

Independent Auditor's Report

June 14, 2016

**To the Board of Directors
Diving With Heroes
P.O. Box 445
Haymarket, VA 20168**

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Diving With Heroes, a Not-for-Profit-Entity, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities 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 American; 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

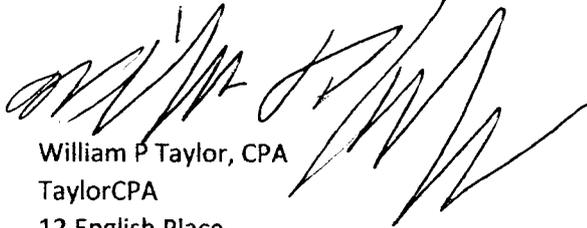
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 purposes 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 consolidated financial position of Diving With Heroes, a Not-for-Profit-Entity, as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'W.P. Taylor', is written over the printed name and address.

William P Taylor, CPA
TaylorCPA
12 English Place
Candler, NC 28715

Diving With Heroes
Statement of Financial Position
December 31, 2015

| | |
|----------------------------------|---------------|
| Assets | |
| Current Assets | |
| Cash | 45,012 |
| Total Current Assets | 45,012 |
| | |
| Property, Plant and Equipment | - |
| TOTAL ASSETS | 45,012 |
| | |
| Liabilities and Net Assets | |
| TOTAL LIABILITIES | - |
| | |
| Net Assets | |
| Unrestricted | 45,012 |
| Temporarily Restricted | - |
| Permanently Restricted | - |
| TOTAL NET ASSETS | <u>45,012</u> |
| | |
| Total Liabilities and Net Assets | 45,012 |

See notes to Financial Statements

Diving With Heroes
Statement of Activities
For the Year Ended December 31, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------------------------|--------------|---------------------------|---------------------------|---------|
| Revenue, Support and Gains | | | | |
| Contributions | 103,993 | | | 103,993 |
| TOTAL Revenue | 103,993 | | | 103,993 |
| Expenses and Losses | | | | |
| Program Related | 43,012 | | | 43,012 |
| Operating | 34,502 | | | 34,502 |
| TOTAL | 77,515 | | | 77,515 |
| Change in Net Assets | 26,478 | | | 26,478 |
| Net Assets at Beginning of Year | 18,534 | | | 18,534 |
| Net Assets, End of Year | 45,012.01 | | | 45,012 |

See notes to Financial Statements

Diving With Heroes

Cash Flow Statement for the Year Ending December 31, 2015

Cash Flows from Operating Activities

| | |
|---|---------------|
| Net Income | 26,478 |
| Adjustment to reconcile net income to net cash provided by operating activities | |
| Depreciation | |
| Gain of sale of plant assets | |
| Loss of sale of plant assets | |
| Increase in accounts receivable | |
| Decrease in accounts receivable | |
| Increase in inventory | |
| Decrease in inventory | |
| Increase in other current assets | |
| Decrease in other current assets | |
| Increase in accounts payable | |
| Decrease in accounts payable | |
| Increase in accrued liabilities | |
| Decrease in accrued liabilities | |
| Increase in other current liabilities | |
| Decrease in other current liabilities | 0 |
| Net cash provided by operating activities | 26,478 |

Cash Flows from Investing Activities

| | |
|--|----------|
| Cash from sale of long term assets | |
| Acquisition of long-term assets | |
| Sales of other long-term assets | |
| Acquisition of other long-term assets | |
| Net cash provided by investing activities | 0 |

Cash Flows from Financing Activities

| | |
|--|----------|
| Cash from stock issue | |
| Cash from sale of treasury stock | |
| Purchase of treasury stock | |
| Cash from borrowing | |
| Repay borrowed dollars (principle only) | |
| Payment of dividends | |
| Net cash provided by financing activities | 0 |

Net increase (decrease) in cash

| | |
|---------------------------------|--------|
| Cash Balance end prior period | 18,534 |
| Cash Balance end current period | 45,012 |

Non-cash investing and financing activities:

| | |
|-------------|---|
| Description | 0 |
|-------------|---|

| | |
|--|----------|
| Total non-cash investing and financing activities | 0 |
|--|----------|

