PTSD FOUNDATION OF AMERICA

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
as of and for the years ended December 31, 2014 and 2013
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Report of Independent Accountants</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Statements:</td>
<td></td>
</tr>
<tr>
<td>Statements of Financial Position as of December 31, 2014 and 2013</td>
<td>2</td>
</tr>
<tr>
<td>Statements of Activities and Changes in Net Assets for the years ended December 31, 2014 and 2013</td>
<td>3 - 4</td>
</tr>
<tr>
<td>Statements of Cash Flows for the years ended December 31, 2014 and 2013</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>6</td>
</tr>
</tbody>
</table>
REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
PTSD Foundation of America:

Report of Financial Statements

We have audited the accompanying financial statements of PTSD Foundation of America (the "Foundation"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the Foundation as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Houston, Texas
December 21, 2015
PTSD FOUNDATION OF AMERICA  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 713,208</td>
<td>$ 136,457</td>
</tr>
<tr>
<td>Note receivable</td>
<td>23,527</td>
<td>25,277</td>
</tr>
<tr>
<td>Other receivables</td>
<td>20,644</td>
<td>10,400</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>6,979</td>
<td>14,279</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,536,495</td>
<td>1,166,317</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$ 2,300,853</td>
<td>$ 1,352,730</td>
</tr>
</tbody>
</table>

|                         |              |              |
| **Liabilities and net assets:** |          |              |
| Accounts payable        | $ 5,618      | $ 25,235     |
| Accrued payroll liabilities | 13,988     | 1,087        |
| Accrued grant commitments | -           | 8,000        |
| Accounts payable to related parties | 7,881      | -            |
| Notes payable           | 220,238      | -            |
| **Total liabilities**   | $ 247,725    | $ 34,322     |

|                         |              |              |
| **Net assets:**         |              |              |
| Unrestricted            | 2,053,128    | 1,318,408    |
| **Total net assets**    | 2,053,128    | 1,318,408    |
| **Total liabilities and net assets** | $ 2,300,853 | $ 1,352,730 |

The accompanying notes are an integral part of these financial statements.
PTSD FOUNDATION OF AMERICA  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
for the years ended December 31, 2014 and 2013

