

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7 - 11

rbz LLP
CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS ADVISORS
INDEPENDENT AUDITORS' REPORT

To the Audit Committee

THE GARY SINISE FOUNDATION AND SUBSIDIARY
Studio City, California

We have audited the accompanying consolidated financial statements of The Gary Sinise Foundation and Subsidiary (the "Organization") which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 required that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Gary Sinise Foundation and Subsidiary as of December 31, 2012, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.





INDEPENDENT AUDITORS' REPORT (Continued)

Report on Summarized Comparative Information

We have previously audited The Gary Sinise Foundation and Subsidiary's 2011 consolidated financial statements, and our report dated August 27, 2012, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads 'RBZ, LLP'. The signature is stylized and appears to be written in a cursive or semi-cursive script.

Los Angeles, California

June 11, 2013

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012

(WITH COMPARATIVE TOTALS FOR 2011)

ASSETS

	2012	2011
Current Assets		
Cash	\$ 1,548,190	\$ 186,247
Inventory	14,314	19,236
Receivables	375,000	-
	1,937,504	205,483
Property and Equipment, net	53,842	81,307
Deposits	8,831	8,831
Total Assets	\$ 2,000,177	\$ 295,621

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued liabilities	\$ 35,913	\$ 18,098
Deferred income	250,000	-
Due to affiliated entities, net	-	69,588
Total Liabilities	285,913	87,686
Commitments (Note 4)		
Net Assets		
Unrestricted	1,199,146	207,935
Temporarily restricted	515,118	-
Total Net Assets	1,714,264	207,935
Total Liabilities and Net Assets	\$ 2,000,177	\$ 295,621

See accompanying notes to consolidated financial statements.

THE GARY SINISE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	
Revenue				
Individual contributions	\$ 2,033,077	\$ 114,813	\$ 2,147,890	\$ 1,116,574
Performance revenue	570,890	-	570,890	342,433
Corporate grants	807,923	43,255	851,178	296,958
Foundation grants	566,953	718,050	1,285,003	134,850
Merchandise sales	44,683	-	44,683	5,886
Other	46,377	-	46,377	1,968
	4,069,903	876,118	4,946,021	1,898,669
Net Assets Released from Restrictions:				
Restricted satisfied by payments	361,000	(361,000)	-	-
	4,430,903	515,118	4,946,021	1,898,669
Functional Expenses				
Program	2,828,048	-	2,828,048	1,301,444
Management and General	292,653	-	292,653	146,977
Fundraising	318,991	-	318,991	152,472
	3,439,692	-	3,439,692	1,600,893
Change in Net Assets	991,211	515,118	1,506,329	297,776
Net Assets (Accumulated Deficit), beginning of year	207,935	-	207,935	(89,841)
Net Assets, end of year	\$ 1,199,146	\$ 515,118	\$ 1,714,264	\$ 207,935

