



TROOPS DIRECT.ORG

TROOPS DIRECT

AUDITED FINANCIAL STATEMENTS

Year Ended
June 30, 2015
With Independent Auditors' Report

Troops Direct

(A California Non-Profit Corporation)
June 30, 2015

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 9

TroopsDirect

2400 Camino Ramon, Suite 105
San Ramon, California 94583
877-978-7667

General Inquiries: support@troopsdirect.org
Web Site Address: www.troopsdirect.org

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Troops Direct

We have audited the accompanying financial statements of Troops Direct (a California nonprofit organization) which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 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 Troops Direct as of June 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from Troops Direct's June 30, 2014 financial statements. In our report dated December 15, 2014, we expressed an unqualified opinion on those financial statements.

December 18, 2015
Danville, California

Regalia & Associates

TROOPS DIRECT

Statements of Financial Position June 30, 2015 and 2014

ASSETS

	2015	2014
Current assets:		
Cash and cash equivalents	\$ 868,405	\$ 673,417
Accounts receivable	232	106
Prepaid expenses	1,000	1,400
Total current assets	<u>869,637</u>	<u>674,923</u>
	<u>\$ 869,637</u>	<u>\$ 674,923</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued liabilities	\$ 525	\$ 8,702
Total current liabilities	<u>525</u>	<u>8,702</u>
Net assets:		
Unrestricted	<u>869,112</u>	666,221
Total net assets	<u>869,112</u>	<u>666,221</u>
	<u>\$ 869,637</u>	<u>\$ 674,923</u>

TROOPS DIRECT

Statements of Activities and Changes in Net Assets Years Ended June 30, 2015 and 2014

	2015	2014
<i>Changes in unrestricted net assets:</i>		
Grants, contributions and revenue:		
Contributions	\$ 1,076,366	\$ 621,051
Goods and supplies donated to Troops Direct	1,762,339	1,511,845
Special events and other public support	151,108	159,963
Less: direct costs of special events	(95,824)	(23,005)
Interest income	111	73
Total grants, contributions and revenue:	2,894,100	2,269,927
Expenses:		
Program services	2,501,392	1,824,301
Development	143,137	8,877
General and administrative	46,680	47,606
Total expenses	2,691,209	1,880,784
Increase in unrestricted net assets	202,891	389,143
Increase in net assets	202,891	389,143
Net assets at beginning of year	666,221	277,078
Net assets at end of year	\$ 869,112	\$ 666,221

TROOPS DIRECT

Statements of Cash Flows Years Ended June 30, 2015 and 2014

	2015	2014
<i>Operating activities:</i>		
Increase in net assets	\$ 202,891	\$ 389,143
Adjustments to reconcile to cash provided by operating activities:		
Changes in:		
Accounts receivable	(126)	(81)
Prepaid expenses	400	400
Accounts payable and accrued liabilities	(8,177)	(4,303)
	194,988	385,159
Cash provided by operating activities	194,988	385,159
Increase in cash and cash equivalents	673,417	288,258
Cash and cash equivalents at beginning of year	673,417	288,258
Cash and cash equivalents at end of year	\$ 868,405	\$ 673,417
 <i>Additional cash flow information:</i>		
State taxes paid	\$ 150	\$ 150
Interest paid	\$ -	\$ -

TROOPS DIRECT

Statement of Functional Expenses

Year Ended June 30, 2015

(with Summarized Unaudited Financial Information for the Year Ended June 30, 2014)

	Program Services	Develop- ment	General and Admin- istrative	Totals June 30, 2015	Totals June 30, 2014
Bank charges	\$ -	\$ -	\$ 953	\$ 953	\$ 1,122
Direct mail	253,686	138,937	2,275	394,898	-
Insurance	3,821	84	294	4,199	1,479
Marketing and promotion	5,573	-	-	5,573	7,958
Miscellaneous	1,528	-	-	1,528	3,334
Occupancy	12,891	368	1,473	14,732	14,225
Office and administration	7,725	221	883	8,829	7,845
Printing	2,495	71	285	2,851	2,707
Professional fees	98,338	-	10,394	108,732	28,966
Product acquisition and distribution	1,994,375	-	-	1,994,375	1,665,649
Salaries, taxes and benefits	78,663	2,247	8,990	89,900	80,529
Telephone and internet	4,289	123	490	4,902	5,431
Transaction Fees	-	-	16,299	16,299	25,180
Travel	38,008	1,086	4,344	43,438	36,359
Totals	\$2,501,392	\$143,137	\$ 46,680	\$2,691,209	\$1,880,784

TROOPS DIRECT

Notes to Financial Statements

June 30, 2015

1. Organization

Troops Direct was established in 2010 as a California nonprofit public charity corporation. Troops Direct supports our front line troops exclusively at larger unit levels with the objective of making them the healthiest, most energized and highest spirited Marines, soldiers, aircrew and sailors that we can. We function as a non-profit 'back line' of supply for units based in Afghanistan, Africa, at sea and in other 'hot spots'. We communicate with the front lines daily and provide -in bulk- detailed hygiene, nutrition, gear and K9 support.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Troops Direct (the organization) have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The organization had no temporarily or permanently restricted net assets at June 30, 2015 and 2014.

