INFINITE HERO FOUNDATION

Financial Statements
for the years ended December 31, 2013 and 2012

Infinite Hero Foundation
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LESLEY, THOMAS, SCHWARZ & POSTMA, INC.
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accountancy Corporation

Principals
George M. Lesley
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Independent Auditor's Report

To the Board of Directors
Infinite Hero Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Infinite Hero Foundation, which comprise the statement of position as of December 31, 2013, and the related statements of activity and cash flows for the year 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 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Infinite Hero Foundation as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Infinite Hero Foundation for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on April 9, 2013.

Lesley, Thomas, Schwarz & Postma, Inc.

A Professional Accountancy Corporation
Newport Beach, California
July 16, 2014

INFINITE HERO FOUNDATION
Statements of Financial Position
As of December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	$ 755,042	$ 1,053,939
Royalties receivable	37,695	95,110
Other receivables	1,988	472
Web site, net	9,625	13,825
Intangible assets, net	3,333	6,000
Total assets	$ 807,683	$ 1,169,346
LIABILITIES AND NET ASSETS		
Accounts payable	$ 49,511	$ 35,500
Accrued expenses	8,377	—
Total liabilities	57,888	35,500
Net assets—unrestricted	749,795	1,133,846
Total liabilities and net assets	$ 807,683	$ 1,169,346

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

INFINITE HERO FOUNDATION
Statements of Activities
Years ended December 31, 2013 and 2012

	2013	2012
Revenues:		
Royalty income	$ 566,290	$ 916,343
Contributions	90,814	14,514
In-kind support	17,635	22,500
Investment income	871	959
Total revenues	675,610	954,316
Expenses:		
Program	779,924	500,000
Fundraising	194,638	74,092
Management and general	85,099	64,894
Total expenses	1,059,661	638,986
Change in net assets	(384,051)	315,330
Net assets at beginning of period	1,133,846	818,516
Net assets at end of period	$ 749,795	$ 1,133,846

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

INFINITE HERO FOUNDATION
Statements of Cash Flows
Years ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	$ (384,051)	$ 315,330
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,867	6,867
Changes in operating assets and liabilities:		
Royalties receivable	57,415	37,312
Other receivables	(1,516)	22
Accounts payable	14,011	35,500
Accrued expenses	8,377	—
Net cash provided by (used in) operating activities	(298,897)	395,031
Cash Flows from Investing Activities	—	—
Cash Flows from Financing Activities	—	—
Increase (decrease) in cash and cash equivalents	(298,897)	395,031
Cash and cash equivalents, beginning of period	1,053,939	658,908
Cash and cash equivalents, end of period	$ 755,042	$ 1,053,939

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

INFINITE HERO FOUNDATION
Notes to Financial Statements

Note 1 – Description of Infinite Hero Foundation

Infinite Hero Foundation (the "Foundation") was incorporated on March 17, 2011 as a non-profit public benefit corporation under the laws of the state of California.

The Foundation's mission is to combat the most difficult front-line issues—mental and physical—facing military heroes and their families by increasing the availability of critical mental and physical health services and investing in innovative strategies and therapies to accelerate rehabilitation and recovery. The Foundation seeks to fulfill its mission by: (i) raising public awareness of the need to support members of the military community and (ii) supporting organizations that are dedicated to, and provide services in furtherance of, the Foundation's mission.

The Foundation raises public awareness of its mission, and solicits contributions, directly from donors via its web site (*www.infinitehero.org*) and through the use of social media as well as at public events and through other traditional communication channels. The Foundation works with corporate partners to spread awareness to their consumers and social media followers. The Foundation also intends to hold charity events, initially in Southern California. Given the proximity to military installations such as the Naval Base San Diego, Camp Pendleton and the Los Angeles Air Force Base, the Foundation believes this area is an ideal environment in which to raise public awareness of the need to support, and to promote activities designed to support, military personnel.

In addition, because the Foundation's name, logo and trade dress (the "IHF Marks") are associated with its mission statement, the Foundation intends to license the IHF Marks to corporate partners for use in connection with the sale of such parties' commercial products ("Signature Products"), usually in exchange for a donation to the Foundation of a portion of the proceeds from the sale of such Signature Products. The production, marketing and sale of Signature Products will be undertaken by the Foundation's corporate partners, and the Foundation anticipates these activities will serve to inform consumers of the Foundation's mission statement. Consequently, the Foundation expects the sale of Signature Products by its corporate partners will both raise awareness of, and funds for, the support of its mission. In 2011, the Foundation entered into its first licensing arrangement for the sale of Signature Products with Oakley, Inc. ("Oakley") and in June 2011 Oakley began selling a line of Signature Products including eyewear, watches, apparel and accessories (See Note 4).