See accompanying notes to consolidated financial statements.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012						2012			2012	2011	
	Military Support Concerts	Relief & Resiliency	Smart Homes BFAB	Program Services			Total	Management and General	Fundraising	Total		
			Serving Heroes	Arts & Entertainment Outreach	Invincible Spirit Festivals							
Salaries and payroll taxes	\$ 58,001	26,311	41,449	12,925	12,925	12,925	164,536	62,909	81,048	143,957	308,493	\$ 237,516
Accounting	-	-	-	-	-	-	-	115,500	-	115,500	115,500	68,851
Advertising and promotion	-	-	-	-	-	-	-	4,462	13,387	17,849	17,849	4,534
Commissions	15,170	-	-	-	-	-	15,170	-	-	-	15,170	5,500
Computer	982	982	982	982	492	492	4,912	1,965	2,947	4,912	9,824	26,100
Contributions	135,000	563,738	962,464	22,394	45,000	-	1,728,596	-	-	-	1,728,596	503,489
Depreciation and amortization	-	-	-	-	-	-	-	40,239	-	40,239	40,239	37,227
Equipment rental	52,598	-	-	-	-	-	52,598	-	-	-	52,598	14,765
Legal	3,574	3,574	3,574	3,574	1,786	1,786	17,868	17,868	-	17,868	35,736	26,010
Merchandise Cost	-	-	-	-	-	-	-	-	87,058	87,058	87,058	-
Merchant Fees	-	-	-	-	-	-	-	-	23,507	23,507	23,507	-
Miscellaneous	621	286	285	286	143	143	1,764	7,811	1,952	9,763	11,527	10,134
Outside services	491,419	6,060	12,120	28,510	3,030	3,579	544,718	5,899	5,900	11,799	556,517	336,055
Postage	2,340	2,340	2,340	2,340	1,171	1,171	11,702	4,681	7,021	11,702	23,404	4,522
Rent	20,121	10,703	10,703	10,703	5,351	5,351	62,932	22,048	22,047	44,095	107,027	41,394
Repairs and Maintenance	829	375	591	185	186	185	2,351	900	1,160	2,060	4,411	-
Supplies	56,018	3,612	3,611	3,612	2,250	2,250	71,353	6,186	8,909	15,095	86,448	67,504
Taxes and licenses	865	-	-	-	-	-	865	694	-	694	1,559	1,547
Telephone	1,374	621	980	307	307	308	3,897	1,491	1,923	3,414	7,311	5,675
Travel and entertainment	69,523	3,218	24,565	3,217	1,609	1,609	103,741	-	22,005	22,005	125,746	153,838
Website	12,635	8,117	12,176	4,059	2,029	2,029	41,045	-	40,127	40,127	81,172	56,232
TOTAL EXPENSES	\$ 921,070	\$ 629,937	\$ 1,075,840	\$ 93,094	\$ 76,279	\$ 31,828	\$ 2,828,048	\$ 292,653	\$ 318,991	\$ 611,644	\$ 3,439,692	\$ 1,600,893

See accompanying notes to consolidated financial statements.

THE GARY SINISE FOUNDATION AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,506,329	\$ 297,776
provided by operating activities		
Depreciation and amortization	40,239	37,227
(Increase) decrease in operating assets		
Inventory	4,922	(19,236)
Grants receivable	(375,000)	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	17,815	(7,216)
Deferred income	250,000	-
	<u>1,444,305</u>	<u>308,551</u>
Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(12,774)</u>	<u>(100,034)</u>
Cash Used in Investing Activities	<u>(12,774)</u>	<u>(100,034)</u>
Cash Flows from Financing Activities		
Borrowings from affiliated entities, net	6,700	27,730
Payments of amounts due to affiliates	<u>(76,288)</u>	<u>(50,000)</u>
Cash Used in Financing Activities	<u>(69,588)</u>	<u>(22,270)</u>
Increase in Cash	1,361,943	186,247
Cash, beginning of year	<u>186,247</u>	<u>-</u>
Cash, end of year	<u><u>\$ 1,548,190</u></u>	<u><u>\$ 186,247</u></u>

See accompanying notes to consolidated financial statements.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 - NATURE OF OPERATIONS

The Gary Sinise Foundation ("GSF") (a Delaware nonprofit corporation) was formed in October 2010 with a mission to serve the United States by honoring its defenders, veterans, first responders, their families and those in need. GSF does this by creating and supporting unique programs designed to entertain, educate, inspire, strengthen and build commitments.

GSF believes the ramifications of war have a lifelong impact on our country's service men and women. The need to support the United States' heroes is never-ending, and something all people have a responsibility to uphold. GSF is fully committed to ensuring that no one forgets about the sacrifices these brave men and women have made for freedom and safety.

