

GOLD STAR TEEN ADVENTURES

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

DECEMBER 31, 2016 AND 2015

GOLD STAR TEEN ADVENTURES

TABLE OF CONTENTS
DECEMBER 31, 2016 AND 2015

Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6-11
Supplemental Schedules:	
Schedules of Functional Expenses.....	12-13



TRP CPAs, PLLC
certified public accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Gold Star Teen Adventures
Fayetteville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Gold Star Teen Adventures (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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 statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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

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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 Gold Star Teen Adventures 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 statements of functional expenses on pages 12-13 are 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.

TRP CPAs, PLLC

Fayetteville, North Carolina
October 26, 2017

GOLD STAR TEEN ADVENTURES

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS:		
CURRENT ASSETS:		
Cash	\$ 15,451	\$ 21,618
Undeposited funds	5,333	16,505
Accounts receivable	5,000	-
Accounts receivable - PayPal	1,162	-
Prepaid insurance	4,748	4,710
Total current assets	<u>31,694</u>	<u>42,833</u>
OTHER ASSETS:		
Investment in equity securities	12,600	10,555
PROPERTY AND EQUIPMENT - NET	<u>7,563</u>	<u>4,063</u>
TOTAL ASSETS	<u><u>\$ 51,857</u></u>	<u><u>\$ 57,451</u></u>
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,644	\$ 2,059
NET ASSETS:		
Unrestricted	<u>50,213</u>	<u>55,392</u>
Total net assets	<u>50,213</u>	<u>55,392</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 51,857</u></u>	<u><u>\$ 57,451</u></u>

See Independent Auditors' Report and
Accompanying Notes to the Financial Statements

GOLD STAR TEEN ADVENTURES

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS:		
Unrestricted revenues and support:		
Contributions and grants	\$ 361,229	217,917
Fundraising income	12,042	81,090
In-kind contributions	106,515	88,125
Investment income (loss)	2,264	(1,187)
Total unrestricted revenues and support	<u>482,050</u>	<u>385,945</u>
Expenses:		
Program services	443,682	385,042
Fundraising	25,647	33,210
Management and general	17,901	20,483
Total expenses	<u>487,229</u>	<u>438,734</u>
DECREASE IN UNRESTRICTED NET ASSETS	(5,179)	(52,789)
NET ASSETS, BEGINNING OF YEAR	<u>55,392</u>	<u>108,181</u>
NET ASSETS, END OF YEAR	<u>\$ 50,213</u>	<u>\$ 55,392</u>

See Independent Auditors' Report and
Accompanying Notes to the Financial Statements

GOLD STAR TEEN ADVENTURES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (5,179)	\$ (52,789)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	2,024	535
Unrealized investment gain (loss)	(2,045)	1,387
Decrease (increase) in assets:		
Undeposited funds	11,172	(16,505)
Accounts receivable	(5,000)	10,000
Accounts receivable- PayPal	(1,162)	-
Prepaid insurance	(38)	677
Increase (decrease) in liabilities:		
Accounts payable	(415)	(1,274)
Net cash used by operating activities	<u>(643)</u>	<u>(57,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(5,524)</u>	<u>(4,597)</u>
Net cash used by investing activities	<u>(5,524)</u>	<u>(4,597)</u>
NET DECREASE IN CASH	(6,167)	(62,566)
CASH - BEGINNING OF YEAR	<u>21,618</u>	<u>84,184</u>
CASH - END OF YEAR	<u>\$ 15,451</u>	<u>\$ 21,618</u>

See Independent Auditors' Report and
Accompanying Notes to the Financial Statements

GOLD STAR TEEN ADVENTURES

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Gold Star Teen Adventures (The "Organization") is a North Carolina nonprofit corporation organized in June 2013. The purpose of the Organization is to provide healing, mentorship, development, and opportunities for the children of Special Operations service members who have lost their lives in the line of duty. The Organization serves youth of fallen United States Military Special Operations service members, consisting of Army Special Forces (Green Berets), Army Rangers (75th Ranger Regiment), the 160th Special Operations Aviation Regiment, 95th Civil Affairs Brigade, 4th MISOC, Navy Small Boat Teams, Navy SEALs, Air Force Combat Controllers, Air Force Rotary and Fixed Wing Squadrons, and Marine Corps Special Operations personnel.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Organization is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

Basis of Accounting

The financial statements for the Organization have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Basis of Presentation

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.

Cash and Cash Equivalents

The Organization considers short-term, interest bearing, highly liquid investments with original maturities of three months or less to be cash equivalents for purposes of financial statement presentation.

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Accounts Receivable

Accounts receivable consist of amounts due from donors and fiscal sponsors. The Organization has determined that no allowance for doubtful accounts is necessary based on the nature of the receivables. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Donated Stock

The donated stock balance consists of shares of stock that were donated during the year ended December 31, 2014.

Property and Equipment

Property and equipment are recorded as original cost or, if donated, at the fair market value at the date of donation. It is the policy of the Organization to capitalize all property and equipment costing more than \$1,000. The property and equipment is depreciated using the straight-line method over the estimated useful lives of the depreciable assets at their historical cost. Rates of depreciation are based on estimated useful lives of 5 years.