<table>
<thead>
<tr>
<th>Change in unrestricted net assets:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues, gains and other support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions - cash</td>
<td>$ 1,262,212</td>
<td>$ 704,628</td>
</tr>
<tr>
<td>Contributions - property and equipment</td>
<td>154,850</td>
<td>277,164</td>
</tr>
<tr>
<td>Contributions - contract labor</td>
<td>184,606</td>
<td>190,511</td>
</tr>
<tr>
<td>Contributions - services</td>
<td>71,948</td>
<td>32,112</td>
</tr>
<tr>
<td>Contributions - materials</td>
<td>20,112</td>
<td>46,349</td>
</tr>
<tr>
<td>Other income</td>
<td>879</td>
<td>7,000</td>
</tr>
<tr>
<td>Total operating revenues and support</td>
<td>1,694,607</td>
<td>1,257,764</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program expenses:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards and grants</td>
<td>12,441</td>
<td>19,368</td>
</tr>
<tr>
<td>Camp Hope</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract labor</td>
<td>240,884</td>
<td>181,340</td>
</tr>
<tr>
<td>Supplies</td>
<td>15,710</td>
<td>29,608</td>
</tr>
<tr>
<td>Payroll expenses</td>
<td>275,170</td>
<td>246,639</td>
</tr>
<tr>
<td>Printing and reproduction</td>
<td>15,221</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>61,869</td>
<td>32,216</td>
</tr>
<tr>
<td>Public awareness</td>
<td>32,938</td>
<td>22,312</td>
</tr>
<tr>
<td>Travel</td>
<td>24,716</td>
<td>20,844</td>
</tr>
<tr>
<td>Insurance</td>
<td>30,311</td>
<td>21,733</td>
</tr>
<tr>
<td>Depreciation</td>
<td>68,905</td>
<td>32,702</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>27,643</td>
<td>59,618</td>
</tr>
<tr>
<td>Total program expenses</td>
<td>805,808</td>
<td>666,380</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General and administrative:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>12,270</td>
<td>10,024</td>
</tr>
<tr>
<td>Conference and meeting</td>
<td>-</td>
<td>410</td>
</tr>
<tr>
<td>Contract labor</td>
<td>60,221</td>
<td>45,335</td>
</tr>
<tr>
<td>Legal</td>
<td>-</td>
<td>889</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>6,000</td>
<td>-</td>
</tr>
<tr>
<td>Loss on disposal of equipment</td>
<td>1,502</td>
<td>400</td>
</tr>
<tr>
<td>Interest expense</td>
<td>7,394</td>
<td>-</td>
</tr>
<tr>
<td>Office expense</td>
<td>17,895</td>
<td>24,202</td>
</tr>
<tr>
<td>Taxes - other</td>
<td>-</td>
<td>3,507</td>
</tr>
<tr>
<td>Utilities</td>
<td>28,563</td>
<td>13,735</td>
</tr>
<tr>
<td>Total general and administrative expenses</td>
<td>133,845</td>
<td>98,502</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundraising</td>
<td>20,234</td>
<td>27,800</td>
</tr>
<tr>
<td>Total expenses</td>
<td>959,887</td>
<td>792,682</td>
</tr>
<tr>
<td>Change in unrestricted net assets</td>
<td>734,720</td>
<td>465,082</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>1,318,408</td>
<td>853,326</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$ 2,053,128</td>
<td>$ 1,318,408</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
PTSD FOUNDATION OF AMERICA
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$ 734,720</td>
<td>$ 465,082</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>68,905</td>
<td>32,702</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>6,000</td>
<td>-</td>
</tr>
<tr>
<td>Noncash contributions</td>
<td>(154,850)</td>
<td>(277,164)</td>
</tr>
<tr>
<td>Loss on disposal of equipment</td>
<td>1,502</td>
<td>400</td>
</tr>
<tr>
<td>Increase in receivables</td>
<td>(16,244)</td>
<td>(9,823)</td>
</tr>
<tr>
<td>Decrease (increase) in prepaid expenses and other assets</td>
<td>7,300</td>
<td>(9,949)</td>
</tr>
<tr>
<td>Decrease in accounts payable and accrued expenses</td>
<td>(6,835)</td>
<td>(5,897)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>640,498</td>
<td>195,351</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

|                                |        |        |
| Proceeds from sale of equipment | -     | 1,000  |
| Principal collected on notes receivable | 1,750  | 14,439 |
| Purchase of fixed assets        | (285,314) | (178,470) |
| Net cash used by investing activities | (283,564) | (163,031) |

Cash flows from financing activities:

|                                |        |        |
| Proceeds from notes payable    | 250,000 | -      |
| Repayments on notes payable    | (29,762) | -      |
| Net cash provided by investing activities | 220,238 | - |

Net increase in cash and cash equivalents

|                                |        |        |
| Net increase in cash and cash equivalents | 576,751 | 32,320 |

Cash and cash equivalents, beginning of year

|                                | 136,457 | 104,137 |

Cash and cash equivalents, end of year

|                                | $ 713,208 | $ 136,457 |

Supplemental cash flow disclosures:

|                                |        |        |
| Interest paid                  | $ 7,394 | $ -    |
| Taxes paid                     | $ -    | $ -    |

The accompanying notes are an integral part of these financial statements.
1. Organization and Nature of Activities

Organization

PTSD Foundation of America (the "Foundation") is a not-for-profit corporation formed in the state of Texas. The purpose of the Foundation is to provide counseling and interim housing for combat veterans who suffer from post-traumatic stress disorder ("PTSD").

On July 20, 2012, the state of Texas approved the Foundation's filing to change its name from Impact XXI Houston to PTSD Foundation of America. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

Nature of Activities

The Foundation seeks to provide counseling for Active Duty, Reserves, and National Guard veterans and their families through pastoral counseling and peer mentoring on an individual basis and in group settings. This is accomplished primarily through the Camp Hope Program, which allows veterans and their immediate family members to find healing, help, and hope while benefiting from an intensive peer support and mentoring program for PTSD. In addition to temporary housing, Camp Hope offers a 90+ day PTSD recovery program in which residents attend group lessons and support sessions with other combat veterans, conduct individual mentoring sessions with certified combat trauma members, participate in off-site small group interaction activities, and get involved with local churches, businesses and volunteer organizations to assist in their personal healing and spread awareness regarding combat trauma.

