

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013, 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.

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, 2014 and 2013, 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.

June 5, 2015

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OUR MILITARY KIDS, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,310,333	\$ 1,088,685
Investments (Note 2)	3,610	-
Grants and contracts receivable	56,417	283,011
Prepaid expenses	<u>2,573</u>	<u>1,036</u>
Total current assets	<u>1,372,933</u>	<u>1,372,732</u>
PROPERTY AND EQUIPMENT		
Computers and related equipment	51,649	45,857
Less: Accumulated depreciation and amortization	<u>(46,863)</u>	<u>(45,023)</u>
Net property and equipment	<u>4,786</u>	<u>834</u>
NONCURRENT ASSETS		
Security deposit	<u>3,500</u>	<u>3,500</u>
TOTAL ASSETS	<u>\$ 1,381,219</u>	<u>\$ 1,377,066</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>14,475</u>	\$ <u>13,526</u>
NET ASSETS		
Unrestricted	1,304,744	1,231,501
Temporarily restricted (Note 3)	<u>62,000</u>	<u>132,039</u>
Total net assets	<u>1,366,744</u>	<u>1,363,540</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,381,219</u>	<u>\$ 1,377,066</u>

OUR MILITARY KIDS, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 964,121	\$ 547,370	\$ 1,511,491
Contracts	320,445	-	320,445
Interest	1,598	-	1,598
In-kind contributions (Note 5)	-	-	-
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 4)	617,409	(617,409)	-
Total support and revenue	1,903,573	(70,039)	1,833,534
EXPENSES			
Program Services	1,685,651	-	1,685,651
Supporting Services:			
Management and General	42,073	-	42,073
Fundraising	102,606	-	102,606
Total supporting services	144,679	-	144,679
Total expenses	1,830,330	-	1,830,330
Changes in net assets	73,243	(70,039)	3,204
Net assets at beginning of year	1,231,501	132,039	1,363,540
NET ASSETS AT END OF YEAR	\$ 1,304,744	\$ 62,000	\$ 1,366,744

2013		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,300,392	\$ 185,000	\$ 1,485,392
628,967	-	628,967
1,376	-	1,376
4,260	-	4,260
<u>214,594</u>	<u>(214,594)</u>	<u>-</u>
<u>2,149,589</u>	<u>(29,594)</u>	<u>2,119,995</u>
<u>2,382,067</u>	<u>-</u>	<u>2,382,067</u>
41,685	-	41,685
<u>97,731</u>	<u>-</u>	<u>97,731</u>
<u>139,416</u>	<u>-</u>	<u>139,416</u>
<u>2,521,483</u>	<u>-</u>	<u>2,521,483</u>
(371,894)	(29,594)	(401,488)
<u>1,603,395</u>	<u>161,633</u>	<u>1,765,028</u>
<u>\$ 1,231,501</u>	<u>\$ 132,039</u>	<u>\$ 1,363,540</u>

OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<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	\$ 199,858	\$ 22,407	\$ 93,208	\$ 115,615	\$ 315,473
Printing and production	6,313	-	1,104	1,104	7,417
Occupancy (Note 6)	36,708	2,040	4,080	6,120	42,828
Accounting and audit fees	-	12,500	-	12,500	12,500
Insurance	-	1,988	-	1,988	1,988
Depreciation and amortization	1,457	128	255	383	1,840
Telecommunications	3,123	155	320	475	3,598
Travel and transportation	4,028	138	2,117	2,255	6,283
Postage and delivery	9,886	55	1,304	1,359	11,245
Supplies	1,509	371	25	396	1,905
Events and meetings	18,523	411	70	481	19,004
Bank fees	1,549	66	-	66	1,615
Equipment rental and maintenance	1,241	61	123	184	1,425
Grants	1,399,959	-	-	-	1,399,959
Licenses and permits	-	350	-	350	350
Other	1,497	1,403	-	1,403	2,900
TOTAL	<u>\$ 1,685,651</u>	<u>\$ 42,073</u>	<u>\$ 102,606</u>	<u>\$ 144,679</u>	<u>\$ 1,830,330</u>

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 6)	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	<u>701</u>	<u>624</u>	<u>15</u>	<u>639</u>	<u>1,340</u>
TOTAL	<u>\$ 2,382,067</u>	<u>\$ 41,685</u>	<u>\$ 97,731</u>	<u>\$ 139,416</u>	<u>\$ 2,521,483</u>

OUR MILITARY KIDS, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets (deficit)	\$ 3,204	\$ (401,488)
Adjustments to reconcile changes in net assets (deficit) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,840	714
Donated stock	(3,610)	-
(Increase) decrease in:		
Grants and contracts receivable	226,594	(119,917)
Prepaid expenses	(1,537)	(1,036)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>949</u>	<u>(6,122)</u>
Net cash provided (used) by operating activities	<u>227,440</u>	<u>(527,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computers and related equipment	<u>(5,792)</u>	<u>-</u>
Net cash used by investing activities	<u>(5,792)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	221,648	(527,849)
Cash and cash equivalents at beginning of year	<u>1,088,685</u>	<u>1,616,534</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,310,333</u>	<u>\$ 1,088,685</u>

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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.

Investments -

Investments are recorded at their readily determinable fair value. Donated investments are recorded at fair value at the date of donation.

Grants and contracts receivable -

Grants and contracts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. 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. Depreciation and amortization expense for the years ended December 31, 2014 and 2013 totaled \$1,840 and \$714, 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, 2014 and 2013, 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, 2014 AND 2013

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.

Fair value measurement -

OMK adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 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.

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, 2014 AND 2013**

2. INVESTMENTS

Investments consisted of the following at December 31, 2014:

	<u>Fair Value</u>
Stocks	\$ <u>3,610</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, OMK has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Stocks are valued at the closing price reported on the active market in which the individual securities are traded, and have been identified at Level 1 in the fair value hierarchy. There have been no changes in the methodologies used at December 31, 2014.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Children of Wounded Warriors	\$ 49,500	\$ 3,578
State Grant Restricted	-	50,000
Tutoring Grants	-	28,461
Time Restricted	<u>12,500</u>	<u>50,000</u>
	<u>\$ 62,000</u>	<u>\$ 132,039</u>

4. 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>2014</u>	<u>2013</u>
Family Event	\$ 20,000	\$ -
Children of Wounded Warriors	159,078	118,055
Sports	100,000	-
State Grant Restricted	100,870	-
Tutoring Grants	103,461	46,539
Age Restriction	25,000	-
Deployed	45,000	-
Other	1,500	-
Passage of Time	<u>62,500</u>	<u>50,000</u>
	<u>\$ 617,409</u>	<u>\$ 214,594</u>

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 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, 2014, OMK did not receive in-kind contributions. During the year ended December 31, 2013, OMK received in-kind contributions (donated goods and services) totaling \$4,260.

6. LEASE COMMITMENT

On December 16, 2014, OMK modified its lease agreement, extending its lease term through December 31, 2017. The lease includes an eighteen-month termination clause; the lease also requires an rent escalation of five percent per annum.

Future minimum rental payments due at December 31, 2014 are as follows:

Year Ending December 31,

2015	\$ 42,812
2016	44,953
2017	<u>47,200</u>
	<u>\$ 134,965</u>

During the years ended December 31, 2014 and 2013, occupancy expense totaled \$42,828 and \$42,628, respectively.

7. SUBSEQUENT EVENTS

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through June 5, 2015, the date the financial statements were issued.