

**FINAL SALUTE INCORPORATED
FOR THE YEAR ENDED DECEMBER 31, 2015**

FINAL SALUTE INCORPORATED FOR THE YEAR ENDED DECEMBER 31, 2015

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Moran & Company P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Final Salute Incorporated
Haymarket, Virginia

We have audited the accompanying statement of financial statements of Final Salute Incorporated (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and cash flows for the year 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 Final Salute Incorporated as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Moran & Company P.C.".

Moran & Company, P.C.
Manassas, VA
June 17, 2016

FINAL SALUTE, INC
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2015

Assets

	2015
Current Assets	
Cash & Cash Equivalents	\$ 52,501
Short Term Notes & Other Receivables	6,875
Total Current Assets	59,376
Fixed Assets	
Transitional Home	465,056
Donated Facility	-
Furniture and Fixtures	3,618
Vehicles	4,100
Accumulated Depreciation	(37,864)
Net Fixed Assets	434,910
Total Assets	\$ 494,286

Liabilities and Net Assets

Current Liabilities	
Accounts Payable	\$ 1,037
Accrued Liabilities	1,549
Current Portion of Long Term Debt	11,594
Total Current Liabilities	14,180
Long Term Liabilities	
Notes and Mortgage Payable	356,230
Total Long Term Liabilities	356,230
Total Liabilities	370,410
Net Assets	
Unrestricted	123,876
Temporarily Restricted	-
Total Net Assets	123,876
Total Liabilities and Net Assets	\$ 494,286

SEE NOTES TO FINANCIAL STATEMENTS

FINAL SALUTE, INC
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2015 Total
	Unrestricted	
Support and Revenue:		
Direct Public Support	\$ 317,453	\$ 317,453
Grants	-	-
Net Assets Released from Restrictions	-	-
	<hr/>	<hr/>
Total Support and Revenue	\$ 317,453	\$ 317,453
	<hr/>	<hr/>
Other Income	\$ -	\$ -
	<hr/>	<hr/>
Total Other income	\$ -	\$ -
	<hr/>	<hr/>
Total Operating Revenue	\$ 317,453	\$ 317,453
	<hr/>	<hr/>
Expenses		
Program Expenses	\$ 481,481	486,108
General and Administrative Expenses	33,717	33,717
Fundraising Expenses	10,718	6,091
	<hr/>	<hr/>
Total Expenses	\$ 525,916	\$ 525,916
	<hr/>	<hr/>
Change in Net Assets from Operations	\$ (208,464)	\$ (208,464)
	<hr/>	<hr/>
Increase (Decrease) in Net Assets	\$ (208,464)	\$ (208,464)
Net Assets (Deficit), Beginning of Year	\$ 332,339	\$ 332,339
	<hr/>	<hr/>
Net Assets (Deficit), End of Year	\$ 123,876	\$ 123,876
	<hr/>	<hr/>

SEE NOTES TO FINANCIAL STATEMENTS

FINAL SALUTE, INC
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Expense Category	Program	General and Administrative	Fundraising	2015 Total
Advertising and Promotional	\$ 41,643	\$ -	\$ 4,627	\$ 46,270
Auto	4,628	-	-	4,628
Bank Service Charges	-	222	-	222
Charitable Contributions	6,321	-	-	6,321
Childcare	548	-	-	548
Clothing	3,280	-	-	3,280
Computer & Internet	2,590	126	-	2,716
Conferences, Conventions and Events	84,674	-	-	84,674
Contractual Services	6,803	1,275	1,656	9,734
Decorations	2,885	-	-	2,885
Depreciation	20,122	-	-	20,122
Food	10,234	-	-	10,234
Gifts	275	-	-	275
Insurance	4,087	-	-	4,087
Interest	23,916	-	-	23,916
Membership Dues	150	-	-	150
Occupancy	55,065	-	-	55,065
Office and Miscellaneous Expense	3,162	3,108	-	6,270
Professional Services	15,350	8,681	-	24,031
Repairs and Maintenance	13,356	-	-	13,356
Resident Assistant Stipend	6,690	-	-	6,690
Salary and Wage Expenses	70,967	13,306	4,435	88,709
Storage	4,656	-	-	4,656
Supplies	3,073	-	-	3,073
Tax & License	13,165	6,999	-	20,163
Training	4,897	-	-	4,897
Travel	63,839	-	-	63,839
Utilities	15,105	-	-	15,105
Total Expenses	\$ 481,481	\$ 33,717	\$ 10,718	\$ 525,916