Expenses for maintenance and repairs are charged against operations. Renewals and improvements that materially extend the lives of the assets are capitalized. When items of property and equipment are sold and retired, the related cost and accumulated depreciation are removed from the accounts and any net gains or losses are included in income.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. 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, either by actions of the Organization and/or the passage of time. When a restriction of time expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. 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 statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

Functional Allocation of Expenses

The costs of providing program services and other activities are reflected on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment in Equity Securities

The Organization carries investments in equity securities with readily determinable fair values at their fair values in accordance with generally accepted accounting principles in the statements of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Fair Value Measurements

The Organization uses the fair value option to measure investments. The Financial Accounting Standards Board has issued authoritative guidance regarding fair value measurements. Fair value defined under generally accepted accounting principles is an exit price, representing 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 Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. Generally accepted accounting principles establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as

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GOLD STAR TEEN ADVENTURES
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

unobservable inputs about which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. During the years ending December 31, 2016 and 2015, the Organization did not have any income subject to taxation as unrelated business income.

The Organization files informational tax returns in the U.S. federal jurisdiction. The informational tax filings are subject to audit by various taxing authorities.

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 disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates relate to depreciation expense, in-kind contributions, and contributed services revenue and expense.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Organization has evaluated subsequent events through October 26, 2017 the date at which the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

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2. CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents that potentially subject the Organization to concentrations of credit risk consist principally of accounts in financial institutions. Accounts at these institutions are covered by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2016 and 2015, the Organization's cash balances on deposit did not exceed these amounts.

3. INVESTMENT IN EQUITY SECURITIES

During 2014 the Organization received an in-kind contribution of investment equity securities. The investment portfolio is comprised of securities classified as available-for-sale and are accounted for at fair value on a recurring basis at the Level 1 tier within the fair value hierarchy. As required by fair value measurement standards, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. Fair value and unrealized appreciation (depreciation) at December 31, 2016 and 2015 is summarized as follows:

	2016		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Available-for-sale: Equity securities	\$ 9,983	\$ 12,600	\$ 2,617
	2015		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Available-for-sale: Equity securities	9,983	10,555	\$ 572
		2016	2015
Investment interest and dividend income		\$ 219	\$ 200
Net realized and unrealized gains (loss)		<u>2,045</u>	<u>(1,387)</u>
		<u>\$ 2,264</u>	<u>\$ (1,187)</u>

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4. IN-KIND CONTRIBUTIONS

A substantial number of unpaid volunteers have made significant contributions of their time to develop the various programs of the Organization. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation. The Organization receives various types of in-kind contributions. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

The Organization received various in-kind donations, such as airline tickets, meals, lodging, and supplies for various program events during the years ending in December 31, 2016 and 2015. The total amount of this donation is included in the in-kind contribution income with the offset recorded as an in-kind contribution expense, as applicable. Please refer to note 3 above for detailed information about the donated investment securities.

In-kind contributions as presented in the statement of activities for the years ended December 31, 2016 and 2015 are comprised of the following:

	<u>2016</u>	<u>2015</u>
Airlines tickets	\$ 46,890	\$ 37,500
Materials	59,625	50,625
Total in-kind contributions	<u>\$ 106,515</u>	<u>\$ 88,125</u>

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 10,121	\$ 4,597
Less: Accumulated depreciation	<u>(2,558)</u>	<u>(534)</u>
Property and equipment - net	<u>\$ 7,563</u>	<u>\$ 4,063</u>

SUPPLEMENTAL INFORMATION

GOLD STAR TEEN ADVENTURES

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Travel	\$ 140,806	\$ -	\$ 3,619	\$ 144,425
In-kind contribution expense	106,515	-	-	106,515
Salaries and wages	41,982	13,994	13,994	69,970
Activities	57,604	-	3,229	60,833
Meals and groceries	26,532	-	1,054	27,586
Advertising	16,095	-	1,345	17,440
Materials and supplies	15,305	-	988	16,293
Office expenses	13,676	-	-	13,676
Auto expenses	11,306	-	-	11,306
Insurance	7,511	-	-	7,511
Payroll taxes	3,353	1,118	1,118	5,588
Postage	2,701	-	-	2,701
Depreciation expense	-	2,024	-	2,024
Administrative fees	296	-	259	555
Professional fees	-	422	25	447
Bank fees	-	343	16	359
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TOTAL EXPENSES	<u>\$ 443,682</u>	<u>\$ 17,901</u>	<u>\$ 25,647</u>	<u>\$ 487,229</u>

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Accompanying Notes to the Financial Statements

GOLD STAR TEEN ADVENTURES

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

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Travel	\$ 138,730	\$ -	\$ 12,010	\$ 150,740
In-kind contribution expense	88,125	-	-	88,125
Salaries and wages	33,000	11,000	11,000	55,000
Materials and supplies	36,418	-	4,128	40,546
Meals and groceries	35,488	-	1,589	37,077
Activities	15,305	-	130	15,435
Auto expense	14,705	-	-	14,705
Insurance	9,385	-	-	9,385
Advertising	5,337	-	-	5,337
Payroll taxes	2,525	842	842	4,208
Office expense	3,519	-	-	3,519
Professional fees	-	3,332	-	3,332
Administrative fees	390	-	2,505	2,895
Postage	2,103	-	185	2,288
Training	-	1,983	-	1,983
Bank fees	-	1,384	106	1,490
Payroll expense	-	1,012	-	1,012
Equipment rental	12	-	715	727
Depreciation expense	-	535	-	535
Contract services	-	395	-	395
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TOTAL EXPENSES	<u>\$ 385,042</u>	<u>\$ 20,483</u>	<u>\$ 33,210</u>	<u>\$ 438,734</u>

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