

HIRE HEROES USA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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, 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 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, 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.

Emphasis of Matter

As discussed in note 3 to the financial statements, the 2016 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.



Morrow, Georgia
March 29, 2017 except as to note 3, which is as of September 20, 2019

HIRE HEROES USA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS	
CURRENT ASSETS	
Cash	\$ 4,737,482
Investment - restricted	4,000
Grants receivable	350,000
Contributions receivable	84,701
Accounts receivable	13,246
Prepaid expenses	<u>7,645</u>
TOTAL CURRENT ASSETS	<u>5,197,074</u>
NON CURRENT ASSETS	
Property, plant, and equipment, net	45,584
Other assets – non current	<u>15,549</u>
TOTAL NON CURRENT ASSETS	<u>61,133</u>
TOTAL ASSETS	<u>\$ 5,258,207</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 8,212
Accrued expenses	146,777
Deferred revenue	<u>1,619,958</u>
TOTAL CURRENT LIABILITIES	<u>1,774,947</u>
TOTAL LIABILITIES	<u>1,774,947</u>
NET ASSETS	
Unrestricted	1,743,654
Temporarily restricted	<u>1,739,606</u>
TOTAL NET ASSETS	<u>3,483,260</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,258,207</u>

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

HIRE HEROES USA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

CHANGES IN UNRESTRICTED NET ASSETS	
CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORT	
Grants	\$ 5,267,215
Corporate contributions	1,165,357
Special events	493,707
Less direct benefit to donors	(94,934)
Individual contributions	392,809
In-kind contributions	93,210
Interest and dividend revenue	3,477
Merchandise sales	1,405
Unrealized loss on investment	(489)
Net assets released from restriction	<u>502,578</u>
TOTAL CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORT	<u>7,824,335</u>
EXPENSES	
Program activities	7,044,687
Management and general	995,636
Fundraising	<u>372,148</u>
TOTAL EXPENSES	<u>8,412,471</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>(588,136)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Restricted grants	1,739,606
Net assets released from restriction	<u>(502,578)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>1,237,028</u>
CHANGE IN NET ASSETS	648,892
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>2,834,368</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 3,483,260</u>

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

HIRE HEROES USA, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program activities</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries and wages	\$ 4,793,175	\$ 459,427	\$ 281,920	\$ 5,534,522
Fees and services	108,275	394,388	-	502,663
Benefits	426,109	41,109	25,226	492,444
Payroll taxes	417,016	40,225	24,684	481,925
Branch offices	415,075	27,674	18,443	461,192
Marketing and development	333,455	18,726	12,483	364,664
Travel	307,269	13,162	8,775	329,206
Program expenses	230,437	-	-	230,437
Depreciation	<u>13,876</u>	<u>925</u>	<u>617</u>	<u>15,418</u>
TOTAL EXPENSES	<u>\$ 7,044,687</u>	<u>\$ 995,636</u>	<u>\$ 372,148</u>	<u>\$ 8,412,471</u>

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

HIRE HEROES USA, INC.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 648,892
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	15,418
(Increase) Decrease in operating assets	
Grants receivable	(220,988)
Donations receivable	(11,650)
Accounts receivable	(12,871)
Prepaid expenses	171
Other assets	(6,866)
(Decrease) Increase in operating liabilities	
Accounts payable	(74,879)
Accrued expenses	(152,893)
Deferred revenue	<u>1,576,317</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,760,651
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investments	404,317
Purchase of fixed assets	(26,012)
Reinvestment of dividends and interest	<u>(1,892)</u>
NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	376,413
NET CASH USED IN FINANCING ACTIVITIES	<u>-</u>
NET CHANGE IN CASH	2,137,064
CASH AT THE BEGINNING OF THE YEAR	<u>2,600,418</u>
CASH AT THE END OF THE YEAR	<u>\$ 4,737,482</u>

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

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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. The Organization's fiscal year end changed to December 31 in 2015.

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.

In 2015, Hire Heroes USA, Inc. received funding for a peer reviewed study called the Independence Project. The purpose of the study is to pioneer alternatives to dependence for Veterans with disabilities. For internal financial reporting purposes, Hire Heroes USA, Inc. considers the Independence Project a separate division.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 year ended December 31, 2016, 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.

Contributed services and materials

Donated services and materials are recognized as revenue at their fair values in the period received. During the year ended December 31, 2016, Hire Heroes USA, Inc. received donated services valued at \$85,058 and donated materials valued at \$8,152.

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, 2016

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. RESTATEMENT OF FINANCIAL STATEMENTS

The previously issued financial statements have been restated for the correction of a material misstatement for the year ended December 31, 2016. Revenue which should have been deferred was recognized, instead. The correction resulted in the following changes to previously reported balances. Beginning net assets decreased by \$43,641; deferred revenue increased by \$1,619,458 to \$1,619,958; Grant revenue decreased by \$1,575,817 to \$5,267,215; the change in net assets decreased by \$1,575,817 to \$648,892; and total net assets decreased by \$1,619,458 to \$3,483,260.

4. 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.

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

4. FAIR VALUE MEASUREMENTS (Continued)

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, 2016 and 2015:

As of December 31, 2016:

	Total	Level 1	Level 2	Level 3
Certificate of deposit-restricted	\$ <u>4,000</u>	\$ <u>4,000</u>	-	-
Total	\$ <u>4,000</u>	\$ <u>4,000</u>	\$ -	\$ -

Investment fees for the period ended December 31, 2016 totaled \$516.

5. COMMITMENTS

Hire Heroes USA, Inc. leases a corporate office in Alpharetta, GA. Hire Heroes USA, Inc. also leases office space for their branches in Torrance, CA, Colorado Springs, CO, Auburn, WA, Raleigh, NC, San Diego, CA, and Dallas, TX under terms of an operating lease. Rent expense was \$252,234 for the year ended December 31, 2016.

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

2017	\$ 208,632
2018	92,896
2019	59,721
2020	55,664
2021	<u>57,332</u>
Total	<u>\$ 474,245</u>

6. FIXED ASSETS

Property, plant and equipment at December 31, 2016 are summarized as follows:

Website development	\$ 40,541
Furniture and fixtures	38,957
Less accumulated depreciation	<u>(33,914)</u>
Net fixed assets	<u>\$ 45,584</u>

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 year ended December 31, 2016 were \$70,379.

8. SUBSEQUENT EVENTS

Hire Heroes USA, Inc. has evaluated subsequent events through March 29, 2017, the date which the financial statements were available to be issued.