

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

OUR MILITARY KIDS, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Our Military Kids, Inc. (OMK), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OMK as of December 31, 2022, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OMK and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OMK's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 OMK's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OMK's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited OMK's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 5, 2023

OUR MILITARY KIDS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,741,986	\$ 2,468,264
Grants and contributions receivable	111,378	193,039
Prepaid expenses	<u>6,437</u>	<u>-</u>
Total current assets	<u>2,859,801</u>	<u>2,661,303</u>
FIXED ASSETS		
Computers and related equipment	15,033	15,033
Website development	<u>14,136</u>	<u>14,136</u>
	29,169	29,169
Less: Accumulated depreciation and amortization	<u>(18,252)</u>	<u>(13,201)</u>
Net fixed assets	<u>10,917</u>	<u>15,968</u>
OTHER ASSETS		
Right-of-use assets	61,223	-
Security deposit	2,287	2,287
Grants and contributions receivable, net of current portion and discount	<u>-</u>	<u>64,569</u>
Total other assets	<u>63,510</u>	<u>66,856</u>
TOTAL ASSETS	<u>\$ 2,934,228</u>	<u>\$ 2,744,127</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 46,417	\$ 54,139
Operating lease liabilities	<u>34,890</u>	<u>-</u>
Total current liabilities	<u>81,307</u>	<u>54,139</u>
LONG-TERM LIABILITIES		
Operating lease liabilities, net of current portion	<u>26,333</u>	<u>-</u>
Total liabilities	<u>107,640</u>	<u>54,139</u>
NET ASSETS		
Without donor restrictions	2,554,179	2,391,689
With donor restrictions	<u>272,409</u>	<u>298,299</u>
Total net assets	<u>2,826,588</u>	<u>2,689,988</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,934,228</u>	<u>\$ 2,744,127</u>

See accompanying notes to financial statements.

OUR MILITARY KIDS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,965,570	\$ 420,000	\$ 2,385,570	\$ 2,736,168
Interest income	8,253	-	8,253	3,479
In-kind contributions	5,898	-	5,898	-
Net assets released from donor restrictions	<u>445,890</u>	<u>(445,890)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,425,611</u>	<u>(25,890)</u>	<u>2,399,721</u>	<u>2,739,647</u>
EXPENSES				
Program Services	<u>2,003,905</u>	<u>-</u>	<u>2,003,905</u>	<u>1,607,615</u>
Supporting Services:				
Management and General	110,174	-	110,174	86,179
Fundraising	<u>149,042</u>	<u>-</u>	<u>149,042</u>	<u>167,714</u>
Total supporting services	<u>259,216</u>	<u>-</u>	<u>259,216</u>	<u>253,893</u>
Total expenses	<u>2,263,121</u>	<u>-</u>	<u>2,263,121</u>	<u>1,861,508</u>
Change in net assets before other item	162,490	(25,890)	136,600	878,139
OTHER ITEM				
Extinguishment of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,300</u>
Change in net assets after other item	162,490	(25,890)	136,600	961,439
Net assets at beginning of year	<u>2,391,689</u>	<u>298,299</u>	<u>2,689,988</u>	<u>1,728,549</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,554,179</u>	<u>\$ 272,409</u>	<u>\$ 2,826,588</u>	<u>\$ 2,689,988</u>

OUR MILITARY KIDS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021		
	Supporting Services			Total Expenses	Total Expenses	
	Program Services	Management and General	Fundraising			Total Supporting Services
Grants	\$ 1,462,779	\$ -	\$ -	\$ -	\$ 1,462,779	\$ 1,175,640
Salaries and benefits	409,873	41,648	117,734	159,382	569,255	460,232
Professional fees	-	59,433	-	59,433	59,433	76,543
Education awareness events and meetings	50,052	-	-	-	50,052	48,284
Occupancy	20,555	2,090	5,904	7,994	28,549	29,167
Other	8,242	840	16,511	17,351	25,593	28,658
Postage and delivery	17,045	1,518	-	1,518	18,563	12,874
Technology subscriptions and dues	9,602	975	2,758	3,733	13,335	12,250
Equipment rental and maintenance	9,575	973	2,750	3,723	13,298	-
Supplies	5,373	546	1,543	2,089	7,462	6,510
Depreciation and amortization	3,637	369	1,045	1,414	5,051	6,440
In-kind expenses	4,398	1,500	-	1,500	5,898	-
Travel and transportation	2,774	282	797	1,079	3,853	4,910
TOTAL	<u>\$ 2,003,905</u>	<u>\$ 110,174</u>	<u>\$ 149,042</u>	<u>\$ 259,216</u>	<u>\$ 2,263,121</u>	<u>\$ 1,861,508</u>

See accompanying notes to financial statements.

OUR MILITARY KIDS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 136,600	\$ 961,439
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,051	6,440
Extinguishment of debt	-	(83,300)
Change in discount	(2,098)	2,098
Decrease (increase) in:		
Grants and contributions receivable	148,328	(246,103)
Prepaid expenses	(6,437)	2,287
Security deposit	-	3,500
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(7,722)</u>	<u>4,816</u>
Net cash provided by operating activities	<u>273,722</u>	<u>651,177</u>
Net increase in cash and cash equivalents	273,722	651,177
Cash and cash equivalents at beginning of year	<u>2,468,264</u>	<u>1,817,087</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,741,986</u>	<u>\$ 2,468,264</u>
 SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Right-of-Use Assets	<u>\$ 95,200</u>	<u>\$ -</u>
Operating Lease Liabilities for Right-of-Use Assets	<u>\$ 95,200</u>	<u>\$ -</u>

