

SALUTE, INC.
FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2017 and 2016



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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
SALUTE, INC.
Palatine, Illinois

We have audited the accompanying financial statements of SALUTE, INC. (a nonprofit organization) which comprise the statements of financial position – modified cash basis as of March 31, 2017 and 2016, and the related statements of activities and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 assets, liabilities, and net assets of SALUTE, INC. as of March 31, 2017 and 2016, and its support, revenue, and expenses, functional expenses and cash flows, for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

M. Close, Inspector & Co., P.C.

July 18, 2017

SALUTE, INC.

STATEMENTS OF FINANCIAL POSITION -
MODIFIED CASH BASIS

MARCH 31

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,143,234	\$ 790,875
PROPERTY AND EQUIPMENT, NET	8,667	15,407
INTANGIBLES, NET	<u>22,494</u>	<u>19,147</u>
Total Assets	<u>\$ 1,174,395</u>	<u>\$ 825,429</u>

LIABILITIES AND NET ASSETS

LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS		
Unrestricted	1,147,978	637,966
Temporarily Restricted	<u>26,417</u>	<u>187,463</u>
Total Net Assets	<u>1,174,395</u>	<u>825,429</u>
Total Liabilities and Net Assets	<u>\$ 1,174,395</u>	<u>\$ 825,429</u>

The accompanying notes are an integral part of these financial statements

SALUTE, INC.

STATEMENTS OF ACTIVITIES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS

YEARS ENDED MARCH 31

UNRESTRICTED NET ASSETS	2017	2016
Support and Revenues		
Grants and Contributions	\$ 746,218	\$ 394,012
Special Events Revenue	426,541	388,371
Contributed Goods and Services	61,597	107,516
Interest and Dividend Income	985	446
Miscellaneous	-	1,584
	<hr/>	<hr/>
Total Unrestricted Support and Revenues	1,235,341	891,929
Net Assets Released from Restrictions		
Restrictions Satisfied by Payment	354,653	93,692
	<hr/>	<hr/>
Total Unrestricted Support and Revenues and Restricted Monies Released	1,589,994	985,621
	<hr/>	<hr/>
EXPENSES		
Program Activities	774,412	631,963
Management and General	49,371	44,640
Fund Raising	256,199	205,929
	<hr/>	<hr/>
Total Expenses	1,079,982	882,532
	<hr/>	<hr/>
Increase in Unrestricted Net Assets	510,012	103,089
	<hr/>	<hr/>
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily Restricted Grants and Contributions	193,607	251,868
Net Assets Released from Restrictions	(354,653)	(93,692)
	<hr/>	<hr/>
Increase (Decrease) in Temporarily Restricted Net Assets	(161,046)	158,176
	<hr/>	<hr/>
Change in Net Assets	348,966	261,265
	<hr/>	<hr/>
NET ASSETS, BEGINNING OF YEAR	825,429	564,164
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 1,174,395	\$ 825,429
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The accompanying notes are an integral part of these financial statements

SALUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED MARCH 31, 2017

	<u>SUPPORTING SERVICES</u>			<u>TOTAL EXPENSES</u>
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	
Veteran Assistance	\$559,173	\$ -	\$ -	\$ 559,173
Salaries	143,229	15,742	63,060	222,031
Food and Supplies	1,212	3,365	46,532	51,109
Professional Fees	21,344	9,510	12,484	43,338
Occupancy	20,662	6,769	6,769	34,200
Facilities and Equipment Rental	163	773	27,795	28,731
Events Registrations and Fees	-	-	25,780	25,780
Payroll Taxes	10,466	1,396	5,582	17,444
Apparel and Awards	80	-	13,027	13,107
Printing	578	818	10,631	12,027
Bank Charges and Business Fees	104	388	10,688	11,180
Depreciation	4,189	838	3,351	8,378
Contract Services	-	-	7,742	7,742
Insurance	152	4,897	1,598	6,647
Telephone	4,817	856	875	6,548
Other	966	2,232	3,271	6,469
Conferences, Conventions and Meetings	2,385	60	3,925	6,370
Technology	1,827	942	2,825	5,594
Postage	1,621	513	3,244	5,378
Travel	1,234	-	3,086	4,320
Amortization	-	225	2,478	2,703
Employee and Volunteer Expenses	210	47	706	963
Advertising	-	-	750	750
Total Expenses	<u>\$774,412</u>	<u>\$ 49,371</u>	<u>\$256,199</u>	<u>\$ 1,079,982</u>

Some of the above expenses result from contributed goods and services. See Note 4.

