

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016, 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, 2017 and 2016, 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 14, 2018

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OUR MILITARY KIDS, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,424,483	\$ 1,181,661
Grants and accounts receivable	145,731	438,447
Prepaid expenses	<u>9,912</u>	<u>3,407</u>
Total current assets	<u>1,580,126</u>	<u>1,623,515</u>
PROPERTY AND EQUIPMENT		
Computers and related equipment	54,613	54,613
Less: Accumulated depreciation and amortization	<u>(53,785)</u>	<u>(51,832)</u>
Net property and equipment	<u>828</u>	<u>2,781</u>
NONCURRENT ASSETS		
Security deposit	3,500	3,500
Grants receivable, net of current portion	<u>50,000</u>	<u>-</u>
Total noncurrent assets	<u>53,500</u>	<u>3,500</u>
TOTAL ASSETS	<u>\$ 1,634,454</u>	<u>\$ 1,629,796</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>16,180</u>	\$ <u>16,495</u>
NET ASSETS		
Unrestricted	1,385,908	1,414,388
Temporarily restricted	<u>232,366</u>	<u>198,913</u>
Total net assets	<u>1,618,274</u>	<u>1,613,301</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,634,454</u>	<u>\$ 1,629,796</u>

OUR MILITARY KIDS, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and contributions	\$ 1,517,281	\$ 578,025	\$ 2,095,306
Interest income	824	-	824
In-kind contributions	-	-	-
Net assets released from donor restrictions	<u>544,572</u>	<u>(544,572)</u>	<u>-</u>
Total support and revenue	<u>2,062,677</u>	<u>33,453</u>	<u>2,096,130</u>
EXPENSES			
Program Services	<u>1,921,776</u>	<u>-</u>	<u>1,921,776</u>
Supporting Services:			
Management and General	32,874	-	32,874
Fundraising	<u>136,507</u>	<u>-</u>	<u>136,507</u>
Total supporting services	<u>169,381</u>	<u>-</u>	<u>169,381</u>
Total expenses	<u>2,091,157</u>	<u>-</u>	<u>2,091,157</u>
Changes in net assets	(28,480)	33,453	4,973
Net assets at beginning of year	<u>1,414,388</u>	<u>198,913</u>	<u>1,613,301</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,385,908</u>	<u>\$ 232,366</u>	<u>\$ 1,618,274</u>

2016		
Unrestricted	Temporarily Restricted	Total
\$ 1,922,598	\$ 366,305	\$ 2,288,903
781	-	781
5,775	-	5,775
<u>420,459</u>	<u>(420,459)</u>	<u>-</u>
<u>2,349,613</u>	<u>(54,154)</u>	<u>2,295,459</u>
<u>1,942,010</u>	<u>-</u>	<u>1,942,010</u>
51,963	-	51,963
<u>133,827</u>	<u>-</u>	<u>133,827</u>
<u>185,790</u>	<u>-</u>	<u>185,790</u>
<u>2,127,800</u>	<u>-</u>	<u>2,127,800</u>
221,813	(54,154)	167,659
<u>1,192,575</u>	<u>253,067</u>	<u>1,445,642</u>
<u>\$ 1,414,388</u>	<u>\$ 198,913</u>	<u>\$ 1,613,301</u>

OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Supporting Services			Total Supporting Services	Total Expenses
	Program Services	Management and General	Fundraising		
Salaries and benefits	\$ 284,246	\$ 11,856	\$ 108,828	\$ 120,684	\$ 404,930
Printing and production	32,257	1,268	1,397	2,665	34,922
Occupancy	41,979	2,360	4,720	7,080	49,059
Accounting and audit fees	-	11,592	-	11,592	11,592
Insurance	-	2,776	-	2,776	2,776
Depreciation and amortization	1,809	47	97	144	1,953
Telecommunications	7,419	377	4,052	4,429	11,848
Travel and transportation	703	58	458	516	1,219
Postage and delivery	10,186	67	4,113	4,180	14,366
Supplies	2,578	703	101	804	3,382
Events and meetings	22,185	610	10,394	11,004	33,189
Bank fees	564	26	-	26	590
Equipment rental and maintenance	653	38	77	115	768
Grants	1,517,155	-	-	-	1,517,155
Licenses and permits	-	377	2,270	2,647	2,647
Other	42	719	-	719	761
TOTAL	\$ 1,921,776	\$ 32,874	\$ 136,507	\$ 169,381	\$ 2,091,157