Revenue Recognition

The organization records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All 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 on the statements of activities and changes in net assets as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and money market deposits that have a maturity of less than three months when opened.

Notes to Financial Statements

June 30, 2015

2. Summary of Significant Accounting Policies *(continued)*

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers donate a substantial amount of time to the organization. While significant in value, these services are not recorded in the financial statements since such services are not susceptible to objective measurement or valuation because they did not meet the criteria for recognition under ASC 958.205, *Accounting for Contributions Received and Contributions Made*.

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, the organization is required to report information regarding its exposure to various tax positions taken by the organization and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that it has adequately evaluated its current tax positions and has concluded that as of June 30, 2015, the organization does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

The organization has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the organization continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. The organization may periodically receive unrelated business income (such as sublease rental income) requiring the organization to file separate tax returns under federal and state statutes. Under such conditions, the organization calculates and accrues the applicable taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the organization's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

TROOPS DIRECT

Notes to Financial Statements

June 30, 2015

3. Cash and Cash Equivalents

Cash and cash equivalents of \$868,405 and \$673,417 at June 30, 2015 and 2014, respectively, consist of FDIC-insured funds in local checking and money market accounts that have maturity dates of 90 days or less. Troops Direct attempts to limit its credit risk associated with cash equivalents by utilizing financial institutions that are well capitalized and highly rated.

4. Prepaid Expenses

Prepaid expenses of \$1,000 and \$1,400 at June 30, 2015 and 2014, respectively, consist of prepaid travel amounts covering future periods.

5. Occupancy and Related Party

Troops Direct leases its office premises in San Ramon, California under a month-to-month operating agreement which requires a monthly rental payment of \$800 as of June 30, 2015. Rent expense for the office amounted to \$9,450 and \$8,750 for the years ended June 30, 2015 and 2014, respectively. The office lease is in a building owned by a related party (an organization controlled by the President's father), and the terms of the lease are at favorable market conditions. The organization also leases a storage facility in Danville, California under a month-to-month operating agreement which requires a monthly rental payment of \$420. Rent expense for the storage facility amounted to \$5,040 and \$4,630 for the years ended June 30, 2015 and 2014, respectively.

6. Marketing and Promotion

Marketing and promotion costs are expensed as incurred. Marketing and promotion expenses amounted to \$5,573 and \$7,958 for the years ended June 30, 2015 and 2014, respectively, and are reflected on the statement of functional expenses.

7. Allocation of Joint Costs

Troops Direct follows the provisions of ASC 958.720-05 *Other Expenses of Not-for-Profit*. Under ASC 958.720-05, the Agency incurred allocable joint costs of \$394,898 for the informational materials and activities that included fund-raising appeals during the year ended June 30, 2015. Of those costs, \$253,686, \$2,275, and \$138,937 were allocated to program services (for public education), general and administrative, and fund-raising expenses during the year ended June 30, 2015. These allocations were based on independent analyses of the costs pertaining to the underlying direct program and fundraising expenses which were associated with various mailings.

8. Net Assets

Unrestricted net assets represent the cumulative retained surpluses since the inception of Troops Direct and amounted to \$869,112 and \$666,221 through June 30, 2015 and 2014, respectively.

TROOPS DIRECT

Notes to Financial Statements

June 30, 2015

9. In-kind Contributions (Donated Services, Materials and Facilities)

Troops Direct recognizes donated services which create and enhance non-financial assets or that require specialized skills (such as professional services which would otherwise need to be purchased if not provided by donation). There are also unpaid volunteers who have made significant contributions of time to various departments or programs of Troops Direct. The value of this contributed time is not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under ASC 958.605.30-11 "*Revenue Recognition of Not-For-Profit Entities.*"

During the years ended June 30, 2015 and 2014, Troops Direct was the recipient of a substantial amount of in-kind contributions which satisfied the provisions of ASC 958.605.30-11 and these donated services, materials, and facilities were recorded at their estimated fair market values as program and supporting revenues and expenses. The goods and materials were vital to the operation of the programs and would have had to be purchased otherwise. The values of these contributions are as follows for the years ended June 30, 2015 and 2014:

	<u>2015</u>		<u>2014</u>
Clothing	\$ 20,935	\$	11,408
Eyewear	27,456		6,042
Food	1,567,448		1,389,186
Supplies and other	146,500		105,209
Total in-kind contributions received	<u>\$ 1,762,339</u>	<u>\$</u>	<u>1,511,845</u>

10. Commitments and Contingencies

In the normal course of business the company incurs commitments and contingent liabilities, such as commitments to enter into and/or renew contracts related to ongoing operations. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate the organization to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond the organization's control, such as general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments or contingencies have been properly addressed and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) could be subject to review and final acceptance by the granting organizations.

11. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, the organization has evaluated subsequent events through December 18, 2015 the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.