SALUTE, INC.

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2014 and 2013

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position – Modified Cash Basis	3
Statements of Activities and Changes in Net Assets – Modified Cash Basis	4
Statements Functional Expenses – Modified Cash Basis	5
Statements of Cash Flows – Modified Cash Basis	7
Notes to Financial Statements	8

McCLURE INSERRA
& COMPANY CHARTERED
ACCOUNTANTS AND CONSULTANTS

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, 2014 and 2013, 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, 2014 and 2013, and its support, revenue, and expenses, functional expenses and cash flows, for the year 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 that matter.

McClure, Imsena & Co, Ltd.

August 19, 2014

SALUTE, INC.

STATEMENTS OF FINANCIAL POSITION -
MODIFIED CASH BASIS

MARCH 31

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and Cash Equivalents	$ 227,883	$ 207,216
Inventory, at cost	-	511
Total Current Assets	227,883	207,727
PROPERTY AND EQUIPMENT, NET	10,145	-
INTANGIBLES	3,680	1,780
Total Assets	$ 241,708	$ 209,507

LIABILITIES AND NET ASSETS

LIABILITIES	$ -	$ -
NET ASSETS		
Unrestricted	201,860	122,545
Temporarily Restricted	39,848	86,962
Total Net Assets	241,708	209,507
Total Liabilities and Net Assets	$ 241,708	$ 209,507

See accompanying notes.

SALUTE, INC.

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

YEARS ENDED MARCH 31

UNRESTRICTED NET ASSETS	2014	2013
Revenues		
Grants and Contributions	$ 148,973	$ 150,302
Special Events Revenue	404,174	329,069
Donated In-Kind Goods and Services	61,017	63,918
Interest Income	292	56
Miscellaneous	1,364	333
Total Revenues	615,820	543,678
Net Assets Released from Restrictions		
Restrictions Satisfied by Payment	81,819	22,192
Total Unrestricted Revenues	697,639	565,870
EXPENSES		
Program Activities	361,196	290,473
Management and General	59,641	48,365
Fund Raising	197,487	168,329
Total Expenses	618,324	507,167
Increase in Unrestricted Net Assets	79,315	58,703
TEMPORARILY RESTRICTED NET ASSETS		
Temporarily Restricted Grants and Contributions	34,705	90,507
Net Assets Released from Restrictions	(81,819)	(22,192)
Increase (Decrease) in Temporarily Restricted Net Assets	(47,114)	68,315
Change in Net Assets	32,201	127,018
NET ASSETS, BEGINNING OF YEAR	209,507	82,489
NET ASSETS, END OF YEAR	$ 241,708	$ 209,507

See accompanying notes.

SALUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED MARCH 31, 2014

		SUPPORTING SERVICES		
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL EXPENSES
Grants and Assistance	$253,452	$ -	$ 75	$ 253,527
Salaries	58,680	18,322	70,665	147,667
Professional Fees	33,488	8,215	5,992	47,695
Food and Supplies	1,559	3,569	40,973	46,101
Bank Charges and Business Fees	906	1,326	11,711	13,943
Apparel and Awards	134	348	13,454	13,936
Printing	295	841	11,214	12,350
Facilities and Equipment Rental	480	-	11,839	12,319
Payroll Taxes	4,656	1,458	5,611	11,725
Occupancy	-	10,396	-	10,396
Contract Services	-	-	9,076	9,076
Postage	1,085	724	4,938	6,747
Miscellaneous	2,019	2,810	1,545	6,374
Telephone	3,989	1,073	1,072	6,134
Insurance	-	5,169	207	5,376
Events Registrations and Fees	-	-	3,369	3,369
Conferences, Conventions and Meetings	240	700	2,060	3,000
Depreciation	-	2,552	-	2,552
Technology	200	831	710	1,741
Travel	-	-	1,288	1,288
Advertising	-	175	1,020	1,195
Amortization	-	1,100	-	1,100
Employee / Volunteer Expenses	13	32	668	713
Total Expenses	$361,196	$ 59,641	$197,487	$ 618,324

Some of the above expenses result from in-kind donations. See Note 4.

See accompanying notes.

SALUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED MARCH 31, 2013

		SUPPORTING SERVICES		
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL EXPENSES
Grants and Assistance	$185,260	$ 156	$ 1,755	$187,171
Salaries	53,193	16,587	63,031	132,811
Professional Fees	34,332	8,791	4,504	47,627
Food and Supplies	1,746	3,549	37,265	42,560
Bank Charges and Business Fees	1,522	2,171	8,963	12,656
Facilities and Equipment Rental	192	192	11,030	11,414
Payroll Taxes	4,240	1,322	5,024	10,586
Apparel and Awards	-	-	10,330	10,330
Occupancy	4,144	4,144	-	8,288
Contract Services	-	-	7,362	7,362
Telephone	4,220	893	893	6,006
Other / Miscellaneous	100	4,900	215	5,215
Printing	158	1,192	3,684	5,034
Postage	838	684	1,827	3,349
Events Registrations and Fees	-	-	2,585	2,585
Advertising	60	100	2,420	2,580
Insurance	-	1,994	415	2,409
Technology	420	998	821	2,239
Conferences, Conventions and Meetings	-	-	2,200	2,200
Employee and Volunteer	48	91	1,824	1,963
Travel	-	-	1,311	1,311
Amortization	-	-	870	870
Depreciation	-	601	-	601
Total Expenses	$ 290,473	$ 48,365	$ 168,329	$ 507,167

Some of the above expenses result from in-kind donations. See Note 4.

