

Audited Financial Statements



September 30, 2015 and 2014

Quigley & Miron

**Operation: Care and Comfort
Audited Financial Statements
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Suite 1660
3550 Wilshire Boulevard
Los Angeles, California 90010

Telephone: (213) 639-3550
Facsimile: (213) 639-3555

Suite 700
1999 South Bascom Avenue
Campbell, California 95008

Telephone: (408) 614-0100
Facsimile: (213) 639-3555

Independent Auditor's Report

Board of Directors

Operation: Care and Comfort

Fairfield, California

We have audited the accompanying financial statements of Operation: Care and Comfort (Organization), a nonprofit organization, which comprise the statement of financial position as of September 30, 2015 and 2014, 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 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

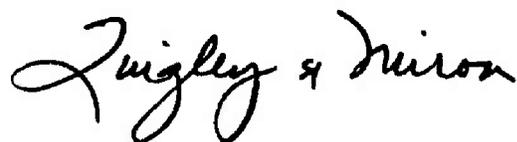
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Operation: Care and Comfort as of September 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
July 27, 2016

**Operation: Care and Comfort
Statements of Financial Position
September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 291,527	\$ 255,506
Contributions receivable	19,822	16,777
Program inventory—Note 3	24,740	58,767
Other assets	842	762
	<u> </u>	<u> </u>
Total Assets	<u>\$ 336,931</u>	<u>\$ 331,812</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 60,563	\$ 36,554
	<u> </u>	<u> </u>
Total Liabilities	60,563	36,554
 Net Assets		
Unrestricted	276,368	295,258
	<u> </u>	<u> </u>
Total Net Assets	276,368	295,258
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 336,931</u>	<u>\$ 331,812</u>

See notes to financial statements.

Operation: Care and Comfort
Statement of Activities
Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 179,274	\$ 23,900	\$ 203,174
In-kind contributions—Note 4	1,376,678		1,376,678
Special events, net—Note 5	46,635		46,635
Interest income	630		630
Total Public Support and Revenue	1,603,217	23,900	1,627,117
Net assets released from restrictions	23,900	(23,900)	
Total Public Support, Revenue and Reclassifications	1,627,117		1,627,117
Expenses			
Program services	1,602,704		1,602,704
Supporting services			
Management and general	36,597		36,597
Fundraising	6,706		6,706
Total Expenses	1,646,007		1,646,007
Change in Net Assets	(18,890)		(18,890)
Net Assets at Beginning of Year	295,258		295,258
Net Assets at End of Year	\$ 276,368	\$	\$ 276,368

See notes to financial statements.

**Operation: Care and Comfort
Statement of Activities
Year Ended September 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Contributions	\$ 180,908	\$ 11,790	\$ 192,698
In-kind contributions—Note 4	2,197,852		2,197,852
Special events, net—Note 5	29,734		29,734
Interest income	916		916
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	2,409,410	11,790	2,421,200
Net assets released from restrictions	14,422	(14,422)	
	<hr/>	<hr/>	<hr/>
Total Public Support, Revenue and Reclassifications	2,423,832	(2,632)	2,421,200
Expenses			
Program services	2,501,923		2,501,923
Supporting services			
Management and general	42,818		42,818
Fundraising	3,585		3,585
	<hr/>	<hr/>	<hr/>
Total Expenses	2,548,326		2,548,326
Change in Net Assets	(124,494)	(2,632)	(127,126)
Net Assets at Beginning of Year	419,752	2,632	422,384
	<hr/>	<hr/>	<hr/>
Net Assets at End of Year	\$ 295,258	\$	\$ 295,258
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

Operation: Care and Comfort
Statement of Functional Expenses
Year Ended September 30, 2015

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
In-kind expenses				
Care packages	\$ 622,740	\$	\$	\$ 622,740
Tickets for troops	791,978			791,978
Insurance		3,054		3,054
Marketing	1,586	234	4,889	6,709
Miscellaneous		636	1,480	2,116
Printing	162			162
Professional fees		22,350		22,350
Shipping	56,753	25		56,778
Storage	7,183			7,183
Supplies	98,328	6,197		104,525
Telephone		1,274		1,274
Travel, conferences and meetings	23,974	2,827	337	27,138
Total Expenses	\$ 1,602,704	\$ 36,597	\$ 6,706	\$ 1,646,007

See notes to financial statements.

