

THE SILVER STAR FAMILIES OF AMERICA

YEARS ENDED DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Silver Star Families of America
Clever, Missouri

We have audited the accompanying financial statements of The Silver Star Families of America (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows 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 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 statement 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 audits 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 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. And 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 The Silver Star Families of America as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Roberta McFarlane Mangan-Cummings

Springfield, Missouri
July 26, 2013

THE SILVER STAR FAMILIES OF AMERICA

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 10,839	\$ 8,906
Inventory	753	753
Prepaid expenses	<u>1,044</u>	<u>1,044</u>
Total current assets	<u>12,636</u>	<u>10,703</u>
Property and equipment:		
Leasehold improvements / building	10,518	5,518
Furniture and fixtures	705	705
Equipment	<u>1,985</u>	<u>1,985</u>
	13,208	8,208
Less accumulated depreciation	<u>(2,651)</u>	<u>(1,671)</u>
	<u>10,557</u>	<u>6,537</u>
	<u>\$ 23,193</u>	<u>\$ 17,240</u>

NET ASSETS

Net assets:		
Unrestricted net assets	<u>\$ 23,193</u>	<u>\$ 17,240</u>

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

STATEMENTS OF ACTIVITIES

THE SILVER STAR FAMILIES OF AMERICA

STATEMENTS OF ACTIVITIES

	Year ended December 31, 2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and other revenue:			
Public support:			
Contributions	\$ 9,480	\$ -	\$ 9,480
Sponsorships-flags/banners	1,150	-	1,150
Grant revenue	10,000	-	10,000
In-kind contributions	<u>2,315</u>	<u>-</u>	<u>2,315</u>
Total public support	<u>22,945</u>	<u>-</u>	<u>22,945</u>
Other revenue:			
Sales – store items	36	-	36
Less cost of sales	<u>-</u>	<u>-</u>	<u>-</u>
	36	-	36
Interest income	<u>6</u>	<u>-</u>	<u>6</u>
Total other revenue	<u>42</u>	<u>-</u>	<u>42</u>
Total public support and other revenue	<u>22,987</u>	<u>-</u>	<u>22,987</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:			
Program services	11,116	-	11,116
General and administrative expenses	3,473	-	3,473
Fundraising expense	<u>2,445</u>	<u>-</u>	<u>2,445</u>
Total expenses	<u>17,034</u>	<u>-</u>	<u>17,034</u>
Change in net assets	5,953	-	5,953
Net assets, beginning of year	<u>17,240</u>	<u>-</u>	<u>17,240</u>
Net assets, end of year	<u>\$ 23,193</u>	<u>\$ -</u>	<u>\$ 23,193</u>

	Year ended December 31, 2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and other revenue:			
Public support:			
Contributions	\$ 12,776	\$ -	\$ 12,776
Sponsorships-flags/banners	175	-	175
Grant revenue	7,000	-	7,000
In-kind contributions	<u>1,976</u>	<u>-</u>	<u>1,976</u>
Total public support	<u>21,927</u>	<u>-</u>	<u>21,927</u>
Other revenue:			
Sales – store items	58	-	58
Less cost of sales	<u>(28)</u>	<u>-</u>	<u>(28)</u>
	30	-	30
Interest income	<u>11</u>	<u>-</u>	<u>11</u>
Total other revenue	<u>41</u>	<u>-</u>	<u>41</u>
Total public support and other revenue	<u>21,968</u>	<u>-</u>	<u>21,968</u>
Net assets released from restrictions	<u>30</u>	<u>(30)</u>	<u>-</u>
Expenses:			
Program services	17,692	-	17,692
General and administrative expenses	3,008	-	3,008
Fundraising expense	<u>2,881</u>	<u>-</u>	<u>2,881</u>
Total expenses	<u>23,581</u>	<u>-</u>	<u>23,581</u>
Change in net assets	(1,583)	(30)	(1,613)
Net assets, beginning of year	<u>18,823</u>	<u>30</u>	<u>18,853</u>
Net assets, end of year	<u>\$ 17,240</u>	<u>\$ -</u>	<u>\$ 17,240</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES

THE SILVER STAR FAMILIES OF AMERICA

STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2012			
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Flags/banners	\$ 3,785	\$ -	\$ -	\$ 3,785
Professional fees	-	1,200	2,400	3,600
Communications	1,993	-	-	1,993
Care packages and donations	1,715	-	-	1,715
Rent expense	1,600	-	-	1,600
Postage and mailings	1,267	-	-	1,267
Depreciation	-	980	-	980
Office supplies	-	667	-	667
Insurance	-	570	-	570
Repairs/maintenance	258	-	-	258
Utilities	249	-	-	249
Conferences and meetings	200	-	-	200
Bank and Paypal fees	-	46	45	91
Travel	49	-	-	49
Membership fees	-	10	-	10
	<u>\$ 11,116</u>	<u>\$ 3,473</u>	<u>\$ 2,445</u>	<u>\$ 17,034</u>

