

**RETURNING HEROES HOME, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009 AND 2008**

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying statements of financial position of Returning Heroes Home, Inc., a nonprofit organization, as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Returning Heroes Home, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Returning Heroes Home Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended, in conformity with United States generally accepted accounting principles.

April 16, 2010



**RETURNING HEROES HOME, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

	2009	2008
<b>ASSETS</b>		
Cash and cash equivalents	1,191,984	60,619
Accounts receivable	--	2,763
Pledges receivable	21,500	1,748,161
Prepaid expenses	--	9,750
Investments	15,295	9,608
Property and equipment - at cost, less accumulated depreciation of \$777 for 2009 and \$452 for 2008	945	1,270
Building held for transfer to Department of Defense	--	5,209,033
Construction in progress	<u>533,572</u>	<u>263,313</u>
<b>TOTAL ASSETS</b>	<u><u>1,763,296</u></u>	<u><u>7,304,517</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities -		
Accounts payable	<u>7,616</u>	<u>454,012</u>
<b>Total Liabilities</b>	<u>7,616</u>	<u>454,012</u>
Net Assets -		
Unrestricted:		
Designated	533,572	5,472,346
Undesignated	<u>1,222,108</u>	<u>1,378,159</u>
<b>Total Unrestricted Net Assets</b>	<u><u>1,755,680</u></u>	<u><u>6,850,505</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>1,763,296</u></u>	<u><u>7,304,517</u></u>

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

**RETURNING HEROES HOME, INC.**

STATEMENTS OF ACTIVITIES

DECEMBER 31, 2009 AND 2008

	2009	2008
Change in Unrestricted Net Assets:		
Revenue and Other Support:		
Individual and business contributions	196,641	298,317
In-kind contributions	3,650	1,434,538
Grants:		
Corporate and business grants	4,990	112,359
Foundation and trust grants	78,000	2,545,027
Nonprofit organization grants	30,469	202,286
Unrealized gain (loss) on investments	5,507	(3,461)
Interest and dividends	192	12,477
Total Revenue and Other Support	319,449	4,601,543
Expenses:		
General and administrative	74,461	63,262
Fundraising	25,967	34,018
Total Expenses	100,428	97,280
Transfer of building to Department of Defense	5,313,846	--
Change in Unrestricted Net Assets	(5,094,825)	4,504,263
Unrestricted net assets, beginning of year	6,850,505	2,346,242
UNRESTRICTED NET ASSETS AT END OF YEAR	1,755,680	6,850,505

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

**RETURNING HEROES HOME, INC.**

STATEMENTS OF CASH FLOWS

DECEMBER 31, 2009 AND 2008

	2009	2008
Cash Flows from Operating Activities:		
Change in unrestricted net assets	(5,094,825)	4,504,263
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	325	331
Unrealized (gain) loss on investments	(5,507)	3,461
Transfer of building	5,313,846	--
Changes in:		
Accounts receivable	2,763	(2,763)
Pledges receivable	1,726,661	(1,463,161)
Prepaid expenses	9,750	(9,750)
Accounts payable	(446,396)	374,357
Total Adjustments	<u>6,601,442</u>	<u>(1,097,525)</u>
Net Cash Provided by Operating Activities	<u>1,506,617</u>	<u>3,406,738</u>
Cash Flows (Used in) Investing Activities:		
Purchase of fixed assets	--	(107)
Purchase of investments	(180)	(206)
Construction in progress	(375,072)	(5,103,298)
Net Cash (Used in) Investing Activities	<u>(375,252)</u>	<u>(5,103,611)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,131,365	(1,696,873)
Cash and cash equivalents, beginning of year	<u>60,619</u>	<u>1,757,492</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>1,191,984</u></u>	<u><u>60,619</u></u>

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

# RETURNING HEROES HOME, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

### Note I: Organization and Significant Accounting Policies

Returning Heroes Home, Inc., (Returning Heroes Home) was incorporated early in 2007 for the purpose of constructing a 12,000 square foot free standing building and other needed facilities on 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 used. The WFSC provides services to the severely wounded men 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 as families.

Returning Heroes Home, receives a substantial portion of its financial support from private sources.

A summary of the significant accounting policies followed by Returning Heroes Home in the preparation of the accompanying financial statements is set forth below.

#### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, Returning Heroes Home considers all instruments with an original maturity of three months or less to be cash equivalents.

#### *Allowance for Bad Debts*

A bad debt allowance has not been established as it is management's opinion that losses, if incurred, would not materially affect the financial statements.

#### *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. Fixed assets of \$200 or more are capitalized as property and equipment.