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>
TOTAL	<u>\$ 1,942,010</u>	<u>\$ 51,963</u>	<u>\$ 133,827</u>	<u>\$ 185,790</u>	<u>\$ 2,127,800</u>

OUR MILITARY KIDS, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 4,973	\$ 167,659
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	1,953	2,919
Decrease (increase) in:		
Grants and accounts receivable	242,716	(292,454)
Prepaid expenses	(6,505)	3,397
Decrease in:		
Accounts payable and accrued liabilities	<u>(315)</u>	<u>(583)</u>
Net cash provided (used) by operating activities	<u>242,822</u>	<u>(119,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of computers and related equipment	<u>-</u>	<u>(2,964)</u>
Net cash used by investing activities	<u>-</u>	<u>(2,964)</u>
Net increase (decrease) in cash and cash equivalents	242,822	(122,026)
Cash and cash equivalents at beginning of year	<u>1,181,661</u>	<u>1,303,687</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,424,483</u>	<u>\$ 1,181,661</u>
SUPPLEMENTAL INFORMATION:		
Donated Stock	<u>\$ 16,231</u>	<u>\$ 21,354</u>

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Our Military Kids, Inc. (OMK) is a nonprofit organization, incorporated in the Commonwealth of Virginia and located in McLean. OMK's purpose is to provide financial assistance to children, ages five to eighteen years of age, of the nation's deployed National Guard and Reserve Service Members, and all Wounded Warriors. The assistance is 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 Financial Accounting Standard Board (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 approximate fair value. All grants and accounts receivable are considered by management 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. Depreciation and amortization expense for the years ended December 31, 2017 and 2016 totaled \$1,953 and \$2,919, 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, 2017 and 2016, 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, 2017 AND 2016

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 pronouncements (not yet adopted) -

In August 2016, the 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.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

New accounting pronouncements (not yet adopted) (continued) -

The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. OMK has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

OMK plans to adopt the new ASUs at the respective required implementation dates.

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. GRANTS AND ACCOUNTS RECEIVABLE

As of December 31, 2017 and 2016, donors of OMK have made written promises to give totaling \$195,731 and \$438,447, respectively.

Grants and accounts receivable are due as follows at December 31, 2017 and 2016:

	2017	2016
Less than one year	\$ 145,731	\$ 438,447
One to five years	50,000	-
TOTAL	\$ 195,731	\$ 438,447

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
State Grant Restricted	\$ 117,366	\$ 25,000
Special Grant Award	35,000	85,663
Children of Wounded Warriors	10,000	10,000
Time Restricted	70,000	78,250
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ 232,366	\$ 198,913

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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:

	2017	2016
Children of Wounded Warriors	\$ 265,000	\$ 205,000
State Grant Restricted	110,659	151,855
Special Grant Award	85,663	23,604
Age Restriction	25,000	35,000
Passage of Time	58,250	5,000
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	\$ 544,572	\$ 420,459

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, 2016, OMK received in-kind contributions (donated legal services, consulting services and materials) totaling \$5,775. There were no in-kind contributions in 2017.

6. LEASE COMMITMENT

On December 20, 2017, OMK modified its lease agreement, extending the lease term through December 31, 2020. The lease includes an eighteen-month termination clause; the lease also requires a rent escalation of 3.5% per annum.

Future minimum rental payments due at December 31, 2017 are as follows:

Year Ending December 31	
2018	\$ 47,200
2019	48,852
2020	50,562
	\$ 146,614

During the years ended December 31, 2017 and 2016, occupancy expense totaled \$49,059 and \$46,981, respectively.

7. RETIREMENT PLAN

Starting January 1, 2018, OMK provides a 403(b) retirement plan to its employees through a defined contribution plan covering all full-time employees. OMK may make matching contributions to each eligible employee.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

8. SUBSEQUENT EVENTS

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through June 14, 2018, the date the financial statements were issued.