

HIRE HEROES USA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

With Independent Auditor's Report Thereon



INDEPENDENT AUDITOR'S 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 statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the 6 months 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 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 December 31, 2015, and the changes in its net assets and its cash flows for the 6 months then ended in accordance with accounting principles generally accepted in the United States of America.


Morrow, Georgia
March 3, 2016

HIRE HEROES USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS	
Cash	\$ 2,600,418
Investments	402,425
Investment - restricted	4,000
Accounts receivable	202,438
Prepaid expenses	<u>7,816</u>
 TOTAL CURRENT ASSETS	 <u>3,217,097</u>
 NON CURRENT ASSETS	
Property, plant, and equipment, net	34,990
Other assets – non current	<u>8,683</u>
 TOTAL NON CURRENT ASSETS	 <u>43,673</u>
 TOTAL ASSETS	 <u>\$ 3,260,770</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 83,091
Accrued expenses	<u>299,670</u>
TOTAL CURRENT LIABILITIES	<u>382,761</u>
 TOTAL LIABILITIES	 <u>382,761</u>
 NET ASSETS	
Unrestricted	2,375,431
Temporarily restricted	<u>502,578</u>
TOTAL NET ASSETS	<u>2,878,009</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,260,770</u>

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

HIRE HEROES USA, INC.
STATEMENT OF ACTIVITIES
FOR THE 6 MONTHS ENDED DECEMBER 31, 2015

CHANGES IN UNRESTRICTED NET ASSETS	
CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORT	
Grants	\$ 900,230
Contributions	576,918
Special events	464,011
Less direct benefit to donors	(52,063)
Interest and dividend revenue	12,773
Other revenue	3,091
Merchandise sales	517
Unrealized loss on investment	(20,202)
Net assets released from restriction	<u>2,220,883</u>
 TOTAL CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORT	 <u>4,106,158</u>
EXPENSES	
Program activities	2,931,942
Management and general	309,889
Fundraising	<u>142,465</u>
 TOTAL EXPENSES	 <u>3,384,296</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 <u>721,862</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Restricted grants	270,140
Net assets released from restriction	<u>(2,220,883)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>(1,950,743)</u>
 CHANGE IN NET ASSETS	 <u>(1,228,881)</u>
 NET ASSETS AT THE BEGINNING OF THE YEAR	 <u>4,106,890</u>
 NET ASSETS AT THE END OF THE YEAR	 <u>\$ 2,878,009</u>

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

HIRE HEROES USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE 6 MONTHS ENDED DECEMBER 31, 2015

	Program activities	Management and general	Fundraising	Totals
Salaries and wages	\$ 2,060,941	\$ 177,569	\$ 98,029	\$ 2,336,539
Travel and hospitality	234,727	35,087	10,912	280,726
Payroll taxes	157,343	13,364	7,484	178,191
Benefits	148,144	12,584	7,047	167,775
Office expenses	100,242	24,194	4,765	129,201
Rent	83,001	7,050	3,949	94,000
Advertising and promotions	65,479	5,561	3,115	74,155
Fees and services	53,960	4,583	2,568	61,111
Professional fees	-	19,731	-	19,731
Utilities	15,364	1,306	730	17,400
Postage and delivery	4,466	1,097	-	5,563
Insurance	-	5,098	-	5,098
Depreciation	4,924	-	-	4,924
Fundraising expenses	-	-	3,866	3,866
Printing and reproduction	3,043	760	-	3,803
Dues and subscriptions	-	1,905	-	1,905
Other program expenses	<u>308</u>	<u>-</u>	<u>-</u>	<u>308</u>
TOTAL EXPENSES	<u>\$ 2,931,942</u>	<u>\$ 309,889</u>	<u>\$ 142,465</u>	<u>\$ 3,384,296</u>

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

HIRE HEROES USA, INC.
STATEMENT OF CASH FLOW
FOR THE 6 MONTHS ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (1,228,881)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation and amortization	4,924
Unrealized loss on investments	406
Decrease (increase) in operating assets	
Accounts receivable	1,081,990
Prepaid expenses	(5,324)
Increase (decrease) in operating liabilities	
Accounts payable	12,658
Accrued expenses	137,015
Deferred revenue	<u>(19,944)</u>
NET CASH USED IN OPERATING ACTIVITIES	(17,156)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(17,289)
Purchase of investments	(83,854)
Reinvestment of dividends and interest	<u>(9,753)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(110,896)
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>
NET CHANGE IN CASH	(128,052)
CASH AT THE BEGINNING OF THE YEAR	<u>2,728,470</u>
CASH AT THE END OF THE YEAR	<u>\$ 2,600,418</u>

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

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. ORGANIZATION

Hire Heroes USA, Inc. is a mission-focused, 501(c)(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 6 months ended December 31, 2015, 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 6 months ended December 31, 2015, Hire Heroes USA, Inc. did not receive donated services.

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. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is only subject to federal or state income taxes on specific types of income from activities that are unrelated to its exempt purpose. Hire Heroes USA, Inc. had no income from unrelated activities and had no income taxes due as of December 31, 2015.

Hire Heroes USA, Inc.’s application of ASC 740 regarding uncertain tax positions had no effect on its financial position as management believes Hire Heroes USA, Inc. has no material unrecognized income tax benefits, including any potential risk of loss of its not-for-profit tax status. Hire Heroes USA, Inc. would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax benefits as income tax expense. Hire Heroes USA, Inc. is no longer subject to examination by federal, state or local tax authorities for periods before 2012.

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 December 31, 2015 and 2015:

As of December 31, 2015:

	Total	Level 1	Level 2	Level 3
Equities	\$ 318,579	\$ 318,579	\$ -	\$ -
Mutual Funds: Fixed Income	50,004	50,004	-	-
International Preferred Stock	33,842	33,842	-	-
Certificate of deposit-restricted	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 406,425</u>	<u>\$ 406,425</u>	<u>\$ -</u>	<u>\$ -</u>

Investment fees for the period ended December 31, 2015 totaled \$826.

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 \$94,000 for the 6 months ended December 31, 2015.

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

2016	\$ 207,172
2017	157,692
2018	<u>40,428</u>
Total	<u>\$ 405,292</u>

5. FIXED ASSETS

Property, plant and equipment at December 31, 2015 are summarized as follows:

Website development	\$ 40,541
Furniture and fixtures	12,945
Less accumulated depreciation	<u>(18,496)</u>
Net fixed assets	<u>\$ 34,990</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 6 months ended December 31, 2015:

	Revenue	Direct benefit to donors	Expenses	Excess of revenue over expenses
Annual New York City Dinner	\$ 202,746	\$ 46,032	\$ 64,222	\$ 92,492
Other fundraisers	176,604	-	50,783	125,821
100 Holes for Our Heroes	65,695	-	18,891	46,804
Salute to Veterans Golf Classic	<u>18,966</u>	<u>6,031</u>	<u>5,454</u>	<u>7,481</u>
Total	<u>\$ 464,011</u>	<u>\$ 52,063</u>	<u>\$ 139,350</u>	<u>\$ 272,598</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.

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

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 6 months ended December 31, 2015 were \$26,182.

8. SUBSEQUENT EVENTS

Hire Heroes USA, Inc. has evaluated subsequent events through March 3, 2016, the date which the financial statements were available to be issued.