

**FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

**OUR MILITARY KIDS, INC.**

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# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### 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, 2016 and 2015, 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, 2016 and 2015, 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.

July 10, 2017

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## OUR MILITARY KIDS, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2016 AND 2015

## ASSETS

	<u>2016</u>	<u>2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,181,661	\$ 1,303,687
Grants and accounts receivable	438,447	145,993
Prepaid expenses	<u>3,407</u>	<u>6,804</u>
Total current assets	<u>1,623,515</u>	<u>1,456,484</u>
<b>PROPERTY AND EQUIPMENT</b>		
Computers and related equipment	54,613	51,649
Less: Accumulated depreciation and amortization	<u>(51,832)</u>	<u>(48,913)</u>
Net property and equipment	<u>2,781</u>	<u>2,736</u>
<b>NONCURRENT ASSETS</b>		
Security deposit	<u>3,500</u>	<u>3,500</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,629,796</u></b>	<b><u>\$ 1,462,720</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ <u>16,495</u>	\$ <u>17,078</u>
<b>NET ASSETS</b>		
Unrestricted	1,414,388	1,192,575
Temporarily restricted	<u>198,913</u>	<u>253,067</u>
Total net assets	<u>1,613,301</u>	<u>1,445,642</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 1,629,796</u></b>	<b><u>\$ 1,462,720</u></b>

**OUR MILITARY KIDS, INC.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Grants and contributions	\$ 1,922,598	\$ 366,305	\$ 2,288,903
Interest income	781	-	781
In-kind contributions	5,775	-	5,775
Net assets released from donor restrictions	<u>420,459</u>	<u>(420,459)</u>	<u>-</u>
Total support and revenue	<u>2,349,613</u>	<u>(54,154)</u>	<u>2,295,459</u>
<b>EXPENSES</b>			
Program Services	<u>1,942,010</u>	<u>-</u>	<u>1,942,010</u>
Supporting Services:			
Management and General	51,963	-	51,963
Fundraising	<u>133,827</u>	<u>-</u>	<u>133,827</u>
Total supporting services	<u>185,790</u>	<u>-</u>	<u>185,790</u>
Total expenses	<u>2,127,800</u>	<u>-</u>	<u>2,127,800</u>
Changes in net assets	221,813	(54,154)	167,659
Net assets at beginning of year	<u>1,192,575</u>	<u>253,067</u>	<u>1,445,642</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,414,388</u></b>	<b><u>\$ 198,913</u></b>	<b><u>\$ 1,613,301</u></b>

<b>2015</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 1,305,369	\$ 754,675	\$ 2,060,044
1,512	-	1,512
82,178	-	82,178
<u>563,608</u>	<u>(563,608)</u>	<u>-</u>
<u>1,952,667</u>	<u>191,067</u>	<u>2,143,734</u>
<u>1,902,541</u>	<u>-</u>	<u>1,902,541</u>
75,040	-	75,040
<u>87,255</u>	<u>-</u>	<u>87,255</u>
<u>162,295</u>	<u>-</u>	<u>162,295</u>
<u>2,064,836</u>	<u>-</u>	<u>2,064,836</u>
(112,169)	191,067	78,898
<u>1,304,744</u>	<u>62,000</u>	<u>1,366,744</u>
<b><u>\$ 1,192,575</u></b>	<b><u>\$ 253,067</u></b>	<b><u>\$ 1,445,642</u></b>

## OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<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	\$ 294,690	\$ 31,604	\$ 109,119	\$ 140,723	\$ 435,413
Printing and production	30,042	-	5,174	5,174	35,216
Professional fees	-	522	-	522	522
Occupancy	40,069	2,417	4,495	6,912	46,981
Accounting and audit fees	-	11,365	-	11,365	11,365
Insurance	-	2,712	-	2,712	2,712
Depreciation and amortization	2,629	97	193	290	2,919
Telecommunications	14,854	146	2,626	2,772	17,626
Travel and transportation	1,444	72	409	481	1,925
Postage and delivery	10,744	38	2,296	2,334	13,078
Supplies	3,728	488	457	945	4,673
Events and meetings	17,632	946	8,658	9,604	27,236
Bank fees	923	-	-	-	923
Grants	1,524,755	-	-	-	1,524,755
Licenses and permits	-	750	400	1,150	1,150
Other	<u>500</u>	<u>806</u>	<u>-</u>	<u>806</u>	<u>1,306</u>
<b>TOTAL</b>	<b><u>\$ 1,942,010</u></b>	<b><u>\$ 51,963</u></b>	<b><u>\$ 133,827</u></b>	<b><u>\$ 185,790</u></b>	<b><u>\$ 2,127,800</u></b>

## OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 286,166	\$ 31,253	\$ 69,637	\$ 100,890	\$ 387,056
Printing and production	22,396	-	2,787	2,787	25,183
Professional fees	57,525	24,653	-	24,653	82,178
Occupancy	38,249	2,310	4,281	6,591	44,840
Accounting and audit fees	-	10,488	-	10,488	10,488
Insurance	-	1,989	-	1,989	1,989
Depreciation and amortization	1,724	109	217	326	2,050
Telecommunications	4,396	170	2,815	2,985	7,381
Travel and transportation	2,002	140	3,220	3,360	5,362
Postage and delivery	14,174	22	1,247	1,269	15,443
Supplies	3,129	745	6	751	3,880
Events and meetings	873	688	1,496	2,184	3,057
Bank fees	722	-	-	-	722
Equipment rental and maintenance	2,416	38	1,427	1,465	3,881
Grants	1,468,769	-	-	-	1,468,769
Bad debt	-	1,026	-	1,026	1,026
Licenses and permits	-	350	-	350	350
Other	-	1,059	122	1,181	1,181
<b>TOTAL</b>	<b><u>\$ 1,902,541</u></b>	<b><u>\$ 75,040</u></b>	<b><u>\$ 87,255</u></b>	<b><u>\$ 162,295</u></b>	<b><u>\$ 2,064,836</u></b>



## OUR MILITARY KIDS, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 167,659	\$ 78,898
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	2,919	2,050
Realized gain	-	(204)
(Increase) decrease in:		
Grants and accounts receivable	(292,454)	(89,576)
Prepaid expenses	3,397	(4,231)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(583)</u>	<u>2,603</u>
Net cash used by operating activities	<u>(119,062)</u>	<u>(10,460)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of computers and related equipment	<u>(2,964)</u>	<u>-</u>
Net cash used by investing activities	<u>(2,964)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Sale of investments	<u>-</u>	<u>3,814</u>
Net cash provided by financing activities	<u>-</u>	<u>3,814</u>
Net decrease in cash and cash equivalents	(122,026)	(6,646)
Cash and cash equivalents at beginning of year	<u>1,303,687</u>	<u>1,310,333</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,181,661</u></b>	<b><u>\$ 1,303,687</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Donated Stock	<b><u>\$ 21,354</u></b>	<b><u>\$ 24,330</u></b>

**OUR MILITARY KIDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**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 accounts receivable -

Grants and accounts 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, 2016 and 2015 totaled \$2,919 and \$2,050, 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, 2016 and 2015, 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.

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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.

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.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of OMK's financial statements, it is not expected to alter OMK's reported financial position.

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, 2016 AND 2015**

**2. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Children of Wounded Warriors	\$ 10,000	\$ 100,000
State Grant Restricted	25,000	139,855
Special Grant Award	85,663	8,212
Restricted capital assets	-	5,000
Time Restricted	<u>78,250</u>	<u>-</u>
	<b><u>\$ 198,913</u></b>	<b><u>\$ 253,067</u></b>

**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>2016</u>	<u>2015</u>
Children of Wounded Warriors	\$ 205,000	\$ 179,500
State Grant Restricted	151,855	84,145
Special Grant Award	23,604	287,463
Age Restriction	35,000	-
Passage of Time	<u>5,000</u>	<u>12,500</u>
	<b><u>\$ 420,459</u></b>	<b><u>\$ 563,608</u></b>

**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 years ended December 31, 2016 and 2015, OMK received in-kind contributions (donated legal services, consulting services and materials) totaling \$5,775 and \$82,178, respectively.

**5. 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 a rent escalation of five percent per annum.

Future minimum rental payments due at December 31, 2016 are as follows:

<b>Year Ending December 31, 2017</b>	<b><u>\$ 47,200</u></b>
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**OUR MILITARY KIDS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**

**5. LEASE COMMITMENT (Continued)**

During the years ended December 31, 2016 and 2015, occupancy expense totaled \$46,981 and \$44,840, respectively.

**6. SUBSEQUENT EVENTS**

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through July 10, 2017, the date the financial statements were issued.