

FINANCIAL STATEMENTS

OUR MILITARY KIDS, INC.

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

OUR MILITARY KIDS, INC.

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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, 2010 and 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OMK's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010 and 2009, 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 12, 2011

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OUR MILITARY KIDS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009

ASSETS		<u>2010</u>	<u>2009</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 2,571,402	\$ 1,751,497
Grants receivable		-	1,000,000
Contracts receivable		<u>383,906</u>	<u>420,731</u>
Total current assets		<u>2,955,308</u>	<u>3,172,228</u>
PROPERTY AND EQUIPMENT			
Computers and related equipment		45,857	45,857
Less: Accumulated depreciation and amortization		<u>(34,038)</u>	<u>(22,534)</u>
Net property and equipment		<u>11,819</u>	<u>23,323</u>
NONCURRENT ASSETS			
Security deposit		<u>3,500</u>	<u>3,500</u>
TOTAL ASSETS		<u>\$ 2,970,627</u>	<u>\$ 3,199,051</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ <u>15,386</u>	\$ <u>6,212</u>
NET ASSETS			
Unrestricted		2,847,313	2,105,702
Temporarily restricted (Note 2)		<u>107,928</u>	<u>1,087,137</u>
Total net assets		<u>2,955,241</u>	<u>3,192,839</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 2,970,627</u>	<u>\$ 3,199,051</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, 2010 AND 2009**

	2010		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 1,258,268	\$ 100,000	\$ 1,358,268
Contracts	3,173,345	-	3,173,345
Interest	9,273	-	9,273
In-kind contributions (Note 4)	77,520	-	77,520
Net assets released from donor restrictions - satisfaction of donor restrictions (Note 3)	<u>1,079,209</u>	<u>(1,079,209)</u>	<u>-</u>
Total support and revenue	<u>5,597,615</u>	<u>(979,209)</u>	<u>4,618,406</u>
EXPENSES			
Program Services	<u>4,704,540</u>	<u>-</u>	<u>4,704,540</u>
Supporting Services:			
Management and General	58,047	-	58,047
Fundraising	<u>93,417</u>	<u>-</u>	<u>93,417</u>
Total supporting services	<u>151,464</u>	<u>-</u>	<u>151,464</u>
Total expenses	<u>4,856,004</u>	<u>-</u>	<u>4,856,004</u>
Changes in net assets	741,611	(979,209)	(237,598)
Net assets at beginning of year	<u>2,105,702</u>	<u>1,087,137</u>	<u>3,192,839</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,847,313</u>	<u>\$ 107,928</u>	<u>\$ 2,955,241</u>

See accompanying notes to financial statements.

2009		
Unrestricted	Temporarily Restricted	Total
\$ 635,856	\$ 221,399	\$ 857,255
2,747,523	-	2,747,523
12,164	-	12,164
87,264	10,530	97,794
<u>1,160,019</u>	<u>(1,160,019)</u>	<u>-</u>
<u>4,642,826</u>	<u>(928,090)</u>	<u>3,714,736</u>
<u>3,755,387</u>	<u>-</u>	<u>3,755,387</u>
58,732	-	58,732
<u>67,028</u>	<u>-</u>	<u>67,028</u>
<u>125,760</u>	<u>-</u>	<u>125,760</u>
<u>3,881,147</u>	<u>-</u>	<u>3,881,147</u>
761,679	(928,090)	(166,411)
<u>1,344,023</u>	<u>2,015,227</u>	<u>3,359,250</u>
<u>\$ 2,105,702</u>	<u>\$ 1,087,137</u>	<u>\$ 3,192,839</u>

See accompanying notes to financial statements.

OUR MILITARY KIDS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<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	\$ 242,395	\$ 39,539	\$ 82,649	\$ 122,188	\$ 364,583
Printing and production	110,262	-	291	291	110,553
Professional fees	16,000	-	-	-	16,000
Occupancy (Note 5)	37,690	2,217	4,434	6,651	44,341
Accounting and audit fees	-	10,245	-	10,245	10,245
Insurance	1,900	1,217	-	1,217	3,117
Depreciation and amortization	9,778	531	1,195	1,726	11,504
Telecommunications	4,643	124	219	343	4,986
Travel and transportation	8,838	128	820	948	9,786
Postage and delivery	24,687	379	2,980	3,359	28,046
Supplies	4,627	820	103	923	5,550
Events and meetings	58,223	1,138	726	1,864	60,087
Bank fees	168	101	-	101	269
Equipment rental and maintenance	2,583	497	-	497	3,080
Grants	4,182,129	-	-	-	4,182,129
Licenses and permits	-	275	-	275	275
Other	617	836	-	836	1,453
TOTAL	<u>\$ 4,704,540</u>	<u>\$ 58,047</u>	<u>\$ 93,417</u>	<u>\$ 151,464</u>	<u>\$ 4,856,004</u>

OUR MILITARY KIDS, INC.

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

	<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	\$ 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 5)	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>

OUR MILITARY KIDS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (237,598)	\$ (166,411)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	11,504	8,721
Donated computers and software	-	(10,530)
(Increase) decrease in:		
Grants receivable	1,000,000	(67,599)
Contracts receivable	36,825	(239,144)
Other receivables	-	544
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>9,174</u>	<u>6,212</u>
Net cash provided (used) by operating activities	<u>819,905</u>	<u>(468,207)</u>
Net increase (decrease) in cash and cash equivalents	819,905	(468,207)
Cash and cash equivalents at beginning of year	<u>1,751,497</u>	<u>2,219,704</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,571,402</u>	<u>\$ 1,751,497</u>

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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.

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*.

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 years ended December 31, 2010 and 2009. The adoption of FASB ASC 105 did not impact OMK's financial position or results of operations.

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.

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.

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, 2010 AND 2009

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 years ended December 31, 2010 and 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. As of December 31, 2010 and 2009, total amounts due from Alutiiq, Inc. aggregated \$383,906 and \$420,731, respectively.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

**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, 2010 and 2009:

	2010	2009
Children of Wounded Warriors	\$ 100,000	\$ -
Children of the Severely Injured (Nationwide)	-	70,614
Restricted capital assets (total asset value of \$27,090)	7,928	16,523
Restricted for time	-	1,000,000
	<u>\$ 107,928</u>	<u>\$ 1,087,137</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:

	2010	2009
Program Grants: DC Area Kids	\$ -	\$ 38,845
Children of the Severely Injured (Nationwide)	70,614	66,561
Purchase of program brochures and publications	-	48,800
Depreciation on donated capital assets	8,595	5,813
Passage of time	1,000,000	1,000,000
	<u>\$ 1,079,209</u>	<u>\$ 1,160,019</u>

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 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, 2010, OMK received in-kind contributions in the form of professional services having a fair market value of \$77,520. 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.

5. LEASE COMMITMENT

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

Future minimum rental payments due at December 31, 2010 are as follows:

Year Ended December 31,

2011	\$ 39,426
2012	39,400
2013	40,600
2014	<u>6,800</u>
	<u>\$ 126,226</u>

During the years ended December 31, 2010 and 2009, occupancy expense totaled \$44,341 and \$43,051, respectively.

6. SUBSEQUENT EVENTS

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through July 12, 2011, the date the financial statements were issued.