SEE NOTES TO FINANCIAL STATEMENTS

FINAL SALUTE, INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Net income (loss)	\$	(208,464)
Adjustments to reconcile net income (loss) to net cash provided by operating activities :		
Depreciation	\$ 20,122	
(Increase) decrease in Accounts Receivable	(6,875)	
(Increase) decrease in Prepaid Expenses & Deposits	-	
Increase (decrease) in Accounts Payable	1,009	
Increase (decrease) in Accrued Liabilities	1,549	
Total Adjustments	\$	15,804
Net Cash Provided (Used) By Operating Activities	\$	(192,659)

CASH FLOWS FROM INVESTING ACTIVITIES

(Increase) decrease in Fixed Assets	50,281	
Net Cash Provided (Used) by Investing Activities	\$	50,281

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from the issuance of long-term debt	\$	-
Principle payments on long-term debt	\$ (10,988)	
Net Cash Provided (Used) by Financing Activities	\$	(10,988)

NET INCREASE (DECREASE) IN CASH **(153,367)**

CASH AT BEGINNING OF PERIOD **205,868**

CASH AT END OF PERIOD **\$ 52,501**

Interest Paid: \$ 23,916
Income Taxes Paid: \$ 0

SEE NOTES TO FINANCIAL STATEMENTS

**FINAL SALUTE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of the Organization conform to generally accepted accounting principles. The following is a summary of the significant accounting policies and practices.

Organization and Nature of Activities:

Final Salute Incorporated is a 501 (c) (3) non-profit organization that was incorporated in the Commonwealth of Virginia in 2010. The Organization was established to receive public contributions which are to be used to provide transitional housing for homeless female veterans and their children.

Three Major Programs:

The **H.O.M.E Program** provides transitional housing, on-site case management, food, clothing, transportation, child care subsidy/assistance, employment support and other essential supportive services to homeless women Veterans and their children. During the 2015 year **seven women vets** and **nine children** were assisted through this program.

The **S.A.F.E program** provides valuable financial education resources on saving, budgeting and living on a fixed income. S.A.F.E provides emergency financial support by assisting with past due rent, security deposits and utility assistance. Residents of our H.O.M.E program are also required to participate in the financial education components of our S.A.F.E program. Throughout 2015 The S.A.F.E. Program assisted **20 women vets** and **25 children**; in addition we provided financial education documents and resources to **452** women vets and **612** dependents.

The **Stand-Up for Women Vets program** provides support for women Veterans and military women in transition to the civilian workforce. We provide free of charge: Professional Business Attire, Dress Shoes, Accessories, Make-Overs, Image Consulting, and Professional Head-Shots. **Two Hundred Fifty** women were helped through this program in 2015.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**FINAL SALUTE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Short Term Notes and Other Receivables:

Short Term Notes and other Receivables that are expected to be collected within one year are recorded at their net realizable value.

For the year ending December 31, 2015, the Organization had a short term note receivable, with a balance of \$6,875.

During 2015 an appraisal was performed on the home in Ohio, and it was valued at \$15,000. The home was initially valued at \$55,000 fair market value when it was donated to Final Salute in 2012. It was decided in 2015 that the Veteran residing in the home would purchase the home, based on the appraised value, directly from Final Salute Inc., with no bank involvement, for \$7,500 and Final Salute would donate the remaining \$7,500, because of substantial work that needed to be done on the home including foundation work. The purchaser would take ownership as of November 26, 2015 and make monthly payments to Final Salute for \$625 until the \$7,500 is paid.

Equipment:

Equipment is recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using a straight-line basis over an estimated useful life of five years. The Organization capitalizes assets over \$500.

