



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Returning Heroes Home, Inc.
San Antonio, Texas

We have audited the accompanying financial statements of Returning Heroes Home, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows 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 Returning Heroes Home, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance 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 12 is presented for the purpose 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.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

May 11, 2017

RETURNING HEROES HOME, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 677,438
Accounts Receivable	<u>25,000</u>
Total Current Assets	<u>702,438</u>

Property and Equipment, Net	<u>1,129</u>
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TOTAL ASSETS	<u>\$ 703,567</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 2,723
Accrued Payroll	<u>3,022</u>
Total Current Liabilities	<u>5,745</u>

NET ASSETS

Unrestricted	556,768
Temporarily Restricted	<u>141,054</u>
Total Net Assets	<u>697,822</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 703,567</u>
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RETURNING HEROES HOME, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<u>REVENUE AND SUPPORT</u>			
Grants and Contributions	\$ 363,606	\$ 140,196	\$ 503,802
In- Kind Contributions	17,571	-	17,571
Interest and Dividends	146	-	146
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	<u>58,432</u>	<u>(58,432)</u>	<u>-</u>
Total Revenue and Support	<u>439,755</u>	<u>81,764</u>	<u>521,519</u>
<u>EXPENSES</u>			
Program	208,073	-	208,073
General and Administrative	39,531	-	39,531
Fundraising	<u>45,945</u>	<u>-</u>	<u>45,945</u>
Total Expenses	<u>293,549</u>	<u>-</u>	<u>293,549</u>
CHANGE IN NET ASSETS	146,206	81,764	227,970
NET ASSETS - BEGINNING	<u>410,562</u>	<u>59,290</u>	<u>469,852</u>
NET ASSETS - ENDING	<u>\$ 556,768</u>	<u>\$ 141,054</u>	<u>\$ 697,822</u>

(The accompanying notes are an integral part of these financial statements)

RETURNING HEROES HOME, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Change in Net Assets	\$ 227,970
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	1,101
Changes in:	
Accounts Receivable	60,700
Accounts Payable	(3,478)
Prepaid Expense	6,788
Accrued Payroll	(459)
Total Adjustments	<u>64,652</u>
Net Cash Provided by Operating Activities	<u>292,622</u>
 NET INCREASE IN CASH	 292,622
 CASH - BEGINNING	 <u>384,816</u>
 CASH - ENDING	 <u>\$ 677,438</u>

(The accompanying notes are an integral part of these financial statements)

RETURNING HEROES HOME, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Entity

Returning Heroes Home, Inc. (Returning Heroes) was incorporated early in 2007 for the purpose of constructing a 12,000 square foot free standing building and other needed facilities at Ft. Sam Houston, San Antonio, Texas to house the Warrior and Family Support Center (WFSC), replacing an existing 1,200 square foot room that was being used. The WFSC provides services to the severely wounded servicemen and women of the United States Military. These wounded warriors have suffered significant traumatic injuries which require months to years of rehabilitation at Brooke Army Medical Center and the Center for the Intrepid. While the facilities exist to aid in the physical needs of these heroes, WFSC will provide the physical environment and the services to assist in their emotional recovery by providing a safe place for them to learn how to cope with war related disabilities as individuals, couples and families. Returning Heroes has extended their reach beyond just wounded warriors to providing service and support to wounded, ill, and injured warriors as well as their families. Returning Heroes receives a substantial portion of its financial support from private sources.

B. Basis of Accounting

The financial statements of Returning Heroes have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

C. Basis of Presentation

Returning Heroes reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of Returning Heroes, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Returning Heroes' unspent contributions are reported in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

RETURNING HEROES HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. As of December 31, 2016 Returning Heroes had no permanently restricted net assets.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Returning Heroes considers all instruments with an original maturity of three months or less to be cash equivalents.

E. Revenue Recognition

Contributions are reported when an unconditional promise to give or other asset is received. Grants are recorded on the accrual basis of accounting.

F. Fair Value Measurements

Returning Heroes adopted Accounting Standards Codification (ASC) 820. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. ASC 820 applies only to fair value measurements already required or permitted by existing standards. Fair value is defined as 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. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information, and establishes a three-level hierarchy for fair value measurements based on the nature of the inputs used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The levels of the fair value hierarchy are defined as follows in ASC 820:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include money market funds and equity securities that are actively traded on a major exchange, or over-the-counter markets. Cash and cash equivalents are recorded at historical cost, which approximates their fair values.

RETURNING HEROES HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fair Value Measurements (Continued)

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly. Examples include preferred stock.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. Examples include alternative investments and investments in limited partnerships.