Year ended December 31, 2011

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Care packages and donations	\$ 6,284	\$ -	\$ -	\$ 6,284
Professional fees	-	1,417	2,833	4,250
Flags/banners	4,082	-	-	4,082
Communications	2,185	-	-	2,185
Rent expense	1,600	-	-	1,600
Postage and mailings	1,418	-	-	1,418
Conferences and meetings	1,031	-	-	1,031
Repairs/maintenance	852	-	-	852
Depreciation	-	834	-	834
Insurance	-	569	-	569
Utilities	240	-	-	240
Office supplies	-	130	-	130
Bank and Paypal fees	-	48	48	96
Membership fees	-	10	-	10
	<u>\$ 17,692</u>	<u>\$ 3,008</u>	<u>\$ 2,881</u>	<u>\$ 23,581</u>

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

THE SILVER STAR FAMILIES OF AMERICA

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 5,953	\$ (1,613)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	980	834
(Increase) decrease in assets:		
Inventory	-	857
Prepaid expenses	-	1,539
Other receivables	-	524
Increase (decrease) in liabilities:		
Accounts payable	<u>-</u>	<u>(876)</u>
Net cash provided by operating activities	6,933	1,265
Cash flows from investing activities:		
Purchase of property and equipment	<u>(5,000)</u>	<u>(648)</u>
Net increase in cash and cash equivalents	1,933	617
Cash and cash equivalents, beginning of year	<u>8,906</u>	<u>8,289</u>
Cash and cash equivalents, end of year	<u>\$ 10,839</u>	<u>\$ 8,906</u>

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

THE SILVER STAR FAMILIES OF AMERICA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

1. Summary of significant accounting policies

Organization and nature of activities

The Silver Star Families of America (the Organization) was organized to provide free services to the wounded members of the Armed forces, including, but not limited to, presentation of a Silver Star Banner and certificate. The Organization's mission is to also act as an advocate for the wounded and to educate the public on the plight of the wounded. The Organization also provides care packages to the wounded as well as to various military and V.A. hospitals. The Organization is funded through contributions from donors across the country and various fundraisers and grant awards.

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial statement presentation

In accordance with FASB Accounting Standards Codification 958-210-45, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, by actions of the Organization and/or the passage of time. When a restriction expires or is otherwise satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2012 and 2011, the Organization had no permanently restricted net assets.

1. Summary of significant accounting policies (continued)

Income tax status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

For the years ended December 31, 2012 and 2011, the Organization engaged in no activities that would be taxed as unrelated business income. Accordingly, the accompanying financial statements do not reflect any provision for income taxes.

The Organization adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10), effective January 1, 2009. Under the interpretation, the Organization would record a liability for uncertain tax positions when it is probable that a tax position would not be upheld under examination and the amount can be reasonably estimated. The Organization continually evaluates expiring statutes of limitations, changes in tax law and new authoritative rulings in determining if there are unreasonable tax positions subject to the provisions of FASB Interpretation No. 48. At December 31, 2012 and 2011, the Organization has determined that there were no unreasonable tax positions whereby a liability would need to be recorded.

The federal Form 990 tax returns of the Organization for 2012, 2011 and 2010 are subject to examination by the respective taxing authorities, generally for three years after they were filed.

Contributions

In accordance with FASB Accounting Standards Codification 958-605-25, the Organization is required to report contributions received as unrestricted, temporarily restricted, and permanently restricted, depending on the existence or nature of any donor restrictions. Temporarily restricted contributions are reclassified to unrestricted contributions upon satisfaction of the purpose of the restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports that support as unrestricted.

Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may vary from these estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all short-term investments with original maturities of three months or less to be cash equivalents. Accordingly, a certificate of deposit held by the Organization in the amount of \$5,083 and \$5,077 at December 31, 2012 and 2011, respectively, is included in cash and cash equivalents and the accompanying statements of financial position.

1. Summary of significant accounting policies (continued)

Property and equipment

Property and equipment is recorded at cost or at an estimated fair value at the date of the gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization follows the practice of capitalizing all expenditures for property and equipment greater than or equal to \$200 with useful lives greater than one year. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$980 and \$834 for the years ended December 31, 2012 and 2011, respectively.

Inventory

Inventory consists of various items from the organization's online store. Inventory is stated at cost and determined by the first-in first-out method of valuing inventory.

Related party transactions

The Organization's founder and treasurer owns the building which serves as the Organization's home office. Accordingly, an in-kind donation of \$1,600 and offsetting rent expense for the years ended December 31, 2012 and 2011 has been included in the accompanying statements of activities for the value of the space the Organization would otherwise have to rent.

2. Temporarily restricted net assets

Temporarily restricted net assets were released from restrictions during the year ended:

	<u>December 31</u>	
	<u>2012</u>	<u>2011</u>
Satisfaction of usage restrictions:		
Building maintenance and operations	\$ <u> -</u>	\$ <u> 30</u>

3. Subsequent event

The Organization has evaluated subsequent events through July 26, 2013, the date which the financial statements were available to be issued. There were no significant events noted that did not exist at the date of the statements of financial position but arose subsequent to that date.