Operation: Care and Comfort
Statement of Functional Expenses
Year Ended September 30, 2014

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
In-kind expenses				
Care packages	\$ 1,316,395	\$	\$	\$ 1,316,395
Tickets for troops	930,268			930,268
Insurance		3,050		3,050
Marketing	13,714		226	13,940
Miscellaneous		1,788	634	2,422
Printing	941		413	1,354
Professional fees		22,000		22,000
Shipping	79,135	504		79,639
Storage	5,220			5,220
Supplies	136,669	11,353	856	148,878
Telephone		1,141		1,141
Travel, conferences and meetings	19,581	2,982	1,456	24,019
Total Expenses	\$ 2,501,923	\$ 42,818	\$ 3,585	\$ 2,548,326

See notes to financial statements.

Operation: Care and Comfort
Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flow from Operating Activities		
Change in net assets	\$ (18,890)	\$ (127,126)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Contributions receivable	(3,045)	(5,530)
Program inventory	34,027	48,811
Other assets	(80)	3
Accounts payable and accrued expenses	24,009	32,563
Net Cash Provided by (Used in) Operating Activities	<u>36,021</u>	<u>(51,279)</u>
Increase (Decrease) in Cash and Cash Equivalents	36,021	(51,279)
Cash and Cash Equivalents at the Beginning of Year	<u>255,506</u>	<u>306,785</u>
Cash and Cash Equivalents at the End of Year	<u><u>\$ 291,527</u></u>	<u><u>\$ 255,506</u></u>
Supplementary Disclosures		
Income taxes paid	<u><u>\$</u></u>	<u><u>\$</u></u>
Interest paid	<u><u>\$</u></u>	<u><u>\$</u></u>

See notes to financial statements.

**Operation: Care and Comfort
Notes to Financial Statements
September 30, 2015 and 2014**

Note 1—Organization

Operation: Care and Comfort (Organization) is a volunteer-led nonprofit service organization which started in February 2003 with a care package group in San Jose, California, using the American Red Cross as its fiduciary agent. On June 16, 2010, the Organization became a stand-alone 501(c)(3), and it became a separate reporting entity as of October 1, 2010 (inception). Still based in San Jose, California, the Organization now ships care packages overseas to approximately 100 "adopted" military units each month, shipping over 3,400 pounds monthly.

In 2004, the Organization started working with the San Francisco Giants, the professional baseball team, on their first "Salute to the Military" game. Since then, this has become an annual event, inspiring other sports teams to follow. This was the inspiration for the Organization's "Tickets for Troops" program, which continues to this day. Teams, season ticket holders, sponsors, individuals, and promoters donate tickets to the Organization so troops, veterans, and their families may attend events for free. Over 25,000 tickets are now distributed annually.

In 2006, the Organization provided a Thanksgiving meal to two needy families of the 129th Rescue Wing, thus founding the "Adopt a Military Family" program. Through this program, military families in need of support are anonymously adopted by civilian families, organizations and companies. Hundreds of military, veterans and their families are supported annually through this program during the holidays and throughout the year. The Organization is also able to distribute donated goods to U.S. military bases to support military families through this program.

Operation: Care and Comfort remains an all-volunteer organization.

Note 2—Summary of Significant Accounting Policies

Basis of Accounting—The Organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation—The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The 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 and that may be expendable for any purpose in performing the primary objectives of the Organization.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. The Organization had no permanently restricted net assets at September 30, 2015 and 2014.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘more likely than not’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at September 30, 2015 and 2014. Generally, the Organization’s information returns remain open for examination for a period of three years (federal) or four years (state of California) from the date of filing.

Cash and Cash Equivalents—The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Program Inventory—Inventories are stated at the lower of cost or fair market value. Cost is determined using a standard cost per pound for all care package goods, and fair market value (ticket face value) for donated tickets.

