

WWP, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 2006

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Frank & Company, p.c.

Certified Public Accountants
703-821-0702

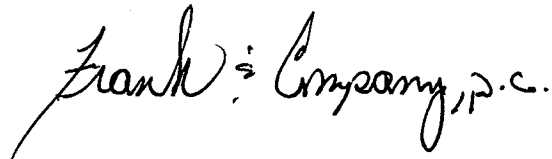
REPORT OF INDEPENDENT AUDITOR

To the Board of Directors of
WWP, Inc.

We have audited the accompanying balance sheet of WWP, Inc. (a nonprofit organization) as of July 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 WWP, Inc. as of July 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Frank & Company, p.c." The signature is written in a cursive, flowing style.

1360 Beverly Road
Suite 300
McLean, Virginia 22101
November 10, 2006

WWP, INC.

BALANCE SHEET

AS OF JULY 31, 2006

ASSETS

Current assets:

Cash	\$ 2,695,976
Accounts receivable	91,780
Inventory	58,255
Prepaid postage	22,543
Prepaid expense	<u>108,550</u>

Total current assets 2,977,104

Furniture and equipment, net of accumulated depreciation of \$6,691 38,973

Other assets:

Investments	15,382
Deposit	<u>3,700</u>

Total other assets 19,082

Total assets \$ 3,035,159

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 190,496
Accrued expenses	<u>5,187</u>

Total current liabilities 195,683

Net assets:

Unrestricted	<u>2,839,476</u>
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Total liabilities and net assets \$ 3,035,159

See accompanying notes to financial statements.

WWP, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue:			
Grant revenue	\$ -	\$ 2,620,653	\$ 2,620,653
Contributions	5,414,498	-	5,414,498
In-kind contributions	2,017,007	-	2,017,007
Interest income and dividends	37,176	-	37,176
Unrealized gain/(loss)	(1,985)	-	(1,985)
Net assets released from restrictions	<u>2,715,978</u>	<u>(2,715,978)</u>	<u>-</u>
Total revenue	<u>10,182,674</u>	<u>(95,325)</u>	<u>10,087,349</u>
Expenses:			
Program services	<u>5,604,610</u>	<u>-</u>	<u>5,604,610</u>
Supporting services:			
Management and general	269,361	-	269,361
Fundraising	<u>1,534,432</u>	<u>-</u>	<u>1,534,432</u>
Total supporting services	<u>1,803,793</u>	<u>-</u>	<u>1,803,793</u>
Total expenses	<u>7,408,403</u>	<u>-</u>	<u>7,408,403</u>
Change in net assets	2,774,271	(95,325)	2,678,946
Net assets, beginning	<u>65,205</u>	<u>95,325</u>	<u>160,530</u>
Net assets, ending	<u>\$ 2,839,476</u>	<u>\$ -</u>	<u>\$ 2,839,476</u>

See accompanying notes to financial statements.

WWP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2006

	Program Services	Supporting Services		Total
		Management and general	Fundraising	
Salaries	\$ 511,110	\$ 73,016	\$ 146,031	\$ 730,157
Payroll taxes and benefits	137,129	19,589	39,180	195,898
Outside services	94,843	-	-	94,843
Legal fees	12,920	-	-	12,920
Accounting and auditing	-	43,144	-	43,144
Consulting	17,548	-	35,627	53,175
Postage and shipping	33,123	1,011	-	34,134
Occupancy	50,928	7,275	14,551	72,754
Printing	48,005	-	-	48,005
Books and subscriptions	13,790	-	-	13,790
Patient and family support	435,101	-	-	435,101
Office equipment services	3,057	-	-	3,057
Office supplies	12,341	836	53	13,230
Direct mail	633,763	-	1,286,730	1,920,493
Caging	-	84,054	-	84,054
Meetings	43,492	-	-	43,492
Insurance	1,676	-	-	1,676
Taxes and licenses	-	16,471	-	16,471
Bank service charges	-	11,417	-	11,417
Purchases	439,647	-	-	439,647
Travel	393,789	-	-	393,789
Public relations	178,330	-	-	178,330
Adaptive sports	282,334	-	-	282,334
Promotions - PSA	2,214,294	-	-	2,214,294
Telephone	38,382	5,484	10,966	54,832
Depreciation	4,527	645	1,294	6,466
Moving expense	-	6,419	-	6,419
Other	<u>4,481</u>	<u>-</u>	<u>-</u>	<u>4,481</u>
	<u>\$ 5,604,610</u>	<u>\$ 269,361</u>	<u>\$ 1,534,432</u>	<u>\$ 7,408,403</u>