The accompanying notes are an integral part of these financial statements

SALUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

YEAR ENDED MARCH 31, 2016

	<u>SUPPORTING SERVICES</u>			
	PROGRAM	MANAGEMENT	FUND	TOTAL
	<u>SERVICES</u>	AND <u>GENERAL</u>	<u>RAISING</u>	<u>EXPENSES</u>
Veteran Assistance	\$456,264	\$ -	\$ -	\$ 456,264
Salaries	103,326	14,029	53,883	171,238
Professional Fees	41,489	8,705	5,149	55,343
Food and Supplies	450	4,180	42,936	47,566
Events Registrations and Fees	-	-	21,980	21,980
Occupancy	8,575	1,215	3,789	13,579
Payroll Taxes	8,089	1,079	4,314	13,482
Bank Charges and Business Fees	812	981	11,177	12,970
Contract Services	200	-	12,519	12,719
Apparel and Awards	-	-	12,389	12,389
Printing	642	927	9,955	11,524
Insurance	-	7,259	2,646	9,905
Other	540	2,998	3,505	7,043
Telephone	4,001	1,048	961	6,010
Technology	2,154	398	2,564	5,116
Postage	921	685	3,273	4,879
Facilities and Equipment Rental	107	207	4,542	4,856
Depreciation	2,372	475	1,898	4,745
Conferences, Conventions and Meetings	1,750	150	2,605	4,505
Amortization	-	-	2,134	2,134
Travel	-	100	1,677	1,777
Advertising	-	-	1,368	1,368
Employee and Volunteer Expenses	271	204	665	1,140
Total Expenses	<u>\$631,963</u>	<u>\$ 44,640</u>	<u>\$205,929</u>	<u>\$ 882,532</u>

Some of the above expenses result from contributed goods and services. See Note 4.

The accompanying notes are an integral part of these financial statements

SALUTE, INC.

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

YEAR ENDED MARCH 31

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 348,966	\$ 261,265
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities		
Depreciation Expense	8,378	4,745
Amortization Expense	2,703	2,134
Inventories	<u>-</u>	<u>610</u>
Net Cash Provided by Operating Activities	<u>360,047</u>	<u>268,754</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Computers and Furniture	(1,888)	(13,990)
Purchase of Intangible Assets	<u>(5,800)</u>	<u>(17,360)</u>
Net Cash Used in Investing Activities	<u>(7,688)</u>	<u>(31,350)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	352,359	237,404
Cash and Cash Equivalents, Beginning of Year	<u>790,875</u>	<u>553,471</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,143,234</u>	<u>\$ 790,875</u>
Supplemental Cash Flows Disclosures		
Cash Paid For:		
Taxes	\$ -	\$ -
Interest	-	-

The accompanying notes are an integral part of these financial statements

SALUTE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization Activities

SALUTE, INC. (the Organization) is a nonprofit organization that was founded in 2003, in Arlington Heights, Illinois. The works of the Organization speak to their support of military personnel and their families as they “Honor the Service...Remember the Sacrifice.” The Organization raises funds for military service members, veterans, and their families who have been wounded, injured, experienced financial hardship, or lost a loved one in a current or past conflict. Funds have been raised through grants and through various activities held by the Organization including runs/walks, participation in marathons, and other fundraising events.

The primary focus of SALUTE, INC. is direct financial support on behalf of veterans and their families who are experiencing an increase in expenses brought on by active duty or have incurred some level of disability, injury or condition due to their military service. Assistance is provided by the following programs.

Emergency Financial Assistance provides assistance with rent, mortgage payments, car related expenses, food, utility bills, medical bills, travel and moving costs.

Builders of Hope is a collaborative effort with builders, contractors, and local businesses offering specially adapted home renovation services to severely disabled military members and their families.

RIC - Therapeutic Adaptive Sports Camps/Activities which shift focus from a veteran’s disability to their abilities. Adaptive opportunities include Paralympic Sports Camp, cycling, fishing, hunting, horseback riding, skiing and water sports.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this basis, revenue is recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the Organization has not recognized receivables from the fundraising events, prepaid expenses and accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements. The Organization does capitalize and depreciate/amortize equipment and intangible assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Financial Statement Presentation

In accordance with professional standards, the Organization reports its financial position and activities into three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets of the Organization which are neither permanently nor temporarily restricted by donor imposed stipulations.

Temporarily restricted net assets – Net assets whose use by the Organization is subject to donor-imposed stipulations that may be met either by actions of the Organization, pursuant to those stipulations or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. The Organization had no permanently restricted net assets at March 31, 2017 or 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

Recognition of Support and Revenues

In accordance with professional standards, contributions, which consist of cash received from donors and contributed goods and services, are recognized as support or revenue when received. All contributions are considered available for unrestricted use unless specifically restricted by the donor or by laws and regulations. Grants are recognized in the period in which they are received.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds in demand deposit, savings and money market accounts, as well as a short-term certificate of deposit and a small balance on prepaid debit cards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method based upon a three-year life for computer equipment and a seven year life for furniture.