Diving With Heroes
Statement of Functional Expenses
For the Year Ended December 31, 2015

| | Program Related | Management & General | Fundraising | Total |
|--------------------------|--------------------|-------------------------|-------------|--------|
| Diving Facility Fees | 22,990 | | | 22,990 |
| Equipment Rental | 106 | | | 106 |
| Diver Certification Fees | 1,464 | | | 1,464 |
| Travel | 11,413 | | | 11,413 |
| Food | 2,035 | | | 2,035 |
| Exursions | 450 | | | 450 |
| Foreign Transaction Fees | 504 | | | 504 |
| Gifts & Awards | 3,139 | | | 3,139 |
| Transportation | 912 | | | 912 |
| Legal | | - | | - |
| Marketing | | 2,532 | | 2,532 |
| Software | | 199 | | 199 |
| Diving Instructor Cert. | | 294 | | 294 |
| Meetings | | 83 | | 83 |
| Tax Return Preparation | | 900 | | 900 |
| Liability Insurance | | 759 | | 759 |
| Supplies | | 667 | | 667 |
| Regulatory Fees | | 225 | | 225 |
| Equipment | | - | | - |
| Printing | | - | | - |
| Internet | | 539 | | 539 |
| Bank / PayPal Fees | | 382 | | 382 |
| Mail | | 83 | | 83 |
| Air Travel | | | 5,676 | 5,676 |
| Videographer Contract | | | 21,075 | 21,075 |
| Videographer Expenses | | | 1,090 | 1,090 |
| Totals | 43,012 | 6,662 | 27,840 | 77,515 |

Notes to the Financial Statements

NOTE A—NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Diving with Heroes is a 501(c)(3) charitable organization based in Haymarket, Virginia whose mission is to unlock the underwater world through scuba diving for United States military veterans and disabled veterans.

The Organization is supported through donor contributions. Contributions are recognized when the donor makes a gift or a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributed Services

During the year ended December 31, 2015, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its mission. The Organization receives several hundred volunteer hours per year.

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. Accordingly, actual results could differ from those estimates.

Property and Equipment

The organization capitalizes all property and equipment with a cost of \$2,000 if purchased, and a fair value of \$2,000 at date of donation if received by contribution. Donations of property and 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.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Financial Statement Presentation

William P Taylor, CPA

Under Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, the Organization is required to report information regarding its financial position and activities Sample Financial Statements from PPC –Preparing Nonprofit Financial Statements 8 according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Under SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Investments

Under SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE B—RESTRICTIONS ON NET ASSETS

The organization had no restrictions on net assets, temporary or permanent, for the year 2015.

NOTE C—PROMISES TO GIVE

The organization had no promises or pledges for the year 2015.

NOTE D—INVESTMENTS

The organization had no investments for the year 2015.

William P Taylor, CPA

NOTE E—PROPERTY AND EQUIPMENT

The organization had no property or equipment for the year 2015.

NOTE F— LONG-TERM DEBT

The organization had no long-term debt for the year 2015.

NOTE G—RELATED PARTY TRANSACTIONS

Related Party transactions were limited to donations and documented reimbursements.

Diving With Heroes

P.O. Box 445, 4308 Mountain Road, Haymarket, VA 20169

June 14, 2016

William P. Taylor, CPA
12 English Place
Candler, NC 28715

Management has fulfilled its responsibility for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles in the United States as set out in the terms of the engagement.

Management acknowledges its responsibility for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements, including its responsibility to prevent and detect fraud.

Management has provided the accountant with all relevant information and access, as agreed upon in the terms of engagement.

Management has responded completely and truthfully to all the accountant's inquiries.

All transactions have been recorded and are reflected in the financial statements.

Management has disclosed to the accountant its knowledge of fraud or suspected fraud affecting the entity involving

- Management
- Employees who have significant roles in internal control
- Others when the fraud could have material effect on the financial statements

Management has disclosed to the accountant its knowledge of and allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators or others.

Management has disclosed to the accountant all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Whether management believes the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the financial statements as a whole, a summary of such items should be included in, or attached to, the written representation.

Management has disclosed to the accountant all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements, and it has appropriately and accounted for and disclosed such litigation and claims in accordance with Generally Accepted Accounting Principles in the United States.

Whether management believes that significant assumptions used by it in making accounting estimates are reasonable.

Management has disclosed to the accountant the identity of the entity's related parties, and all of the related party relationships and transactions of which it is aware, and it has appropriately accounted for and disclosed such relationships and transactions.

All events occurring subsequent to the date of the financial statements and for which Generally Accepted Accounting Principles in the United States required adjustment or disclosure have been adjusted or disclosed.

Sincerely,



Jill Hottel
Executive Director
Diving With Heroes
June 14, 2016