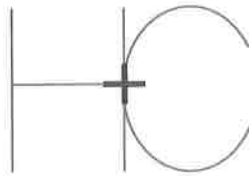


CELL PHONES FOR SOLDIERS, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

CELL PHONES FOR SOLDIERS, INC.

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David J. McCaughin, CPA
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Independent Auditor's Report

To the Board of Directors
Cell Phones for Soldiers, Inc.
Norwell, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Cell Phones for Soldiers, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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 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 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.

To the Board of Directors
Page two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cell Phones for Soldiers, Inc. 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.

Hughes and Company, P.C.

HUGHES AND COMPANY, P.C.
Melrose, Massachusetts
September 18, 2015

CELL PHONES FOR SOLDIERS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2014 AND 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Current Assets		
Cash	\$ 930,786	\$ 953,854
Receivables	6,973	60,487
Prepaid expenses	4,839	-
Total Current Assets	<u>942,598</u>	<u>1,014,341</u>
Fixed Assets		
Vehicle and office equipment, at acquisition cost	49,898	49,898
Less accumulated depreciation	<u>(23,657)</u>	<u>(19,230)</u>
Fixed Assets, Net	<u>26,241</u>	<u>30,668</u>
 Total Assets	 <u>\$ 968,839</u>	 <u>\$ 1,045,009</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 61,813	\$ 10,798
Total Current Liabilities	<u>61,813</u>	<u>10,798</u>
Unrestricted Net Assets	<u>907,026</u>	<u>1,034,211</u>
 Total Liabilities and Net Assets	 <u>\$ 968,839</u>	 <u>\$ 1,045,009</u>

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

CELL PHONES FOR SOLDIERS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Donations	\$ 569,899	\$ 465,236
Expenses		
Program Services	489,319	1,040,887
Management and General	68,262	129,693
Fundraising	140,959	173,554
Total Expenses	<u>698,540</u>	<u>1,344,134</u>
Change in Unrestricted Net Assets before Interest Income	(128,641)	(878,898)
Interest income	<u>1,456</u>	<u>1,999</u>
Change in Net Assets	(127,185)	(876,899)
Net Assets, Beginning of Year	<u>1,034,211</u>	<u>1,911,110</u>
Net Assets, End of Year	<u>\$ 907,026</u>	<u>\$ 1,034,211</u>

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

CELL PHONES FOR SOLDIERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services	Management and General	Fundraising	2014 Total
Expenses				
Officers' Salaries	\$ 22,750	\$ 3,250	\$ 6,500	\$ 32,500
Other Salaries	28,000	-	-	28,000
Payroll Taxes	8,728	559	1,118	10,405
Advertising & Promotion	-	2,326	-	2,326
Auto, Travel, Meals	10,286	6,857	17,143	34,286
Charitable Contributions	418	-	-	418
Depreciation	-	4,427	-	4,427
Filing Fees	-	7,194	-	7,194
Fundraising	-	-	12,904	12,904
Insurance	-	5,663	-	5,663
Internet	4,213	2,809	7,022	14,044
Office	-	4,365	-	4,365
Outside Services	15,500	7,692	96,272	119,464
Postage	29,253	-	-	29,253
Prepaid phone cards	317,688	-	-	317,688
Professional Fees	-	17,110	-	17,110
Rent	6,010	6,010	-	12,020
Veteran Assistance	46,473	-	-	46,473
Total Expenses	<u>\$ 489,319</u>	<u>\$ 68,262</u>	<u>\$ 140,959</u>	<u>\$ 698,540</u>

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

CELL PHONES FOR SOLDIERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2013 Total</u>
Expenses				
Officers' Salaries	\$ 36,276	\$ 5,182	\$ 10,365	\$ 51,823
Other Salaries	40,033	-	-	40,033
Payroll Taxes	5,058	843	2,529	8,430
Auto, Travel, Meals	2,456	4,912	17,193	24,561
Bad debts	-	21,486	-	21,486
Charitable Contributions	9,208	-	-	9,208
Depreciation	-	6,912	-	6,912
Filing Fees	-	262	-	262
Fundraising	-	-	14,022	14,022
Internet	638	1,276	4,465	6,379
Office	-	10,815	-	10,815
Outside Services	-	-	124,980	124,980
Postage	8,884	-	-	8,884
Prepaid phone cards	875,944	-	-	875,944
Professional Fees	-	74,630	-	74,630
Rent	3,375	3,375	-	6,750
Veteran Assistance	59,015	-	-	59,015
Total Expenses	<u>\$ 1,040,887</u>	<u>\$ 129,693</u>	<u>\$ 173,554</u>	<u>\$ 1,344,134</u>