#### *Net Assets*

Under Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, net assets are classified, where applicable, as follows:

Unrestricted: Portion of the net assets that is not subject to donor imposed restrictions. Donor solicitations are to support the general purpose for which Returning Heroes Home was formed, and as such, all contributions are considered unrestricted for purposes of these financial statements. Because, upon completion, the building will be contributed to the U.S. Army, the building and all construction in progress is considered Board designated.

Temporarily Restricted: Portion of the net assets that is subject to donor imposed purpose and/or time restrictions. When the restriction is met, the temporarily restricted net assets are reclassified as unrestricted net assets.

**RETURNING HEROES HOME, INC.**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

Note 1: Organization and Significant Accounting Policies (Continued)

*Net Assets (Continued)*

Permanently Restricted: The part of the net assets resulting from contributions and other inflows of assets whose use by Returning Heroes Home is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled by a statement or otherwise removed by actions of Returning Heroes Home.

*Contributions*

Contributions are reported as temporarily restricted support if received with donor stipulations that limit the use of the contributed assets. When a donor 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 statement of activities as net assets released from restrictions.

At December 31, 2009 and 2008, Returning Heroes Home, only had unrestricted net assets.

*Use of Estimates*

The preparation of financial statements in conformity with United States 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.

Note 2: Pledges Receivable

Pledges receivable at December 31, 2009 and 2008, represent unconditional promises to give as follows:

	<u>2009</u>	<u>2008</u>
Unconditional Promises to Give	21,500	1,748,161

The pledges receivable are due as follows:

Less than one year	21,500	1,731,661
One to five years	—	<u>16,500</u>
Total Pledges Receivable	<u>21,500</u>	<u>1,748,161</u>

Note 3: Investments

Investment securities are carried at fair value based on quoted prices in active markets and consist of the following at December 31, 2009 and 2008:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Common stock	13,249	15,295	13,069	9,608
Total	<u>13,249</u>	<u>15,295</u>	<u>13,069</u>	<u>9,608</u>

RETURNING HEROES HOME, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

Note 3: Investments (Continued)

Investment return is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest and dividend income	180	206
Net realized and unrealized gain(loss)	5,507	(3,461)
Total Unrestricted Investment Return	<u>5,687</u>	<u>(3,255)</u>

Investment return does not include interest earned on cash accounts.

Note 4: Property and Equipment

Property and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Furniture, fixtures & equipment	1,722	1,722
Less accumulated depreciation	<u>(777)</u>	<u>(452)</u>
Total Unrestricted Investment Income	<u>945</u>	<u>1,270</u>

Depreciation expense for the year ended December 31, 2009 and 2008, was \$325 and \$331, respectively.

Note 5: Building Held for Transfer

The facility constructed by Returning Heroes Home was completed during 2008. In accordance with an agreement between Returning Heroes Home and the Department of Defense, ownership of the building was transferred to the Department of Defense in February 2009. As of the date of the transfer, the Department of Defense became responsible for its maintenance.

Note 6: In-Kind Contributions

In-kind contributions meeting certain criteria are recorded at fair value at date of donation. Returning Heroes Home received in-kind contributions of both services and materials valued at \$3,650 and \$1,434,538 in relation to the construction of the building during the years ended December 31, 2009 and 2008, respectively. These amounts have been reported as in-kind contribution revenue on the statement of activities and as construction in progress on the statement of financial position (see Note 10).

Note 7: Functional Allocation of Expenses

The costs of fundraising and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among fundraising and general and administrative.

RETURNING HEROES HOME, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

Note 8: Cash in Excess of Federally Insured Limits

Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. On October 3, 2008, the federal government temporarily increased this FDIC limit to \$250,000 per depositor through December 31, 2013. On October 14, 2008, the FDIC announced its temporary Transaction Account Guarantee Program, which provides full coverage for non-interest bearing transaction deposit accounts at FDIC insured institutions that agree to participate in the program. The transaction account guarantee applies to all personal and business checking deposit accounts that do not earn interest at participating institutions. This unlimited insurance coverage is temporary, and will remain in effect for participating institutions until December 31, 2009. At December 31, 2009, Returning Heroes Home had no amounts in excess of federally insured limits.

Note 9: Tax-Exempt Status

Returning Heroes Home is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not a private foundation.

Note 10: Related Party

Huffman Developments, the General Contractor on the project, provides construction management services and administrative support free of charge. All donated construction management services are recorded as an in-kind contribution (see Note 6). Two of the board members of Returning Heroes Home, are employees of Huffman Developments.

Note 11: Subsequent Events

Subsequent events were evaluated through the date of this report.