See accompanying notes to financial statements.

WWP, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2006

Cash flows from operating activities:	
Change in net assets	\$ 2,678,946
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,466
Donated stock	(17,355)
Unrealized loss on investments	1,973
Change in accounts receivable	(91,780)
Change in prepaid assets	(127,518)
Change in inventory	(58,255)
Change in accounts payable	148,271
Change in accrued expenses	<u>5,187</u>
Net cash provided by operating activities	<u>2,545,935</u>
Cash flows from investing activities:	
Purchases of equipment	<u>(26,633)</u>
Increase in cash	2,519,302
Cash, in the beginning	<u>176,674</u>
Cash, at the end	<u>\$ 2,695,976</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	<u>\$ 31,025</u>
Noncash financing and investing transactions:	
Receipt of donated securities	<u>\$ 17,355</u>

See accompanying notes to financial statements.

WWP, INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2006

1. Organization and Summary of Significant Accounting Policies

Organization - WWP, Inc. (the Organization) is a not-for-profit corporation organized April 29, 2005, for the purposes of providing vital programs and services to enable veterans and the public to aid and assist each other through rehabilitation and readjustment to civilian life; educating and involving the public in honoring the sacrifices of veterans; providing and delivering packs of necessities and comfort items to wounded or disabled U.S. Servicemen and Servicewomen in military hospitals and elsewhere; providing benefit counselors to wounded and/or disabled U.S. Servicemen and Servicewomen to assist patients as they return to their communities and civilian life; sponsoring disabled U.S. Servicemen and Servicewomen athletes and adaptive sporting events; sponsoring transportation services between home and hospital for wounded or disabled U.S. Servicemen and Servicewomen; providing other forms of support and assistance to wounded or disabled U.S. Servicemen and Servicewomen; and educating the public regarding the sacrifices and needs of wounded or disabled U.S. Servicemen and Servicewomen.

Contributions are received primarily as a result of grants, sponsorships, and solicitations to individuals throughout the country. Contributions are recognized as support when received.

Financial Statement Presentation - The Organization follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* for financial statement presentation. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Unrestricted Net Assets - Net assets 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.

The Organization records contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the

WWP, INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2006

1. Organization and Summary of Significant Accounting Policies (continued)

existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as temporarily or permanently restricted revenue if they are received with donor stipulation that limits the use of the donated 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.

Functional Expenses - The costs of providing various program and supporting services have been summarized on a functional basis on the statement of functional expenses. Certain costs have been allocated among program and supporting services as follows:

Program Services - Distribution of backpacks to the severely injured U.S. Servicemen and Servicewomen that contain items of comfort and necessity to ease and aid in the rehabilitation process. Providing counseling at the bedside of the wounded U.S. Servicemen and Servicewomen on the availability of government benefits and representation in claims for benefits administered by the Department of Veteran Affairs. Aid in the rehabilitation of the wounded U.S. Servicemen and Servicewomen by sponsoring adaptive sport clinics and events that inspire the newly injured to engage their competitive spirit and achieve their maximum potential. Provides support to ease the financial burden to patients and families, funding transportation to DOD medical facilities, lodging near DOD medical facilities, and providing gift certificates to families who are unable to offset the cost of food, clothing, and other necessities. Raising public awareness and support for the needs of the wounded service members and their families through broadcast media and events held across the country.