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Our Military Kids, Inc. (OMK) is a National nonprofit organization incorporated in the Commonwealth of Virginia with their headquarters located in Oakton, VA. OMK recognizes the sacrifice of children of deployed National Guard, deployed Reserve, or post 9/11 combat-injured service members in treatment by paying for their extracurricular activities. The grants build the child's self-confidence, enhance family wellness, and strengthen a shared sense of community during a military parent's overseas deployment, stateside activation, or recovery from combat injury.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

OMK financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with OMK's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncements adopted -

During the year ended December 31, 2022, OMK adopted Accounting Standards Update (ASU) 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. OMK applied the new standard to all existing leases in 2022 and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 5 for further details.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

New accounting pronouncements adopted (continued) -

Also during the year ended December 31, 2022, OMK adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 contributions receivable -

Grants and contributions receivable are recorded at their net realizable value, which approximate fair value. Receivables that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue. There were no long-term grants and contributions receivable as of December 31, 2022. Conditional promises to give are not included as support until the conditions are substantially met. All receivables are considered by management to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets purchases in excess of \$500 are stated at cost. Fixed assets purchases are depreciated on a straight-line basis over the estimated useful lives of three to five years. Website development costs are amortized over five years once placed in service. Costs incurred for the ongoing maintenance of the existing website are expensed as incurred. The capitalization and ongoing assessment of recoverability of website development costs incurred require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life. Depreciation and amortization expense for the year ended December 31, 2022 totaled \$5,051.

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, 2022**

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

Uncertain tax positions -

For the year ended December 31, 2022, 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.

Grants and contributions -

Grants and contributions are recognized in the appropriate category of net assets in the period received. OMK performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Grants and contributions qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants or contributions qualifying as conditional contributions contain a right of return from obligation provision that limits OMK on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. OMK recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of December 31, 2022, OMK did not have any conditional awards.

In-kind contributions -

In-kind contributions consist primarily of donated materials from families and services, and are recorded at their estimated fair value on the date the materials and services were provided.

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 Statement of Activities and Change 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, 2022

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

Functional allocation of expenses (continued) -

Expenses directly attributed to a specific functional area of OMK are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for OMK for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

OMK plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2022:

Program Services	<u>\$ 272,409</u>
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3. **NET ASSETS RELEASED FROM RESTRICTIONS**

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

Program Services	\$ 331,323
Passage of Time	<u>114,567</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 445,890</u>

4. **LIQUIDITY AND AVAILABILITY**

Financial assets available for use within one year of the Statement of Financial Position for general expenditures comprise the following as of December 31, 2022:

Cash and cash equivalents	\$ 2,741,986
Grants and contributions receivable	111,378
Less: Funds subject to donor-imposed purpose and time restrictions	<u>(272,409)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,580,955</u>

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. LIQUIDITY AND AVAILABILITY (Continued)

OMK has a policy to structure its financial assets to be available and liquid as its obligations become due.

5. LEASE COMMITMENTS

On December 8, 2020, OMK entered into a lease for office space with a three-year term commencing December 28, 2020. Base rent is \$27,440 per annum with no escalation clauses.

Additionally, in February 2022, OMK entered into an agreement to lease a copier until April 2027.

The Financial Accounting Standards Board (FASB) issued *Accounting Standards Update* (ASU) 2019-01 related to *Leases* (Topic 842), that changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During the year ended December 31, 2022, OMK implemented the ASU on all existing leases and elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. As a result, OMK recorded right-of-use assets in the amount of \$95,200. OMK recorded operating lease liabilities in the amount of \$95,200. As of December 31, 2022, the right-of-use assets totaled \$61,223 and the operating lease liabilities totaled \$61,223.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2023	\$	35,586
2024		8,146
2025		8,146
2026		8,146
2027		<u>2,715</u>
		62,739
Less: Imputed interest		(1,516)
Less: Current portion		<u>(34,890)</u>
	\$	<u><u>26,333</u></u>

Occupancy expense for the year ended December 31, 2022 totaled \$28,549.

6. IN-KIND CONTRIBUTIONS

During the year ended December 31, 2022, OMK was the beneficiary of donated goods which allowed OMK to provide greater resources toward various programs.

There were no donor-imposed restrictions associated with the In-kind contributions during the year ended December 31, 2022.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

6. IN-KIND CONTRIBUTIONS (Continued)

The following donations have been included in revenue for the year ended December 31, 2022:

Donated materials	\$	4,398
Donated services		<u>1,500</u>
TOTAL	\$	<u>5,898</u>

The following programs have benefited from these donations for the year ended December 31, 2022:

Program Services	\$	4,398
Management and General		<u>1,500</u>
TOTAL	\$	<u>5,898</u>

7. RETIREMENT PLANS

Starting January 1, 2018, OMK provided a 403(b) retirement plan to its employees through a defined contribution plan covering all full-time employees. OMK was able to make matching contributions to each eligible employee. During the year ended December 31, 2022, OMK did not make any contributions to the Plan. The Plan was terminated May 31, 2022.

Starting June 1, 2022, OMK provides retirement benefits to its employees through a 401(k) contribution plan covering all full-time employees over the age of 21 with one year of eligible experience. OMK may make discretionary matching contributions to the Plan. Employees can contribute to the Plan up to the allowable limit prescribed by IRS regulations. During the year ended December 31, 2022, OMK did not make any contributions to the Plan.

8. SUBSEQUENT EVENTS

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through May 5, 2023, the date the financial statements were issued.