G. Restricted and Unrestricted Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

H. Use of 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 and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

I. Federal Income Taxes

Returning Heroes Home, Inc. is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. Returning Heroes has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. Returning Heroes adopted the provisions of ASC 740-10 on *Accounting for Uncertainty in Income Taxes*. Under ASC 740-10, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The implementation of ASC 740-10 had no impact on Returning Heroes' financial statements. Returning Heroes' management believes it has no material uncertain tax positions and, accordingly, it will not recognize any related liability. For the year ended December 31, 2016, Returning Heroes did not recognize any interest or penalties.

RETURNING HEROES HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property and Equipment

Property and equipment are stated at cost if purchased, or at fair market value on the date of donation if donated. Depreciation is calculated on the straight-line method over the following estimated useful lives: furniture, fixtures and equipment - 5 years; computers - 3 years. Fixed assets of \$200 or more are capitalized as property and equipment. All purchased property and equipment are recorded at cost and all donated property and equipment are recorded at fair value.

NOTE 2: CONCENTRATION OF CREDIT RISK

Returning Heroes maintains its cash balances in two financial institutions. At December 31, 2016, the Organization's cash exceeded federally insured limits by \$390,763.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016:

Furniture, Fixtures and Equipment	\$ 5,026
Less: Accumulated Depreciation	<u>(3,897)</u>
 Total Property and Equipment	 <u>\$ 1,129</u>

Depreciation expense for the year ended December 31, 2016 is \$1,101.

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for 2016 consist of the following:

USAA 2017 Grant Funds	\$ 83,380
CoServ Grant for sprinkler system	858
Boeing for butterfly garden	360
Various donations for Phil's Tree	194
CoServ for Women's Conference	10,000
WFSC Garden Club for the gardens	1,762
Bob Woodruff Grant for narrative therapy	24,500
2017 Lamar Bruni Grant	<u>20,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 141,054</u>

NOTE 5: IN- KIND GOODS AND SERVICES

Returning Heroes received donated office space and the contribution of goods/services for program services. These in-kind items are recorded at fair value in the statement of activities.

RETURNING HEROES HOME, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

NOTE 5: IN- KIND GOODS AND SERVICES (CONTINUED)

The in- kind donations consist of the following for the year ended December 31, 2016:

Furniture Discount	\$ 6,100
Occupancy	8,422
Landscaping	384
Other	<u>2,665</u>
	<u>\$ 17,571</u>

NOTE 6: SUBSEQUENT EVENTS

Returning Heroes evaluated subsequent events through May 11, 2017, which is the date the financial statements were issued. No significant subsequent events occurred.

NOTE 7: RELATED PARTY

Returning Heroes entered into the following transactions with related parties:

1. Returning Heroes received donated office space from a board member. The value of the donated office space is \$8,422.
2. All employee compensation and benefits were paid from a company owned by a board member which was then reimbursed by Returning Heroes until June 2016 when Returning Heroes began paying their own compensation and benefits. Total payroll reimbursed to this company for the fiscal year was \$41,652.

SUPPLEMENTARY INFORMATION

RETURNING HEROES HOME, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL
<u>EXPENSES</u>				
Accounting Fees	\$ -	\$ 2,849	\$ 7,500	\$ 10,349
Advertising	-	-	2,792	2,792
Credit Card and Bank Fees	-	24	3,177	3,201
Entertainment	14,840	-	-	14,840
Equipment Rental and Repairs	58,580	-	-	58,580
Gift Cards	8,150	-	-	8,150
Insurance	-	2,546	-	2,546
Maintenance and Repairs	893	-	-	893
Massage Therapy	28,925	-	-	28,925
Travel	-	113	1,290	1,403
Occupancy	-	8,422	-	8,422
Other - Event Supplies	54,529	-	-	54,529
Other - Grant Writing Fees	-	-	3,577	3,577
Postage and Shipping	-	-	452	452
Printing and Copying	-	-	595	595
Wages	35,368	23,508	26,473	85,349
Staff Development	-	150	-	150
Supplies	6,788	818	-	7,606
Website Design and Maintenance	-	-	89	89
Total Expenses Before Depreciation	<u>208,073</u>	<u>38,430</u>	<u>45,945</u>	<u>292,448</u>
Depreciation	<u>-</u>	<u>1,101</u>	<u>-</u>	<u>1,101</u>
 TOTAL EXPENSES	 <u>\$ 208,073</u>	 <u>\$ 39,531</u>	 <u>\$ 45,945</u>	 <u>\$ 293,549</u>