Property and Equipment—Property and equipment are recorded at cost when purchased or at estimated fair market value to the extent a fair market value could be derived at the date of donation. Depreciation of property and equipment is provided using the straight line method over their estimated useful lives. Individual property items valued at less than \$500 are expensed when purchased or donated. There is no property and equipment at September 30, 2015 and 2014.

Concentration of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, and receivables. The Organization places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, in the normal course of business, such cash and cash equivalent balances are in excess of the FDIC insurance limits. Management regularly reviews the financial stability of its cash balances and deems the risk of loss due to these concentrations to be minimal.

Receivables consist of balances from individuals, local foundations and corporations. Management has also reviewed receivables for collectability and determined that no allowance for uncollectible receivables was necessary at September 30, 2015 and 2014.

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

In-Kind Contributions—Contributions of donated non-cash assets are recorded at their fair values in the period received. The Organization receives care package donations in the form of clothing, personal hygiene products, electronics, calendars, and etc. from individuals, businesses, and other organizations. The Organization sorts, re-packages and boxes these items to be shipped to military personnel stationed overseas. Donated care package goods are recorded based on a standard cost per pound of \$15 determined upon shipment. Additionally, the Organization receives boxes of Girl Scout cookies from the local Girl Scout Council, which are recorded at an estimated value of \$5 per box. These cookies are distributed to military units domestically. The Organization also receives various event tickets for professional San Francisco Bay Area sports teams, performances, and other entertainment events from sport team owners and advertisers, businesses, individuals, and season ticket holders. The Organization distributes these tickets to military troops, veterans, and their families. The Organization recognizes contribution revenue from tickets received based on the tickets' face value. Donated tickets are expensed in the period the event occurred. Contributed services are recorded at fair value at the date of donation only if the services (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. Contributed services that do not meet the criteria are not recognized.

Functional Expenses—The costs of providing the Organization's program and supporting services have been summarized on a functional basis. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on evaluation from management.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most sensitive estimates affecting the financial statements are the valuation of donated food, and the valuation of donated volunteer service hours.

Note 3—Program Inventory

Program inventory consists of the following at September 30, 2015 and 2014, respectively:

	<u>2015</u>	<u>2014</u>
Care packages	\$ 20,727	\$ 58,767
Tickets for troops	4,013	
Totals	<u>\$ 24,740</u>	<u>\$ 58,767</u>

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 4—In-Kind Contributions and Expenses

In-kind contributions for the years ended September 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Care packages	\$ 584,700	\$ 1,271,834
Tickets for troops	791,978	926,018
Totals	<u>\$ 1,376,678</u>	<u>\$ 2,197,852</u>

In-kind expenses for the years ended September 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Care packages	\$ 622,740	\$ 1,316,395
Tickets for troops	791,978	930,268
Totals	<u>\$ 1,414,718</u>	<u>\$ 2,246,663</u>

In the year ended September 30, 2015, the care package program underwent a planned reduction in response to the drawdown of American troops overseas. The tickets for troops program experiences year-to-year variances that are driven primarily by fluctuations in the popularity of Bay Area professional sports teams. In-kind contributions and expense of care packages and tickets for troops are included in the in-kind contributions caption on the statement of activities, and the in-kind expense caption on the functional expense schedule.

Note 5—Special Events, Net

The Organization conducts fundraising special events to assist in funding operations. Revenues from these events in excess of expenses are for unrestricted purposes. A summary of gross revenues and expenses for special events for the years ended September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Revenues	\$ 82,523	\$ 62,556
Less donor benefit expense	(35,888)	(32,822)
Net	<u>\$ 46,635</u>	<u>\$ 29,734</u>

Operation: Care and Comfort
Notes to Financial Statements—Continued

Note 5—Special Events, Net—Continued

Total fundraising expenses for the years ended September 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Fundraising expenses per statement of functional expenses	\$ 6,706	\$ 3,585
Donor benefit expenses	35,888	32,822
Total	<u>\$ 42,594</u>	<u>\$ 36,407</u>

Functional expenses, including special events expenses, totaled \$1,681,895 and \$2,581,148, for the years ended September 30, 2015 and 2014, respectively.

Note 6—Subsequent Events

Management evaluated all activities of Operation: Care and Comfort through July 27, 2016, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.