Program Services and Support Services:

Program services consist of the Organization's educational, promotional, occupancy, travel, office expenses and related services. Support services are comprised of management, general and fund-raising costs.

Subsequent Events:

Management has evaluated subsequent events through June 17, 2016, the date the financial statements were available to be issued.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FINAL SALUTE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Income Taxes:

The Organization is a not-for-profit corporation that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

Contributions:

In accordance with ASC No. 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

2. Depreciation:

The fixed asset balances less accumulated depreciation at December 31, 2015 were:

	2015
Vehicles	\$ 4,100
Furniture and Fixtures	3,618
Transitional Facility	465,056
Less: Accumulated Depreciation	<u>(37,864)</u>
Total	<u>\$ 434,911</u>

Depreciation expense for the year ended December 31, 2015 was \$20,122.

The Transitional facility was purchased and recorded at cost as stipulated by GAAP as all of the organizations assets are. The facility was subsequently appraised at a value of \$800,000.

3. Contributed Property and Equipment:

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. During the period ending December 31, 2015 there was no property contributed.

FINAL SALUTE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

4. Contributed Services, Materials, and Facilities:

The Organization receives donated services from one hundred and twelve unpaid volunteers assisting the Organization in facilitating and promoting the transitional housing for homeless female veterans and their children. There is no value assigned to these unskilled services in the financial statements.

5. Accounting for Uncertainty in Income Taxes:

The Organization has elected to be treated as a 501 (c) (3) non-profit organization; therefore no taxes are currently payable by the organization.

Interest and penalties would be deductible for GAAP purposes, but for tax purposes the amounts would be removed. The total amount of interest and penalties recognized on the balance sheet is zero.

There is no known event within the next twelve months that will change this status. Tax years still open to examination are 2013-2015.

6. Advertising Costs

The Organization uses advertising to promote its programs and provide financial literacy and education to the community that it serves. The Organization records its advertising costs as they are incurred. During the year ended December 31, 2015 the Organization incurred \$42,486 in advertising and promotion.

7. Going Concern

The financial statements were prepared on a going concern basis. The going concern basis assumes that the Organization will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

During the year ended December 31, 2015, the Organization had a decrease in net assets of \$208,464 and negative cash flow of \$153,367, and positive working capital of \$45,196. The positive working capital balance was mainly due to the cash balance of \$52,501. The Organization believes it has sufficient cash and net assets to operate over the next 12 months. However, additional funding will be necessary to meet the increasing demand for its services. From the Blackbaud 2015 charitable giving report "There were four sectors (Human Services, Higher Education, Public and Society, and K-12 Education) that experienced year-over-year declines in overall fundraising." Human services in particular had the most significant year over year decline at -2.8%, and the decrease in support to the organization should not be a reflection of their operations or management capabilities, but rather an unforeseen and uncontrollable economic factor.

FINAL SALUTE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

To date in 2016, the Organization has received a large grant that was uncertain at the end of the 2015 year, which has put them on goal to exceed support received in 2015. The organization has not acquired any new long term liabilities and hopes that the asset sale will serve to reduce some operating costs.

The Organization will need to obtain donations in order to fund its operations. This need may be adversely affected by the downturn in the economy and uncertain market conditions. To address its financing requirements, the Organization will seek financing through fund-raising activities. The outcome of these matters cannot be predicted at this time.

8. Notes Payable and Mortgages:

In February of 2014, the Organization entered into a mortgage agreement with BB & T with payments starting March 5, 2014 and ending on February 5, 2024 with an APR of 5.83%.

The payment schedule for the next five years is:

	2016	\$	11,594			
	2017		12,360			
	2018		13,111			
	2019		13,907			
	2020		14,698			
	Total	\$	65,670			

9. Fair Value Measurements:

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, Notes and Mortgage Payable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

8. Concentrations:

During the year ended December 31, 2015, the Organization had one donor, CACI, Inc. that donated approximately 10% of Final Salute's total support.

9. Subsequent Events

There were no subsequent events

**FINAL SALUTE INCORPORATED
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

10. Date of Management's Review

Management has evaluated subsequent events for disclosure in the financial statements through June 17, 2016 which is the date the financial statements were available to be issued.