The Foundation is committed to dedicating its resources and property for the beneficial use of charitable causes consistent with its mission statement. The Foundation intends to use a substantial portion of the funds it raises to make grants to specially selected nonprofit organizations to support programs that directly benefit our military heroes and their families and to promote the development of innovative rehabilitative programs and therapies. Since its inception, the Foundation has made grants totaling $1,279,998 in furtherance of its mission.

Note 2 –Significant Accounting Policies

The Foundation has prepared these financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Foundation are described herein to enhance the usefulness and understandability of these financial statements.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of revenues and expenses for the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Foundation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Foundation's management believes that the estimates and assumptions are reasonable in the circumstances. However, the actual results could differ from those estimates.

Net Assets

The Foundation has not received any asset whose use is limited by donor-imposed conditions. Consequently, the Foundation's net assets are classified as "unrestricted net assets" in the financial statements. Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

Cash and Cash Equivalents

Cash equivalents are short term, highly liquid investments with original maturities of three months or less. As of December 31, 2013 and 2012, substantially all of the Foundation's cash and cash equivalents consist of demand deposits held at a major bank.

Royalties Receivable

Royalties receivable as of December 31, 2013 and 2012 consists of amounts due from Oakley under the Signature Product Agreement (see Note 4). Management believes that the receivable is collectible in full; no allowance for uncollectible receivables is provided.

Capitalized Web Site Costs

The Foundation has capitalized costs related to the development of its web site. The capitalized costs are being amortized over the estimated useful life of the web site of five years. As of December 31, 2013 and 2012, total capitalized costs of $21,000 are shown net of accumulated amortization of $11,375 and $7,175, respectively.

Impairment of Long-Lived Assets

The Foundation evaluates long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without an interest charge) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the carrying value of the asset to its estimated fair value. To date, no such write-downs have occurred.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met. As of December 31, 2013 and 2012, the Foundation has not recognized any contributions receivable in the accompanying statements of financial position.

Gifts-in-Kind Contributions

The Foundation periodically receives contributions in a form other than cash or investments. The Foundation recognizes a contributed asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Foundation's capitalization policy. Donated use of facilities is reported as a contribution and as an expense at the estimated fair value of similar space for rent under similar conditions. Donated supplies are recorded as a contribution at the date of gift and as an expense when the donated items are placed into service or distributed. For the year ended December 31,

2013, management and general expenses include rent expense of $2,160 representing the estimated fair value of office space provided to the Foundation by Oakley.

During the years ended December 31, 2013 and 2012, the Foundation benefitted from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Foundation's fundraising and public relations campaigns, management and administration. However, the majority of the contributed services do not meet the criteria for recognition in the accompanying financial statements. Under GAAP, the Foundation must recognize contributed services if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills. For the years ended December 31, 2013 and 2012, donated services with an estimated fair value of $11,475 and $22,500, respectively, met those criteria and are included in in-kind contributions in the statements of activities. Those services consisted of maintenance of and updates to the Foundation's web site (included in fundraising expenses) and certain accounting services (included in management and general expenses).

Expense Recognition and Allocation

The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

The Foundation makes grants to specially selected nonprofit organizations, the operations of which are dedicated to innovative programs that are in furtherance of, and consistent with, the Foundation's mission statement. Program expenses include grant payments of $754,998 (2013) and $500,000 (2012). In some cases, the Foundation's obligation to pay the grant funds is subject to the grantee's satisfaction of certain conditions or the occurrence of certain events. The Foundation recognizes grants as program expenses when paid, or when the Foundation has an unconditional obligation to pay the grant funds at a future date. As of December 31, 2013 or 2012, the Foundation had no unpaid obligations under grants.

Fundraising costs are expensed as incurred, even though fundraising efforts may result in contributions received in future years. The Foundation generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when donor acknowledgements contain requests for contributions, joint costs are allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Advertising costs are expensed as incurred.

Tax Exempt Status

The United States Internal Revenue Service ("IRS") has determined that the Foundation is a public charity and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The IRS has also determined that contributions to the Foundation are tax deductible to donors under IRC Section 170. The California Franchise Tax Board ("FTB") has determined that the Foundation is exempt from California franchise and income taxes under Section 23701d of the California Revenue and Taxation Code. However, a tax exempt organization that generates income from a trade or business not substantially related to its charitable purpose could be subject to US federal income taxes and California franchise taxes on any such unrelated business income. For the years ended December 31, 2013 and 2012, the Foundation did not generate any such unrelated business income and was not subject to any unrelated business income taxes.