See accompanying notes.

SALUTE, INC.

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

YEAR ENDED MARCH 31

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 32,201	$ 127,018
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operating Activities		
Depreciation Expense	2,552	601
Amortization Expense	1,100	870
Inventories	511	140
Total Adjustments	4,163	1,611
Net Cash Provided by Operating Activities	36,364	128,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Computer Equipment and Software	(12,697)	-
Purchase of Intangible Asset	(3,000)	(1,250)
Net Cash Used in Investing Activities	(15,697)	(1,250)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH	20,667	127,379
Cash and Cash Equivalents, Beginning of Year	207,216	79,837
Cash and Cash Equivalents, End of Year	$ 227,883	$ 207,216
Supplemental Cash Flows Disclosures		
Cash Paid For:		
Taxes	$ -	$ -
Interest	-	-

See accompanying notes.

SALUTE, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization Activities

Salute, Inc. (the Organization) is a not-for-profit 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. Funds raised are used for programs developed by the Organization as follows:

Direct financial support on behalf of veterans and their families who are experiencing an increase in expenses brought on by active duty or deployment are the primary focus of Salute, Inc. Assistance is provided by the following programs.

Emergency Financial Assistance provides assistance with rent, mortgage payments, car related expenses, food, utility bills, family counseling, 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.

Nightingale provides such assistance to families of injured military personnel hospitalized at the Rehabilitation Institute of Chicago. More specifically, these patients and their families experience additional logistical and financial stress associated with long hospitalizations and relocations to Chicago.

Other injured veteran support is provided by Salute, Inc. through additional programs.

Wounded Warrior Laptop program supports injured veterans with an increased level of independence, social inclusion and hope for their future through the use of a new laptop computer and/or a tablet.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognize inventories, and does capitalize and depreciate/amortize equipment and intangible assets.

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. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

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. Generally, the donors permit the organization to use or expend all or part of the income earned on those assets to support current operations and accordingly, income is recorded as unrestricted. The Organization had no permanently restricted net assets at March 31, 2014 or 2013.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Support and Revenues

In accordance with professional standards, contributions, which consist of cash received from donors and in-kind donations of 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 accounts, savings accounts, prepaid debit cards and a very small amount of petty cash (2013 only).

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.

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 consist of three promotional videos which are being amortized over an estimated useful life of three years 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 – INVENTORY

Inventory consists of unsold spiritwear clothes (sweatshirts and hats). Inventory is valued under the specific identification method and recorded at cost at the time of purchase.

NOTE 3 – PROPERTY AND EQUIPMENT AND INTANGIBLES

Property and equipment and intangibles consist of the following:

	2014	2013
Property and Equipment		
Computer Equipment	$ 12,697	$ 3,601
Accumulated Depreciation	(2,552)	(3,601)
	$ 10,145	$ -
Intangibles		
Promotional Videos	$ 6,650	$ 3,650
Accumulated Amortization	(2,970)	(1,870)
	$ 3,680	$ 1,780

NOTE 4 – DONATED IN-KIND REVENUE

Donated 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.

	2014	2013
Donated In-Kind Revenues:		
Special Events Revenue	$ 22,701	$ 25,803
Donated Goods and Services	38,316	38,115
	$ 61,017	$ 63,918
Donated In-kind Expenses:		
Professional Fees	$ 27,920	$ 28,927
Food and Supplies	17,701	21,703
Occupancy	10,396	8,288
Facilities and Equipment Rental	5,000	5,000
	$ 61,017	$ 63,918

Donated Contractual Service expenses consist of two categories: client advocate and coaching services. Client advocate services are performed by three trained volunteers who match qualified applicants with emergency financial assistance and has been valued at $25,170 in 2014. For 2013, the client advocates were valued at $26,040. The remaining $2,550 of donated Contract Services represents the value of a volunteer running coach to be responsible for an average of fifteen runners during the year. These runners participate in various running fund raising events for Salute. The coaching services have been valued $2,550 for both years.

NOTE 4 – DONATED GOODS, FACILITES AND SERVICES (Continued)

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:

	2014	2013
Builders of Hope	$ 29,810	$ 11,517
Direct Assistance to Illinois Veterans	6,953	66,566
Hoops for Heroes	272	4,704
Nightingale Program	-	2,063
Laptop Program	2,813	2,112
Total	$ 39,848	$ 86,962

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

	2014	2013
Builders of Hope	$ 503	$ 339
Direct Assistance to Illinois Veterans	59,613	13,434
Hoops for Heroes	4,432	6,211
Nightingale Program	2,063	324
Laptop Program	15,208	1,884
Total	$ 81,819	$ 22,192

NOTE 6 – TAX-EXEMPT STATUS

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Effective April 1, 2009, the Organization adopted the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant

NOTE 6 – TAX-EXEMPT STATUS (Continued)

information. The adoption of the guidance had no effect on the Organization's financial statements as of April 1, 2009 and resulted in no adjustment for unrecognized income tax benefits for the years ended March 31, 2014 and 2013. The Organization believes that it has appropriate support for the positions taken on its returns.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the tax years ending March 31: 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed. There are currently no audits in process.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated material subsequent events from the balance sheet date of March 31, 2014 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.