In addition to the Camp Hope program the Foundation conducts peer coaching and support groups, with the assistance of local churches, volunteers, and other organizations known as "Warrior Groups" to help combat veterans find healing, balance and positive re-integration with their families and in society. Warrior Groups are held primarily in the Houston area, however groups are also held in North and South Carolina, Arizona, California, Georgia, and Oregon as well as several other locations in Texas.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") and follows the guidance of the Financial Accounting Standards Board ("FASB") related to financial statements of not-for-profit organizations. Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. Net assets subject to donor-imposed stipulations that are fulfilled during the period the assets are received are recorded as unrestricted net assets in the statements of activities.

- Permanently restricted net assets – Endowment funds permanently restricted by donor-imposed stipulations.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash held in demand deposits and money market funds held in interest-bearing cash accounts.
2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at historical cost and/or the value of the assets contributed. Cost of the asset includes those capital expenditures for additions, improvements, and betterments, which significantly add to the production capacity, improve the efficiency of the assets or lengthen their useful lives. Normal or recurring expenditures for repair and maintenance and capital expenditures with insignificant amounts are expensed when incurred. Property and equipment, which are retired or otherwise disposed of, are removed from their respective asset accounts together with the related accumulated depreciation.

Depreciation is determined by the rates considered sufficient to allocate the cost of the assets over their estimated useful lives using the straight-line method. The estimated useful lives of significant assets are as follows:

- Land improvements: 20 years
- Buildings: 20 years
- Furniture and fixtures: 10 years
- Office equipment: 10 years
- Vehicles: 10 years

Contributions

Contributions are recognized when received and are reported as increases in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the Statements of Activities. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions. Revenues from ticket sales to fund-raising events and sponsorships of events are recognized at the time of sale and are considered to be unrestricted.

Certain of the Foundation's directors and other community volunteers contribute their time to support the Foundation's programs. Contributed services that do not create or enhance non-financial assets and do not require specialized skill are not reflected in the accompanying financial statements. Contributed services that meet these criteria and are measurable are recognized at fair value. Contributed goods that can be used internally for program purposes by the Foundation are recognized at fair value as of the date of donation. For the years ending December 31, 2014 and 2013, the Foundation recognized $46,756 and $270,517, respectively, of services donated during the year which was included in contribution – property and equipment in the Statements of Activities and Changes in Net Assets.

For the years ended December 31, 2014 and 2013, volunteers provided approximately 2,000 and 1,000 hours of service, respectively, for which no value has been assigned.

Federal Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the IRC. Form 990 is required to be filed with the Internal Revenue Service ("IRS") annually.

Functional Allocation of Expenses

The costs of providing the Camp Hope program and activities have been summarized on a functional basis in the accompanying Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Public Awareness Expenses

The Foundation expenses public awareness expenses as they are incurred. For the years ended December 31, 2014 and 2013 the Foundation recorded cash and in-kind public awareness expenses of $32,938 and $22,312, respectively.
2. **Summary of Significant Accounting Policies, continued**

**Use of Estimates**

The preparation of the Foundation's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets 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 reporting period. Actual results could differ from those estimates. The Foundation's management believes that these estimates made in connection with these financial statements are reasonable.

**Concentrations**

At times during the year, the Foundation had cash deposits in excess of the federally insured limit. The Foundation's management believes that credit risks associated with these deposits is minimal.

**Recently Issued Accounting Pronouncements**

In April 2013, the FASB issued Accounting Standards Update ('ASU') No. 2013-06, *Not-for-Profit Entities (Topic 958) – Services Received from Personnel of an Affiliate, a consensus of the FASB Emerging Issues Task Force*. ASU No. 2013-06 requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the services received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. ASU No. 2013-06 is effective prospectively for fiscal years beginning after June 15, 2014 and early adoption is permitted. The Foundation adopted this guidance on December 31, 2013 and the effect is presented in the Statements of Activities and Changes in Net Assets for the years ended December 31, 2014 and 2013. See Note 5 for related disclosures.

