

FINANCIAL STATEMENTS

OUR MILITARY KIDS, INC.

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

OUR MILITARY KIDS, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	2
EXHIBIT A - Statements of Financial Position, as of December 31, 2009 and 2008	3
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2009 and 2008	4 - 5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2009	6
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2008	7
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2009 and 2008	8
NOTES TO FINANCIAL STATEMENTS	9 - 13



GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Our Military Kids, Inc.
McLean, Virginia

We have audited the accompanying statements of financial position of Our Military Kids, Inc. (OMK) as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of OMK's management. 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 audits 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 audits provide 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 OMK as of December 31, 2009 and 2008, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

July 1, 2010

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OUR MILITARY KIDS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009 AND 2008

ASSETS		<u>2009</u>	<u>2008</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,751,497	\$ 2,219,704
Grants receivable (Note 6)		1,000,000	-
Contracts receivable		420,731	181,587
Other receivables		<u>-</u>	<u>544</u>
Total current assets		<u>3,172,228</u>	<u>2,401,835</u>
PROPERTY AND EQUIPMENT			
Computers and related equipment		45,857	35,327
Less: Accumulated depreciation and amortization		<u>(22,534)</u>	<u>(13,813)</u>
Net property and equipment		<u>23,323</u>	<u>21,514</u>
NONCURRENT ASSETS			
Grants receivable, net of current portion (Note 6)		-	932,401
Security deposit		<u>3,500</u>	<u>3,500</u>
Total noncurrent assets		<u>3,500</u>	<u>935,901</u>
TOTAL ASSETS	\$	<u>3,199,051</u>	\$ <u>3,359,250</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>6,212</u>	\$ <u>-</u>
NET ASSETS			
Unrestricted		2,105,702	1,344,023
Temporarily restricted (Note 2)		<u>1,087,137</u>	<u>2,015,227</u>
Total net assets		<u>3,192,839</u>	<u>3,359,250</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>3,199,051</u>	\$ <u>3,359,250</u>

See accompanying notes to financial statements.

OUR MILITARY KIDS, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions and grants	\$ 635,856	\$ 221,399	\$ 857,255
Contracts	2,747,523	-	2,747,523
Interest	12,164	-	12,164
In-kind contributions (Note 5)	87,264	10,530	97,794
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 3)	<u>1,160,019</u>	<u>(1,160,019)</u>	<u>-</u>
Total revenue	<u>4,642,826</u>	<u>(928,090)</u>	<u>3,714,736</u>
EXPENSES			
Program Services	<u>3,755,387</u>	<u>-</u>	<u>3,755,387</u>
Supporting Services:			
Management and General	58,732	-	58,732
Fundraising	<u>67,028</u>	<u>-</u>	<u>67,028</u>
Total supporting services	<u>125,760</u>	<u>-</u>	<u>125,760</u>
Total expenses	<u>3,881,147</u>	<u>-</u>	<u>3,881,147</u>
Changes in net assets	761,679	(928,090)	(166,411)
Net assets at beginning of year	<u>1,344,023</u>	<u>2,015,227</u>	<u>3,359,250</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,105,702</u>	<u>\$ 1,087,137</u>	<u>\$ 3,192,839</u>

See accompanying notes to financial statements.

2008		
Unrestricted	Temporarily Restricted	Total
\$ 544,906	\$ 259,429	\$ 804,335
1,118,755	-	1,118,755
23,759	-	23,759
60,333	6,176	66,509
<u>1,083,282</u>	<u>(1,083,282)</u>	<u>-</u>
<u>2,831,035</u>	<u>(817,677)</u>	<u>2,013,358</u>
<u>1,850,208</u>	<u>-</u>	<u>1,850,208</u>
45,174	-	45,174
<u>52,557</u>	<u>-</u>	<u>52,557</u>
<u>97,731</u>	<u>-</u>	<u>97,731</u>
<u>1,947,939</u>	<u>-</u>	<u>1,947,939</u>
883,096	(817,677)	65,419
<u>460,927</u>	<u>2,832,904</u>	<u>3,293,831</u>
<u>\$ 1,344,023</u>	<u>\$ 2,015,227</u>	<u>\$ 3,359,250</u>

See accompanying notes to financial statements.

OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 158,594	\$ 29,036	\$ 57,574	\$ 86,610	\$ 245,204
Printing and production	114,780	58	1,123	1,181	115,961
Professional fees	9,755	-	-	-	9,755
Occupancy (Note 4)	36,593	2,153	4,305	6,458	43,051
Accounting and audit fees	-	12,501	-	12,501	12,501
Insurance	1,851	1,195	-	1,195	3,046
Depreciation and amortization	7,457	421	843	1,264	8,721
Telecommunications	6,146	98	197	295	6,441
Travel and transportation	4,268	306	387	693	4,961
Postage and delivery	20,009	349	1,533	1,882	21,891
Supplies	13,467	3,799	483	4,282	17,749
Events and meetings	85,554	867	87	954	86,508
Bank fees	414	-	-	-	414
Equipment rental and maintenance	7,709	-	-	-	7,709
Grants	3,272,938	-	-	-	3,272,938
Licenses and permits	-	250	-	250	250
Other	<u>15,852</u>	<u>7,699</u>	<u>496</u>	<u>8,195</u>	<u>24,047</u>
TOTAL	<u>\$3,755,387</u>	<u>\$ 58,732</u>	<u>\$ 67,028</u>	<u>\$ 125,760</u>	<u>\$3,881,147</u>

See accompanying notes to financial statements.

OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries	\$ 173,155	\$ 19,307	\$ 44,206	\$ 63,513	\$ 236,668
Printing and production	10,170	4,233	450	4,683	14,853
Occupancy (Note 4)	32,550	1,915	3,829	5,744	38,294
Accounting and audit fees	-	8,891	-	8,891	8,891
Insurance	610	1,195	265	1,460	2,070
Depreciation and amortization	6,602	388	777	1,165	7,767
Telecommunications	33,240	441	182	623	33,863
Travel and transportation	3,283	230	1,596	1,826	5,109
Postage and delivery	8,087	1,192	135	1,327	9,414
Supplies	8,836	3,123	791	3,914	12,750
Events and meetings	60,864	497	326	823	61,687
Bank fees	-	25	-	25	25
Grants	1,511,448	-	-	-	1,511,448
Licenses and permits	-	350	-	350	350
Other	<u>1,363</u>	<u>3,387</u>	<u>-</u>	<u>3,387</u>	<u>4,750</u>
TOTAL	<u>\$ 1,850,208</u>	<u>\$ 45,174</u>	<u>\$ 52,557</u>	<u>\$ 97,731</u>	<u>\$ 1,947,939</u>

OUR MILITARY KIDS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (166,411)	\$ 65,419
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	8,721	7,767
Donated computers and software	(10,530)	(6,176)
(Increase) decrease in:		
Grants receivable	(67,599)	1,869,371
Contracts receivable	(239,144)	(154,386)
Other receivables	544	(532)
Security deposit	-	(1,947)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>6,212</u>	<u>(805)</u>
Net cash provided (used) by operating activities	<u>(468,207)</u>	<u>1,778,711</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computers and related equipment	<u>-</u>	<u>(11,584)</u>
Net cash used by investing activities	<u>-</u>	<u>(11,584)</u>
Net increase (decrease) in cash and cash equivalents	(468,207)	1,767,127
Cash and cash equivalents at beginning of year	<u>2,219,704</u>	<u>452,577</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,751,497</u>	<u>\$ 2,219,704</u>

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Our Military Kids, Inc. (OMK) is a non-profit organization, incorporated in the Commonwealth of Virginia and located in McLean. OMK is a not-for-profit corporation whose purpose is to provide financial assistance to children, ages three to eighteen years of age, of the nation's deployed National Guard and Reserve Service Members, and all Wounded Warriors. The assistance will be awarded to qualified recipients to help with expenses associated with sports, dance, music, art and tutoring programs during military parent or guardian's overseas deployment or recovery from severe injury.