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

CELL PHONES FOR SOLDIERS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (127,185)	\$ (876,899)
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	4,427	6,912
Bad Debts	-	21,486
(Increase) decrease in operating assets:		
Receivables	53,514	128,260
Prepaid expenses and deferred charges	(4,839)	-
Increase (decrease) in operating liabilities:		
Accounts payable	51,015	1,714
Net Cash Provided by (Used in) Operating Activities	<u>(23,068)</u>	<u>(718,527)</u>
Net Increase (Decrease) in Cash	(23,068)	(718,527)
Cash, Beginning	<u>953,854</u>	<u>1,672,381</u>
Cash, Ending	<u>\$ 930,786</u>	<u>\$ 953,854</u>
Supplemental cash flows information:		
Interest and late fees paid	<u>\$ -</u>	<u>\$ -</u>

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

CELL PHONES FOR SOLDIERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

Note 1 - Organization

Cell Phones for Soldiers, Inc. (the Organization) is a non-profit organization established to assist United States military personnel serving overseas in communicating with their families and friends. The Organization accepts donations and has implemented a cell phone recycling program to raise funds, which are then used to purchase phone systems and prepaid calling cards for military personnel. The Organization also provides to returning veterans housing and other types of assistance under a program known as "Helping Heroes Home". The Organization was incorporated in July 2004 in Massachusetts.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets - Net assets for which use is limited by donor-imposed restrictions that will either expire with the passage of time or be fulfilled by the Organization. As of December 31, 2014 and 2013, there were no temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets which must be held in perpetuity as stipulated by the donor. As of December 31, 2014 and 2013, there were no permanently restricted net assets.

Donor restricted gifts that are received and expended within the same year are reported as unrestricted.

CELL PHONES FOR SOLDIERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Accounts Receivable

When cell phones are donated they are sent to a recycler who converts them to cash and the amount agreed upon is recorded as a donation and an account receivable. In 2013, the receivable was written down by \$21,486 and recorded as bad debt in the Statement of Functional Expenses. In 2014, the balance due from the recycler was received in full.

Fixed Assets

Fixed assets are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. The Organization provides for depreciation on the straight-line method over the estimated useful lives of the respective assets. Donations of equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Depreciation expense was \$4,427 and \$6,912 for the years ended December 31, 2014 and 2013, respectively.

Income Taxes

Cell Phones for Soldiers, Inc. is a not-for-profit organization exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, the Organization is subject to federal taxes on unrelated business income.

The Organization does file tax returns with the Internal Revenue Service. The amounts reported on these financial statements are the same as those reported to the Internal Revenue Service.

CELL PHONES FOR SOLDIERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program, management, general and fundraising categories based on specific identification. Indirect expenses have been allocated based on salary and subcontract expenditures.

Donated Services

The Organization receives donated services from a variety of volunteers assisting in the operation and administration of its program. No amounts have been recognized in the accompanying Statement of Activities for donations or services rendered.

In addition, the Organization works with a media consultant and receives various amounts of free publicity during the year.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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. Actual results could differ from those estimates.

Uncertainty in Income Taxes

The Organization follows the *Accounting for Uncertainty in Income Taxes* standard which requires the Organization to report uncertain tax positions, related interest and penalties, and to adjust its assets and liabilities related to unrecognized tax benefits and accrued interest and penalties accordingly. As of December 31, 2014, the Organization determined that there are no material unrecognized tax benefits to report.

Information returns filed for the years ended December 31, 2013, 2012 and 2011 remain subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts. The Organization does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

CELL PHONES FOR SOLDIERS, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Carrying amounts of certain of the Organization's financial instruments, including cash, accounts receivable, accounts payable and other liabilities, approximate fair value because of their short maturities.

Subsequent Events

The Organization has evaluated subsequent events through September 18, 2015 which is the date the financial statements were available to be issued.

Note 3 - Related Party Transactions

Robert and Gail Bergquist are founders, officers, and directors of the Organization. The Organization paid Robert Bergquist \$20,000 and Gail Bergquist \$12,500 for 2014 and \$38,333 and \$23,958 for 2013, respectively, for services rendered. The Organization paid Robert and Gail Bergquist \$12,020 and \$6,750 in 2014 and 2013, respectively, for office and storage space in their home. The Bergquists' children performed services for the organization and were paid, in total, \$28,000 and \$40,033 in 2014 and 2013, respectively.

Note 4 - Concentrations of Risk - Cash Balances

The Organization maintains its cash balances in one financial institution located in the Boston area. The balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2014, the Organization's bank deposits exceeded the Federal insured limit by approximately \$681,000. Additional insurance coverage is provided by the Deposit Insurance Fund.

Note 5 - Gain Contingency - Balance Due from Former Recycling Partners

The Organization is in the process of filing a complaint with the Massachusetts Attorney General's office claiming there is an outstanding balance due from the former recycling partners. The amount of the outstanding balance due is unknown until the investigation is complete. No amounts have been recorded in the financial statements relating to this potential gain contingency.