

HIRE HEROES USA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

With Independent Auditors' Report Thereon

HIRE HEROES USA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS		
	2014	2013
CURRENT ASSETS		
Cash	\$ 1,994,272	\$ 1,207,738
Investments	124,721	106,497
Student loans receivable, net	-	111,279
Accounts receivable – current portion	776,146	23,803
Prepaid expenses	2,105	1,868
Other assets - current	<u>-</u>	<u>2,960</u>
TOTAL CURRENT ASSETS	<u>2,897,244</u>	<u>1,454,145</u>
NON CURRENT ASSETS		
Property, plant, and equipment, net	11,192	15,142
Accounts receivable – long-term portion	200,000	-
Intangible asset, net	4,583	10,083
Other assets – non current	<u>1,775</u>	<u>1,775</u>
TOTAL NON CURRENT ASSETS	<u>217,550</u>	<u>27,000</u>
TOTAL ASSETS	<u>\$ 3,114,794</u>	<u>\$ 1,481,145</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 38,470	\$ 45,806
Accrued expenses	80,816	48,676
Unearned revenue	<u>26,061</u>	<u>22,029</u>
TOTAL CURRENT LIABILITIES	<u>145,347</u>	<u>116,511</u>
TOTAL LIABILITIES	<u>145,347</u>	<u>116,511</u>
NET ASSETS		
Unrestricted	1,550,423	1,129,354
Temporarily restricted	<u>1,419,024</u>	<u>235,280</u>
TOTAL NET ASSETS	<u>2,969,447</u>	<u>1,364,634</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,114,794</u>	<u>\$ 1,481,145</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, 2014 AND 2013

	Program activities		Management and general		Fundraising		Totals	
	2014	2013	2014	2013	2014	2013	2014	2013
Salaries and wages	\$ 1,641,200	\$ 936,173	\$ 176,076	\$ 120,630	\$ 15,893	\$ 24,105	\$ 1,833,169	\$ 1,080,908
Advertising and promotions	403,113	109,430	105,660	26,025	-	-	508,773	135,455
Travel and hospitality	260,861	185,184	6,182	16,037	27,164	29,378	294,207	230,599
Payroll taxes	125,513	69,543	13,466	8,961	1,215	1,791	140,194	80,295
Benefits	107,707	118,551	11,556	15,275	1,043	3,053	120,306	136,879
Rent	79,011	66,102	14,453	8,517	2,891	1,702	96,355	76,321
Office expenses	39,765	28,180	32,689	17,903	386	727	72,840	46,810
Professional fees	53,394	17,085	13,478	9,502	1,217	440	68,089	27,027
Fees and services	5,506	280	27,519	13,022	12,845	7,563	45,870	20,865
Management fees	-	-	26,380	16,757	-	-	26,380	16,757
Utilities	16,683	10,615	2,815	1,368	602	273	20,100	12,256
Depreciation	9,450	4,867	-	-	-	-	9,450	4,867
Insurance	-	990	8,491	7,651	-	25	8,491	8,666
Sponsorships	-	-	5,000	-	-	-	5,000	-
Fundraising expenses	-	-	-	-	3,702	13,736	3,702	13,736
Postage and delivery	2,372	791	454	198	-	-	2,826	989
Printing and reproduction	839	2,080	210	520	-	1,995	1,049	4,595
Dues and subscriptions	408	4,718	200	3,882	162	-	770	8,600
Other program expenses	486	2,997	-	-	-	-	486	2,997
TOTAL EXPENSES	\$ 2,746,308	\$ 1,557,586	\$ 444,629	\$ 266,248	\$ 67,120	\$ 84,788	\$ 3,258,057	\$ 1,908,622

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

HIRE HEROES USA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

1. ORGANIZATION

Hire Heroes USA, Inc. ("Hire Heroes") 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 is dedicated to creating job opportunities for US military veterans and their spouses through personalized employment training and corporate engagement.

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 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 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 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 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)

Income taxes

Hire Heroes 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. Generally, the Internal Revenue Service (the “IRS”) may examine a tax return for three years from the date it is filed. At June 30, 2014, tax years 2013, 2013, and 2012 remained open for possible examination by the IRS.

Reclassifications

Certain reclassifications have been made to the 2013 balances to conform to the 2014 presentation.

3. INVESTMENTS

Investments at June 30, 2014 and 2013 are recorded at fair value and are comprised of the following:

	2014 <u>Fair Value</u>	2013 <u>Fair Value</u>
Equities	\$ 94,332	\$ 76,890
Mutual Funds: Fixed Income	<u>30,389</u>	<u>29,607</u>
Total investments	<u>\$ 124,721</u>	<u>\$ 106,497</u>

Investment fees for the years ended June 30, 2014 and 2013 totaled \$538 and \$607, respectively.

4. FAIR VALUE MEASUREMENTS

Hire Heroes 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

6. STUDENT LOAN RECEIVABLES (Continued)

During fiscal year 2013, the Organization contracted with a service organization to administer its scholarship awards and student loan program. As part of the agreement, the service organization managed the student loan and the scholarship payment process. During the past two years, the fees associated with paying the service organization for managing the student loan accounts exceeded the receivables that the organization was able to recoup. The Organization made the decision to write off the remaining student loan receivable balances. The receivable balance written off at June 30, 2014 is \$ 84,552. This is listed as Extraordinary Event – Discontinued Operations on the Statement of Activities.

The total amount of fees paid to the service organization during June 30, 2014 and 2013 was \$25,842 and 16,757, respectively.

7. FIXED ASSETS

Property, plant and equipment at June 30, 2014 and 2013 are summarized as follows:

	2014	2013
Website development	\$ <u>19,750</u>	\$ <u>19,750</u>
Less accumulated depreciation	<u>(8,558)</u>	<u>(4,608)</u>
Net fixed assets	\$ <u>11,192</u>	\$ <u>15,142</u>

8. SPECIAL EVENTS

Hire Heroes 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, 2014 and 2013:

	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>