Recently issued accounting standards -

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 105, *Generally Accepted Accounting Principles*, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, OMK has updated references to GAAP in its financial statements issued for the year ended December 31, 2009. The adoption of FASB ASC 105 did not impact OMK's financial position or results of operations.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

OMK considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, OMK maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Other receivables -

Other receivables approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment purchases in excess of \$500 are stated at cost. Property and equipment purchases are depreciated on a straight-line basis over the estimated useful lives of three years. Donated equipment is recorded at fair value at the date of donation.

Income taxes -

OMK is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. OMK is not a private foundation.

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, OMK has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net assets classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of OMK and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of OMK and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contracts -

Contracts are accounted for as exchange transactions and, accordingly, revenue is recognized when the qualifying expenditures are incurred. Any funds received in advance of incurring qualifying expenditures are recorded as refundable advances. Any funds received in advance of incurring expenditures are recorded as contracts receivable.

Contracts receivable -

Contracts receivable reflects amounts due under a subcontract agreement with Alutiiq, Inc. The purpose of the contract is to deliver Strategic Retention Program Initiative Support Services in support of Alutiiq, Inc.'s contract with the Army National Guard Bureau. The initial contract, effective September 27, 2007, expired on December 31, 2008. A follow-on engagement has been negotiated with a period of performance from January 1, 2009 through December 31, 2009. As of December 31, 2009 and 2008, total amounts due from Alutiiq, Inc. aggregated \$420,731 and \$181,587, respectively.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Program Grants: DC Area Kids	\$ -	\$ 13,845
Children of the Severely Injured (Nationwide)	70,614	57,175
Restricted capital assets (total asset value of \$27,090 and \$16,560, respectively)	16,523	11,806
Restricted for time	<u>1,000,000</u>	<u>1,932,401</u>
	<u>\$1,087,137</u>	<u>\$2,015,227</u>

3. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

	<u>2009</u>	<u>2008</u>
Program Grants: DC Area Kids	\$ 38,845	\$ 27,454
Program Grants: Utah Area Gifts	-	4,884
Children of the Severely Injured (Nationwide)	66,561	12,825
Purchase of program brochures and publications	48,800	33,800
Depreciation on donated capital assets	5,813	4,319
Passage of time	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$1,160,019</u>	<u>\$1,083,282</u>

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

4. LEASE COMMITMENT

On January 18, 2008, OMK entered into a three-year operating lease agreement for its office space in McLean, Virginia. The lease commenced on March 1, 2008 and expires on February 28, 2011.

Future minimum rental payments due at December 31, 2009 are as follows:

<u>Year Ended December 31,</u>	
2010	\$ 44,342
2011	<u>7,426</u>
	<u>\$ 51,768</u>

During the years ended December 31, 2009 and 2008, occupancy expense totaled \$43,051 and \$38,294, respectively.

5. IN-KIND CONTRIBUTIONS

In-kind contributions are recognized as support and expense in the Statements of Activities and Changes in Net Assets in accordance with FASB ASC 958-605-15-2, *Revenue Recognition-Contributions Received*, if the contributed items (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by OMK. During the year ended December 31, 2009, OMK received in-kind contributions in the form of professional services having a fair market value of \$87,264; in addition, OMK received donated computers and related equipment with a fair market value of \$10,530 (Note 2). During the year ended December 31, 2008, OMK received in-kind contributions in the form of professional services having a fair market value of \$60,333; in addition, OMK received donated computers and related equipment with a fair market value of \$6,176 (Note 2).

6. GRANTS RECEIVABLE

Grants receivable reflect a commitment made to OMK by one major donor. Payments that are expected to be received in future years have been discounted to their present value using the effective interest rate on the date of award (7.25%).

The following is a summary of grants receivable, by years, as of December 31, 2009 and 2008:

<u>Year Ended December 31,</u>	<u>2009</u>	<u>2008</u>
2010	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
	1,000,000	1,000,000
Less: Current portion of grants receivable	(1,000,000)	-
Less: Discount on non-current grants receivable (7.25%)	<u>-</u>	<u>(67,599)</u>
TOTAL NONCURRENT GRANTS RECEIVABLE	<u>\$ -</u>	<u>\$ 932,401</u>

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

7. SUBSEQUENT EVENTS

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through July 1, 2010, the date the financial statements were issued.