3. **Note Receivable**

In June 2012, the Foundation entered into a note agreement whereby it loaned $52,000 to an employee. The note bears interest of 4% per annum and is due in installment payments of $500 per week until paid in full. The note is not collateralized but is guaranteed by the Chairman of the Foundation. During 2013, the borrower was no longer an employee of the Foundation. As of August 1, 2013, the terms of the note changed to installment payments of $150 per month for 240 months. The note had a balance due of $23,527 and $25,277 as of December 31, 2014 and 2013, respectively.

4. **Property and Equipment**

At December 31, 2014 and 2013, property and equipment consisted of:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$200,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Land improvements</td>
<td>78,573</td>
<td>13,743</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,171,551</td>
<td>480,000</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>123,766</td>
<td>42,500</td>
</tr>
<tr>
<td>Vehicles</td>
<td>80,303</td>
<td>57,466</td>
</tr>
<tr>
<td>Office equipment</td>
<td>1,103</td>
<td>1,103</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>-</td>
<td>421,551</td>
</tr>
<tr>
<td><strong>Total property and equipment</strong></td>
<td><strong>1,655,296</strong></td>
<td><strong>1,216,363</strong></td>
</tr>
<tr>
<td><strong>Less: accumulated depreciation</strong></td>
<td><em>(118,801)</em></td>
<td><em>(50,046)</em></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,536,495</strong></td>
<td><strong>$1,166,317</strong></td>
</tr>
</tbody>
</table>
PTSD FOUNDATION OF AMERICA
NOTES TO FINANCIAL STATEMENTS

4. Property and Equipment, continued

Depreciation expense for the years ended December 31, 2014 and 2013 was $68,905 and $32,702, respectively.

Construction in progress at December 31, 2013 consists of two residential buildings to be used for the Camp Hope program. The total cost of the project is approximately $465,000 and was completed in February 2014.

The Foundation retired certain assets and realized a loss of $1,502 and $400 for the years ended December 31, 2014 and 2013, respectively.

5. Related Party Transactions

The Foundation was allowed to use the facilities and equipment of a company owned by the Foundation’s Chairman at no charge during 2014 and 2013. The value of the use of the facilities and equipment is impractical to determine and the fair market value of this in-kind contribution has not been recorded. This company also paid salaries to certain individuals who spend a significant amount of time working for the Foundation. Accordingly, for the years ended December 31, 2014 and 2013 the Foundation recorded contributions and contract labor expense of $184,606 and $190,511, respectively, in the accompanying Statements of Activities.

In addition to the contributions noted, during the years ended December 31, 2014 and 2013, the Chairman made cash contributions of $10,674 and $201,428, respectively. Total contributions made by the Chairman during the years ended December 31, 2014 and 2013 amounted to $292,265 and $391,932, or 17% and 31%, respectively, of total contributions received.

During 2014 the Foundation recorded $7,881 of expenses related to payroll withholdings of Foundation employees which were paid by a company owned by the Foundation’s chairman. This balance is shown in the statements of financial position as accounts payable to related parties as of December 31, 2014. No accounts payable to related parties was recorded as of December 31, 2013.

6. Note Payable

On February 10, 2014 the Foundation entered into a $250,000 note agreement with a bank. Principal payments of $2,976 are due in monthly installments commencing March 14, 2014, with the final installment due and payable in full on February 10, 2017. The note is collateralized by the Foundation’s assets and bears interest at an annual rate based on the Wells Fargo Prime rate plus 0.50%. The note is guaranteed by the Chairman of the Foundation and had an outstanding balance of $220,238 and $0 as of December 31, 2014 and 2013, respectively.

Future maturities of long-term debt at December 31, 2014 are as follows:

<table>
<thead>
<tr>
<th>Year ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$35,714</td>
</tr>
<tr>
<td>2016</td>
<td>35,714</td>
</tr>
<tr>
<td>2017</td>
<td>148,810</td>
</tr>
<tr>
<td>2018 and beyond</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$220,238</td>
</tr>
</tbody>
</table>

7. Subsequent Events

The Foundation’s management has evaluated subsequent events through December 21, 2015, which is the date the financial statements was available for issuance, and has concluded that there were no significant events to be reported.