Management and General - All other operating expenses incurred by the Organization in the accomplishment of its tax exempt purposes.

Fundraising - All expenses incurred with the purpose of raising funds.

Accounts Receivable - Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for an allowance for doubtful accounts based upon management's review of the receivables. It is management's policy to charge off uncollected accounts receivable when management determines the receivable

WWP, INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2006

1. Organization and Summary of Significant Accounting Policies (continued)

will not be collected. At July 31, 2006, all receivables were considered to be collectible. No receivables were 90 days old or more. The receivables represent amounts due from an outside cager for undeposited receipts.

Inventories - Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventories represent undistributed back packs and care packs.

Property and Equipment - Property and equipment are stated at cost if purchased or fair value if contributed and are depreciated on a straight-line basis over their estimated useful lives of eight years. The Organization capitalizes property and equipment with an estimated useful life greater than one year.

Income Taxes - The Organization has received a tax determination letter from the Internal Revenue Service and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, only unrelated business income is subject to income tax.

Cash - For purposes of the statement of cash flows, cash consists of demand deposits held in banks.

Investments - Investments are stated at fair value. Investment income and gains and losses on investments are reported as increases or decreases to unrestricted net assets unless a donor or a law temporarily or permanently restricts their use.

Advertising - Advertising is expensed as incurred. At July 31, 2006, advertising expense was \$178,330.

Uses of Estimates - Management uses estimates and assumptions in preparing financial statements in conformity with generally accepted accounting principles. 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 those estimates.

WWP, INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2006

1. Organization and Summary of Significant Accounting Policies (continued)

Financial Risk - The Organization maintains cash balances that may exceed federally insured limits. The Organization does not believe that this practice results in any significant financial risk.

2. Furniture and Equipment

At July 31, 2006, furniture equipment consists of the following:

Furniture	\$ 17,085
Equipment	<u>28,579</u>
	45,664
Less accumulated depreciation	<u>(6,691)</u>
	<u>\$ 38,973</u>

As at July 31, 2006, depreciation expense was \$6,466.

3. Investments

Long-term investments consisting of equity stock are stated at fair value. The following schedule summarizes the investment return in the statement of activities:

Unrealized loss	\$ (1,985)
Dividends	<u>13</u>
	<u>\$ (1,972)</u>

4. Leases

The Organization has a three year operating lease for office space in Virginia beginning July 1, 2005 and expiring on June 30, 2008, and a three year operating lease for office space in Florida beginning October 19, 2006 ending October 31, 2009. Future minimum lease payments are as follows:

WWP, INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2006

4. Leases (continued)

<u>July 31,</u>	<u>Amount</u>
2007	\$ 64,676
2008	69,050
2009	27,987
2010	<u>7,077</u>
	<u>\$ 168,790</u>

For the year ended July 31, 2006, total rental expense was \$72,754.

5. In-kind Contributions

As at July 31, 2006, the Organization received the following in-kind contributions:

Legal services	\$ 2,213
Public service announcement	<u>2,014,794</u>
	<u>\$ 2,017,007</u>

The in-kind contribution for legal services and public service announcement have been expensed and where applicable allocated to various functional categories.

6. Expense Allocation

The Organization allocates costs between program and supporting services using several methods based on management's best estimate. These methods include how employees spend their time and purpose of services.

7. Commitments

Effective September 1, 2005, the Organization entered into a three year agreement terminating August 31, 2008 with a consulting firm to assist with fundraising and program service activities. Under the agreement, the Organization is required to pay invoices upon receipt.

WWP, INC.

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2006

8. Allocation of joint costs

For the year ended July 31, 2006, the Foundation incurred joint costs of \$1,973,668 for direct mail informational materials and activities that included fundraising appeals. Of those costs, \$651,311 was allocated to program expenses and \$1,322,357 was allocated to fundraising expenses. Total fundraising costs were \$1,534,432.