The Foundation adopted the provisions of Accounting Standards Codification 740, *Income Taxes*, related to accounting for uncertain tax positions as of March 17, 2011 (inception). The Foundation files annual exempt organization information returns in the United States federal jurisdiction and with the FTB in the State of California. The Foundation has determined that it has no liabilities for uncertain tax positions as of

December 31, 2013 or 2012. Consequently, the Foundation has not recognized any liabilities or expenses for uncertain tax positions, interest or penalties in the accompanying financial statements. The Foundation does not anticipate any material change in its assessment of uncertain tax positions will occur in the twelve months following December 31, 2013.

The Foundation may from time to time be subject to routine audits by the IRS, FTB or other taxing authorities. Currently there are no audits in progress for any tax years.

Supplemental Cash Flow Information

The Foundation paid no interest or income taxes during the years ended December 31, 2013 and 2012.

Note 3 – Fair Value Measurements

The Foundation measures fair values using a three-level hierarchy of inputs established by GAAP. This hierarchy prioritizes the inputs used to measure fair value, and requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 – Quoted prices for identical assets or liabilities in active markets to which the Foundation has access at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
    - quoted prices for similar assets or liabilities in active markets;
    - quoted prices for identical or similar assets in markets that are not active;
    - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and,
    - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Foundation's financial statements is the recognition of in-kind contributions received from donors. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are generally not available for the particular assets and liabilities that the Foundation is required to measure at fair value.

Note 4 – Related Party Transactions

Certain of the Foundation's officers and directors are also current or former officers, employees, or directors of Oakley. As of December 31, 2013 and 2012, four of the five members of the Foundation's board of directors are not affiliated with Oakley. Other employees of Oakley have provided services to the Foundation in various volunteer capacities, including fundraising and management activities. The Foundation paid no compensation to any persons affiliated with Oakley during the years ended December 31, 2013 or 2012.

Logo and Internet Domain Name

In 2011, Oakley developed the Infinite Hero logo. Oakley also created and registered the internet domain name *www.infinitehero.org*. In 2011, the Foundation purchased the Infinite Hero logo and domain name from Oakley for $2,000.

Signature Product Agreement

In June 2011, the Foundation entered into a Signature Product Agreement with Oakley. Under this agreement, the Foundation granted Oakley a non-exclusive, non-transferable right to use the IHF Marks in connection with the manufacture, distribution and sale of limited edition models of certain Oakley eyewear, watches, apparel and accessories. In consideration for the use of the IHF Marks, Oakley agreed to pay

royalties to the Foundation in an amount based on Oakley's net sales of Signature Products. The agreement initially has a three-year term and is subject to automatic termination if Oakley ceases to sell Signature Products. In June 2014, the Foundation and Oakley amended the Signature Product Agreement to extend its term for an additional three years.

For the years ended December 31, 2013 and 2012, the Foundation earned royalties of $566,290 and $916,343 under the Signature Product Agreement with Oakley.

Trademark Agreement

In June 2011, the Foundation entered into a Trademark Usage Agreement with Oakley. Under this agreement, Oakley granted the Foundation a non-exclusive right to use the Oakley name and certain Oakley trademarks and logos (collectively, the "Oakley Marks") in connection with the IHF Marks. As compensation for the use of the Oakley Marks, the Foundation paid Oakley a one-time royalty of $8,000. The agreement initially has a three-year term and is cancellable by Oakley at any time, without cause, upon thirty days' prior written notice to the Foundation. In June 2014, the Foundation and Oakley amended the Trademark Agreement to extend its term for an additional three years. Management and general expenses for the years ended December 31, 2013 and 2012, include amortization expense of $2,667 annually related to the Oakley Marks. The Foundation estimates that amortization expense for the year ended December 31, 2014 will be $1,333.

Advances from Oakley

As of December 31, 2013, accounts payable includes $33,621 payable to Oakley for certain expenses paid by Oakley in 2013 on behalf of the Foundation. During the year ended December 31, 2012, Oakley paid expenses totaling $8,583 on behalf of the Foundation. The Foundation repaid this amount to Oakley in 2012.

Note 5 – Concentrations of Risk

Amounts held in financial institutions exceeded the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits at December 31, 2013 and 2012. The Foundation deposits its cash with high quality financial institutions, and management believes the Foundation is not exposed to significant credit risk on those amounts.

Approximately 84 percent of the Foundation's revenues for the year ended December 31, 2013 and 96 percent of the Foundation's revenues for the year ended December 31, 2012 consisted of royalties received from Oakley under the Signature Product Agreement.

Note 6 – Subsequent Events

Subsequent events have been evaluated through July 16, 2014, the date these financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.