

**FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012**

## OUR MILITARY KIDS, INC.

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Our Military Kids, Inc. (OMK), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 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 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 OMK as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Friedman*

June 25, 2014

**OUR MILITARY KIDS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2013 AND 2012**

<b>ASSETS</b>		
	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,088,685	\$ 1,616,534
Grants and contracts receivable	283,011	163,094
Prepaid expenses	1,036	-
Total current assets	<u>1,372,732</u>	<u>1,779,628</u>
<b>PROPERTY AND EQUIPMENT</b>		
Computers and related equipment	45,857	45,857
Less: Accumulated depreciation and amortization	(45,023)	(44,309)
Net property and equipment	<u>834</u>	<u>1,548</u>
<b>NONCURRENT ASSETS</b>		
Security deposit	3,500	3,500
<b>TOTAL ASSETS</b>	<b>\$ 1,377,066</b>	<b>\$ 1,784,676</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 13,526	\$ 19,648
<b>NET ASSETS</b>		
Unrestricted	1,231,501	1,603,395
Temporarily restricted (Note 2)	132,039	161,633
Total net assets	<u>1,363,540</u>	<u>1,765,028</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,377,066</b>	<b>\$ 1,784,676</b>

See accompanying notes to financial statements.

OUR MILITARY KIDS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions and grants	\$ 1,300,392	\$ 185,000	\$ 1,485,392
Contracts	628,967	-	628,967
Interest	1,376	-	1,376
In-kind contributions (Note 4)	4,260	-	4,260
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 3)	<u>214,594</u>	<u>(214,594)</u>	<u>-</u>
Total support and revenue	<u>2,149,589</u>	<u>(29,594)</u>	<u>2,119,995</u>
<b>EXPENSES</b>			
Program Services	<u>2,382,067</u>	<u>-</u>	<u>2,382,067</u>
Supporting Services:			
Management and General	41,685	-	41,685
Fundraising	<u>97,731</u>	<u>-</u>	<u>97,731</u>
Total supporting services	<u>139,416</u>	<u>-</u>	<u>139,416</u>
Total expenses	<u>2,521,483</u>	<u>-</u>	<u>2,521,483</u>
Changes in net assets	(371,894)	(29,594)	(401,488)
Net assets at beginning of year	<u>1,603,395</u>	<u>161,633</u>	<u>1,765,028</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,231,501</u></b>	<b><u>\$ 132,039</u></b>	<b><u>\$ 1,363,540</u></b>

See accompanying notes to financial statements.

<b>2012</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 1,105,167	\$ 275,000	\$ 1,380,167
371,878	-	371,878
2,483	-	2,483
30,994	-	30,994
<u>292,758</u>	<u>(292,758)</u>	<u>-</u>
<u>1,803,280</u>	<u>(17,758)</u>	<u>1,785,522</u>
<u>2,828,026</u>	<u>-</u>	<u>2,828,026</u>
41,134	-	41,134
<u>101,704</u>	<u>-</u>	<u>101,704</u>
<u>142,838</u>	<u>-</u>	<u>142,838</u>
<u>2,970,864</u>	<u>-</u>	<u>2,970,864</u>
(1,167,584)	(17,758)	(1,185,342)
<u>2,770,979</u>	<u>179,391</u>	<u>2,950,370</u>
<u>\$ 1,603,395</u>	<u>\$ 161,633</u>	<u>\$ 1,765,028</u>

See accompanying notes to financial statements.

## OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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 and benefits	\$ 153,386	\$ 22,233	\$ 85,587	\$ 107,820	\$ 261,206
Printing and production	17,367	-	142	142	17,509
Occupancy (Note 5)	36,538	2,030	4,060	6,090	42,628
Accounting and audit fees	-	13,004	-	13,004	13,004
Insurance	1,026	804	-	804	1,830
Depreciation and amortization	500	71	143	214	714
Telecommunications	2,920	133	266	399	3,319
Travel and transportation	1,650	36	2,469	2,505	4,155
Postage and delivery	19,881	205	1,924	2,129	22,010
Supplies	2,282	309	58	367	2,649
Marketing	50,198	-	2,690	2,690	52,888
Events and meetings	16,285	364	167	531	16,816
Bank fees	993	132	-	132	1,125
Equipment rental and maintenance	1,785	1,390	210	1,600	3,385
Grants	2,076,555	-	-	-	2,076,555
Licenses and permits	-	350	-	350	350
Other	701	624	15	639	1,340
<b>TOTAL</b>	<b><u>\$ 2,382,067</u></b>	<b><u>\$ 41,685</u></b>	<b><u>\$ 97,731</u></b>	<b><u>\$ 139,416</u></b>	<b><u>\$ 2,521,483</u></b>

See accompanying notes to financial statements.



## OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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 and benefits	\$ 232,839	\$ 21,505	\$ 87,043	\$ 108,548	\$ 341,387
Printing and production	3,433	-	2,800	2,800	6,233
Occupancy (Note 5)	35,518	2,135	3,775	5,910	41,428
Accounting and audit fees	-	13,000	-	13,000	13,000
Insurance	1,044	1,734	-	1,734	2,778
Depreciation and amortization	3,351	182	399	581	3,932
Telecommunications	3,854	145	327	472	4,326
Travel and transportation	3,323	118	3,468	3,586	6,909
Postage and delivery	17,347	74	2,666	2,740	20,087
Supplies	1,564	419	483	902	2,466
Marketing	1,300	-	328	328	1,628
Events and meetings	46,821	686	-	686	47,507
Bank fees	-	89	-	89	89
Equipment rental and maintenance	2,674	163	325	488	3,162
Grants	2,474,911	-	-	-	2,474,911
Licenses and permits	-	350	50	400	400
Other	47	534	40	574	621
<b>TOTAL</b>	<b><u>\$ 2,828,026</u></b>	<b><u>\$ 41,134</u></b>	<b><u>\$ 101,704</u></b>	<b><u>\$ 142,838</u></b>	<b><u>\$ 2,970,864</u></b>

See accompanying notes to financial statements.

**OUR MILITARY KIDS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets (deficit)	\$ (401,488)	\$ (1,185,342)
Adjustments to reconcile changes in net assets (deficit) to net cash used by operating activities:		
Depreciation and amortization	714	3,932
(Increase) decrease in:		
Grants and contracts receivable	(119,917)	1,103,365
Prepaid expenses	(1,036)	-
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(6,122)</u>	<u>1,109</u>
Net cash used by operating activities	<u>(527,849)</u>	<u>(76,936)</u>
Net decrease in cash and cash equivalents	(527,849)	(76,936)
Cash and cash equivalents at beginning of year	<u>1,616,534</u>	<u>1,693,470</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,088,685</u></b>	<b><u>\$ 1,616,534</u></b>

See accompanying notes to financial statements.

**OUR MILITARY KIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**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 a military parent or guardian's overseas deployment or recovery from severe injury.

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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. 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.

Grants and contracts receivable -

Grants and contracts receivable 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. Depreciation and amortization expense for the years ended December 31, 2013 and 2012 totaled \$714 and \$3,932, respectively.

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.

Uncertain tax positions -

For the years ended December 31, 2013 and 2012, OMK has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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

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. Expenses incurred in advance of receiving funds are recorded as contracts receivable.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

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.

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

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

Uncertain tax positions -

In June 2006, the FASB released FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in FASB Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes*. When FIN 48 is implemented, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. As deferred by the guidance in FSP FIN 48-3, OMK is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, OMK has not implemented those provisions in the 2008 financial statements.

Fair value measurements -

OMK adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 157, entitled *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. OMK accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Children of Wounded Warriors	\$ 3,578	\$ 111,633
State grant restricted	50,000	-
Tutoring grants	28,461	-
Time restricted	<u>50,000</u>	<u>50,000</u>
	<u>\$ 132,039</u>	<u>\$ 161,633</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>2013</u>	<u>2012</u>
Children of Wounded Warriors	\$ 118,055	\$ 158,441
State grant restricted	-	131,100
Tutoring grants	46,539	-
Depreciation on donated capital assets	-	3,217
Passage of time	<u>50,000</u>	<u>-</u>
	<u>\$ 214,594</u>	<u>\$ 292,758</u>

**OUR MILITARY KIDS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**4. 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 non-financial 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, 2013, OMK received in-kind contributions (donated goods) totaling \$4,260. During the year ended December 31, 2012, OMK received in-kind contributions (donated goods and services) totaling \$30,994.

**5. LEASE COMMITMENT**

On January 18, 2008, OMK entered into a three-year operating lease agreement for its office space in McLean, Virginia. On February 2011, OMK renewed the lease agreement for another term, expiring December 2014.

Future minimum rental payments due at December 31, 2013 are as follows:

<b>Year Ending December 31, 2014</b>	<b><u>\$ 40,800</u></b>
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During the years ended December 31, 2013 and 2012, occupancy expense totaled \$42,628 and \$41,428, respectively.

**6. SUBSEQUENT EVENTS**

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through June 25, 2014, the date the financial statements were issued.