In 2012, GSF dedicated resources to several programs, all of which made an impact in the lives of the United States' defenders, veterans, first responders and their families. Whether it be through raising funding to build two Smart Homes for wounded veterans, contributing to the TAPS emergency relief fund for families of the fallen, providing meals for deploying and returning troops at USO @ LAX, providing scholarship funding for veterans and their families, funding a "Lt. Dan Van" dedicated to transporting first responders to and from medical facilities in times of need, lifting the spirits of the spouses and children of the fallen at the annual Snowball Express gathering, or through the "Lt. Dan Band" performing 36 concerts in communities and military bases across the country -- GSF is doing its part to respect and honor the American heroes who serve our country.

Lt. Dan Band LLC ("LDB") (a Delaware limited liability company) is wholly owned by GSF and was formed in March 2011. The Lt. Dan Band is a musical band that tours the world and performs on military bases, in hospitals, and at USO events and other venues with proceeds that help support the mission of GSF.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of GSF and LDB (collectively referred to as the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

Income Tax Status

GSF is a nonprofit public benefit corporation organized under the laws of Delaware and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LDB is a limited liability company that is taxed as a partnership under the Internal Revenue Code. Under those provisions, LDB does not pay federal taxes on its taxable income. Instead, the member reports its respective share of LDB's taxable income. However, LDB is subject to a California state income tax as well as other state and tax jurisdictions. For California income tax purposes, a limited liability company is required to pay a fee based on its gross receipts as defined, plus \$800 annually.

The Organization's income tax and informational returns for tax years ended December 31, 2010, and subsequent remain subject to examination by the Internal Revenue Service and the California Franchise Tax Board.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted Net Assets – Include contributions, performance revenue, grants, merchandise sales, and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

Temporarily Restricted Net Assets – Include contributions and grants received that are temporarily restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

Permanently Restricted Net Assets – Include assets that have been restricted by the donor in perpetuity and cannot be expended by the Organization. The Organization has no permanently restricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers all highly-liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2012.

Inventory

Inventory consists of t-shirts and other concert merchandise. It is stated at the lower of cost or market on a first-in, first-out basis.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset as follows:

Furniture and office equipment	3 - 7 years
Computer equipment	3 years
Website	3 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Impairment of Long-Lived Assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the Organization during the year.

Performance Revenues

Revenues from Lt. Dan Band performances are recognized upon receipt, which is generally on the date of the performance.

Contributions

Contributions consist primarily of donations from foundations, businesses and the general public. Contributions are accrued when committed to the Organization by the donor.

Concentration of Risk

Occasionally the Organization's cash balances exceed FDIC-insured limits. The Organization has not experienced and does not anticipate any losses related to these balances.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated accordingly.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization has evaluated events subsequent to December 31, 2012, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through June 11, 2013, the date the consolidated financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the consolidated financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and office equipment	\$ 9,466
Computer equipment	13,592
Website	<u>108,250</u>
	131,308
Accumulated depreciation and amortization	<u>(77,466)</u>
Net property and equipment	<u><u>\$ 53,842</u></u>

NOTE 4 - COMMITMENTS

The Organization's offices are leased under an operating lease that expires in March 2014. The Organization is also obligated on an equipment lease that expires June 2014.

The scheduled minimum lease payments under the lease terms are as follows:

Year Ending December 31,

2013	\$ 108,360
2014	<u>27,290</u>
	<u><u>\$ 135,650</u></u>

The Organization's rent expense for the year was \$159,626.

At December 31, 2012 the Organization entered into an agreement with a contractor to build a smart home for a wounded veteran. This construction is anticipated to total \$650,000.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 5 - AFFILIATED ENTITIES

The Organization is affiliated with several other organizations, both for-profit and nonprofit, through common board membership. Amounts due to and from affiliated entities are noninterest-bearing and due upon demand. All amounts due to the affiliated entities were paid off with the exception of \$28,632, which was forgiven.

NOTE 6 - RELATED PARTIES

Board members of the Organization share common board membership with other unaffiliated nonprofit organizations. The Organization contributed a total of \$108,950 to these other organizations during 2012.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2012:

Smart Homes and BFAB Donations	\$ 876,118
Net assets released from restrictions	<u>(361,000)</u>
	<u>\$ 515,118</u>