Maintenance, repairs and renewals which neither materially add to the value of the property nor prolong its life are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income. Generally, \$1,000 is the amount at which assets will be capitalized.

Intangibles

Intangibles consists of five promotional videos and capitalized website creation costs, which are being amortized over an estimated useful life of three years and five years, respectively, on the straight-line method.

Functional Allocation of Expenses

The costs of providing various programs and other activities are presented on a functional basis in the statements of revenues, expenses and other changes in net assets. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or other methods determined by management.

Advertising Costs

Advertising costs are expensed as incurred.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances in a financial institution that, at times, may exceed federally insured limits. At year end its bank balances exceeded FDIC insurance by \$24,340. However, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3 – PROPERTY AND EQUIPMENT AND INTANGIBLES

Property and equipment and intangibles consist of the following:

	<u>2017</u>	<u>2016</u>
Property and Equipment		
Computer Equipment	\$ 20,074	\$ 18,696
Furniture	8,500	7,990
Accumulated Depreciation	<u>(19,907)</u>	<u>(11,279)</u>
	<u>\$ 8,667</u>	<u>\$ 15,407</u>

NOTE 3 – PROPERTY AND EQUIPMENT AND INTANGIBLES (Continued)

	<u>2017</u>	<u>2016</u>
Website	\$ 15,125	\$ 15,000
Promotional Videos	9,340	8,590
Leasehold Improvements	3,675	-
Accumulated Amortization	<u>(5,646)</u>	<u>(4,443)</u>
	<u>\$ 22,494</u>	<u>\$ 19,147</u>

NOTE 4 – CONTRIBUTED GOODS AND SERVICES

Contributed goods, facilities and services are reported in the statements of revenues, expenses and other changes in net assets as both a source of revenue and a corresponding expense at estimated fair value.

	<u>2017</u>	<u>2016</u>
Contributed Goods and Services Revenues:		
Special Events Revenue	\$ 10,756	\$ 13,799
Donated Goods and Services	<u>50,841</u>	<u>93,717</u>
	<u>\$ 61,597</u>	<u>\$ 107,516</u>
Contributed Goods and Services Expenses:		
Facilities and Equipment Rental	\$ 25,251	\$ 2,050
Professional Fees	21,007	45,223
Food and Supplies	12,971	11,749
Grants and Financial Assistance	2,368	37,765
Occupancy	-	10,729
	<u>\$ 61,597</u>	<u>\$ 107,516</u>
Contributed Goods and Services used for:		
On Behalf of Veteran	\$ 22,788	\$ 52,381
Builders of Hope	-	37,045
Fund Raising	38,222	17,232
Management and General	<u>587</u>	<u>858</u>
	<u>\$ 61,597</u>	<u>\$ 107,516</u>

The Organization receives a significant amount of other donated services from volunteers who assist in its programs and fund raising in the furtherance of its purposes. No amounts have been recognized in the statement of revenues, expenses and other changes in net assets because they do not meet the criteria for recognition under professional standards issued by the Financial Accounting Standards Board.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The following is the breakdown of the amounts remaining in temporarily restricted net assets as of March 31:

	<u>2017</u>	<u>2016</u>
Veteran Emergency Financial Assistance	\$ -	\$ 175,000
Builders of Hope	26,252	11,788
Laptop Program	<u>165</u>	<u>675</u>
Total	<u>\$ 26,417</u>	<u>\$ 187,463</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Net assets released from restrictions:

	<u>2017</u>	<u>2016</u>
Direct Assistance to Veterans	\$ 348,706	\$ 45,000
Management and General	4,900	-
Builders of Hope	537	48,274
Laptop Program	<u>510</u>	<u>418</u>
Total	<u>\$ 354,653</u>	<u>\$ 93,692</u>

NOTE 6 – OFFICE SPACE LEASE

On March 23, 2016, the Organization entered into a lease for office space. The lease has a 12-month term at the rate of \$2,850 per month. Rent expense for the year ended March 31, 2017 was \$34,200.

NOTE 7 – TAX-EXEMPT STATUS

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the tax years ending March 31: 2014, 2015, 2016 and 2017, are subject to examination by the IRS, generally for three years after their due date, including extensions. There are currently no audits in process.

NOTE 8 – CONCENTRATION

Approximately 25% and 28% of the Organization's revenues were received from one donor and one grantor for the years ended March 31, 2017 and 2016, respectively.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated material subsequent events from the balance sheet date of March 31, 2017 through the financial statement report date as shown on the independent auditor's report (page 2), the date which the financial statements were available to be issued. There were no subsequent events that required disclosure.