deferred revenue	<u>(6,117)</u>	<u>4,032</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	971,491	789,002
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(16,447)	-
Purchase of investments	(204,012)	(44)
Reinvestment of dividends and interest	<u>(16,834)</u>	<u>(2,424)</u>
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	(237,293)	(2,468)
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	734,198	786,534
CASH AT THE BEGINNING OF THE YEARS	<u>1,994,272</u>	<u>1,207,738</u>
CASH AT THE END OF THE YEARS	<u>\$ 2,728,470</u>	<u>\$ 1,994,272</u>

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

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. ORGANIZATION

Hire Heroes USA, Inc. 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 USA, Inc. empowers U.S. military members, veterans and spouses to succeed in the civilian workforce. As a 501(c)(3) not-for-profit organization, Hire Heroes USA, Inc. services are provided at no cost to the veteran.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Hire Heroes USA, Inc. classifies its net assets and revenues and expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Hire Heroes USA, Inc. and changes therein are classified and reported as follows:

Unrestricted net assets – net assets not subject to donor imposed restrictions

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of Hire Heroes USA, Inc. and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported.

Estimates

Management of Hire Heroes USA, Inc. makes estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in conformity with GAAP. Actual results could differ from these estimates.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. For the years ended June 30, 2015 and 2014, Hire Heroes USA, Inc. had no cash equivalents.

Investment – Restricted

In accordance an office space lease with the Raleigh-Durham Airport Authority Hire Heroes USA, Inc. is required to obtain a security deposit to be in the form of a Letter of Credit. The Letter of Credit is secured by a Certificated of Deposit, which is presented as restricted cash.

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. Hire Heroes USA, Inc. currently has a capitalization threshold of \$1,000. 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 USA, Inc. received unrestricted use of equipment and furnishing for operations during the year.

Other assets

The other assets consist of a security deposit held for rental space functionality. The other assets are separated between current and non-current based on the existing time period left on the rental agreement.

Intangible assets

The intangible assets consist of software developed specifically for the client that provides on-line employment and recruiting functionality. The software is stated on the basis of cost and is amortized over the life of the agreement with the software company.

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, 2015 and 2014, Hire Heroes USA, Inc. received donated use of facilities, equipment and marketing services. The values of these donated contributions were \$195,239 and \$505,040 in 2015 and 2014, 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

Hire Heroes USA, Inc. is exempt from federal income taxes under Section 501(c)(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. At June 30, 2015, tax years 2014, 2013, and 2012 remained open for possible examination by the IRS.

3. FAIR VALUE MEASUREMENTS

Hire Heroes USA, Inc. has 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 summarizes Hire Heroes USA, Inc. financial instruments measured at fair value on a recurring basis in accordance with ASC 820 as of June 30, 2015 and 2014:

As of June 30, 2015:

	Total	Level 1	Level 2	Level 3
Equities	\$ 275,667	\$ 275,667	\$ -	\$ -
Mutual Funds: Fixed Income	33,557	33,557	-	-
Certificate of deposit-restricted	<u>4,000</u>	<u>4,000</u>	-	-
Total	\$ <u>313,224</u>	\$ <u>313,224</u>	\$ -	\$ -

As of June 30, 2014:

	Total	Level 1	Level 2	Level 3
Equities	\$ 94,332	\$ 94,332	\$ -	\$ -
Mutual Funds: Fixed Income	<u>30,389</u>	<u>30,389</u>	-	-
Total	\$ <u>124,721</u>	\$ <u>124,721</u>	\$ -	\$ -

Investment fees for the years ended June 30, 2015 and 2014 totaled \$1,743 and \$538, respectively.

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

4. COMMITMENTS

During the year, Hire Heroes USA, Inc. leased a new corporate office in Alpharetta, GA. Hire Heroes USA, Inc. also leases office space for their offices in Torrance, CA, Colorado Springs, CO, Auburn, WA, Raleigh, NC and San Diego, CA under terms of an operating lease. Rent expense was \$130,686 and \$96,355 for the years ended June 30, 2015 and 2014, of this amount \$44,690 and \$32,000 was in-kind rent for office space provided from Med Assets for their Plano, TX office and the former Alpharetta office.

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

2016	\$ 154,464
2017	133,874
2018	<u>47,848</u>
Total	<u>\$ 336,186</u>

5. FIXED ASSETS

Property, plant and equipment at June 30, 2015 and 2014 are summarized as follows:

	2015	2014
Website development	\$ 23,252	\$ 19,750
Furniture and fixtures	<u>12,945</u>	<u>-</u>
Less accumulated depreciation	<u>(13,572)</u>	<u>(8,558)</u>
Net fixed assets	<u>\$ 22,625</u>	<u>\$ 11,192</u>

6. SPECIAL EVENTS

Hire Heroes USA, Inc. 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, 2015 and 2014:

	2015			
	Revenue	Direct benefit to donors	Expenses	Excess of revenue over expenses
Other fundraisers	\$ 304,825	\$ 5,000	\$ 80,194	\$ 219,631
100 Holes for Our Heroes	63,270	-	13,555	49,715
Salute to Veterans Golf Classic	<u>16,275</u>	<u>4,850</u>	<u>3,251</u>	<u>8,174</u>
Total	<u>\$ 384,370</u>	<u>\$ 9,850</u>	<u>\$ 97,000</u>	<u>\$ 277,520</u>

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

6. SPECIAL EVENTS (Continued)

	2014			
	Revenue	Direct benefit to donors	Expenses	Excess of revenue over expenses
Other fundraisers	\$ 261,495	\$ 17,314	\$ 42,500	\$ 201,681
100 Holes for Our Heroes	39,138	-	6,438	32,700
Salute to Veterans Golf Classic	69,777	26,716	11,571	31,490
MC Marathon	<u>16,528</u>	<u>-</u>	<u>6,611</u>	<u>9,917</u>
 Total	 <u>\$ 386,938</u>	 <u>\$ 44,030</u>	 <u>\$ 67,120</u>	 <u>\$ 275,788</u>

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.

7. RETIREMENT PLAN

All eligible employees of Hire Heroes USA, Inc. are included in a qualified 401(k) plan. Hire Heroes USA, Inc. matches the employee's contributions at 50% up to the first 6% of their annual earnings. The plan stipulates that Hire Heroes USA, Inc. has discretion to discontinue the benefit at any time. Under this plan, full-time employees become eligible after 90 days of service and are vested at 20% per year and fully vested after 5 years. Contributions for the years ended June 30, 2015 and 2014 were \$25,110 and \$17,507, respectively.

8. RELATED PARTIES

Hire Heroes USA, Inc. receives significant support from companies that employ two of their board members. This comes in the form of donated office space and marketing expenses. During the years ended June 30, 2015 and 2014, Hire Heroes USA, Inc. received contributions and in-kind support from related parties totaling \$217,939 and \$231,927, respectively.

9. SUBSEQUENT EVENTS

Hire Heroes USA, Inc. has evaluated subsequent events through August 31, 2015, the date which the financial statements were available to be issued.