

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

OUR MILITARY KIDS, INC.

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CPAs & ADVISORS

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 statement of financial position as of December 31, 2019, 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2019, 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.

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Report on Summarized Comparative Information

We have previously audited OMK's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

March 17, 2020

OUR MILITARY KIDS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,406,030	\$ 1,146,920
Investments	-	6,737
Contributions receivable	84,138	190,924
Prepaid expenses	<u>-</u>	<u>1,235</u>
Total current assets	<u>1,490,168</u>	<u>1,345,816</u>
FIXED ASSETS		
Computers and related equipment	4,546	54,613
Website development	13,086	-
Less: Accumulated depreciation and amortization	<u>(2,261)</u>	<u>(54,613)</u>
Net fixed assets	<u>15,371</u>	<u>-</u>
NONCURRENT ASSETS		
Security deposit	3,500	3,500
Contributions receivable, net of current portion	<u>-</u>	<u>66,667</u>
Total noncurrent assets	<u>3,500</u>	<u>70,167</u>
TOTAL ASSETS	<u>\$ 1,509,039</u>	<u>\$ 1,415,983</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>35,582</u>	\$ <u>49,725</u>
NET ASSETS		
Without donor restrictions	1,224,385	978,330
With donor restrictions	<u>249,072</u>	<u>387,928</u>
Total net assets	<u>1,473,457</u>	<u>1,366,258</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,509,039</u>	<u>\$ 1,415,983</u>

OUR MILITARY KIDS, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 1,312,104	\$ 418,905	\$ 1,731,009	\$ 2,300,963
Investment income, net	10,574	-	10,574	1,443
Net assets released from donor restrictions	<u>557,761</u>	<u>(557,761)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,880,439</u>	<u>(138,856)</u>	<u>1,741,583</u>	<u>2,302,406</u>
EXPENSES				
Program Services	<u>1,339,059</u>	<u>-</u>	<u>1,339,059</u>	<u>2,290,978</u>
Supporting Services:				
Management and General	105,345	-	105,345	56,971
Fundraising	<u>189,980</u>	<u>-</u>	<u>189,980</u>	<u>206,473</u>
Total supporting services	<u>295,325</u>	<u>-</u>	<u>295,325</u>	<u>263,444</u>
Total expenses	<u>1,634,384</u>	<u>-</u>	<u>1,634,384</u>	<u>2,554,422</u>
Changes in net assets	246,055	(138,856)	107,199	(252,016)
Net assets at beginning of year	<u>978,330</u>	<u>387,928</u>	<u>1,366,258</u>	<u>1,618,274</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,224,385</u>	<u>\$ 249,072</u>	<u>\$ 1,473,457</u>	<u>\$ 1,366,258</u>

OUR MILITARY KIDS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019				2018	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Salaries and benefits	\$ 319,786	\$ 50,760	\$ 137,051	\$ 187,811	\$ 507,597	\$ 577,643
Professional fees	6,387	44,749	2,737	47,486	53,873	43,855
Occupancy	32,409	5,144	13,890	19,034	51,443	49,059
Postage and delivery	9,761	1,549	4,183	5,732	15,493	17,376
Printing and production	10,594	-	-	-	10,594	12,742
Insurance	2,550	405	1,093	1,498	4,048	7,116
Depreciation and amortization	1,424	226	611	837	2,261	828
Travel and transportation	611	97	5,913	6,010	6,621	2,983
Dues and subscriptions	4,668	741	2,000	2,741	7,409	-
Supplies	9,722	1,543	4,167	5,710	15,432	1,805
Events and meetings	-	-	13,421	13,421	13,421	27,740
Grants	938,823	-	-	-	938,823	1,803,357
Licenses and permits	826	131	354	485	1,311	3,093
Other	1,498	-	4,560	4,560	6,058	6,825
TOTAL	\$ 1,339,059	\$ 105,345	\$ 189,980	\$ 295,325	\$ 1,634,384	\$ 2,554,422

OUR MILITARY KIDS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 107,199	\$ (252,016)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	2,261	828
Receipt of contributed securities	(8,934)	(18,810)
Proceeds from the sale of contributed securities	18,388	11,846
Unrealized and realized (gain) loss on investments	(2,717)	227
Increase (decrease) in:		
Contributions receivable	173,453	(61,860)
Prepaid expenses	1,235	8,677
(Increase) decrease in:		
Accounts payable and accrued liabilities	<u>(14,143)</u>	<u>33,545</u>
Net cash provided (used) by operating activities	<u>276,742</u>	<u>(277,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(17,632)</u>	<u>-</u>
Net cash used by investing activities	<u>(17,632)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	259,110	(277,563)
Cash and cash equivalents at beginning of year	<u>1,146,920</u>	<u>1,424,483</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,406,030</u>	<u>\$ 1,146,920</u>

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 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, 2018, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2019, OMK adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. OMK adopted the ASU using a modified prospective basis.

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets. Donated investments are recorded at their fair value at the date of donation. Investments acquired by gift are recorded at their fair value at the date of the gift. OMK's policy is to liquidate all gifts of investments as soon as possible after the gift.

Included in investment income are the following:

Interest and dividends	\$ 7,857
Unrealized and realized gain on investments	<u>2,717</u>
TOTAL INVESTMENT INCOME, NET	<u>\$ 10,574</u>

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximate fair value. All contributions receivable are considered by management to be fully collectible. 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, 2019 totaled \$2,261.

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, 2019**

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

Uncertain tax positions -

For the year ended December 31, 2019, 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.

Contributions -

Gifts, including unconditional contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions are recorded by OMK upon notification of the contribution and satisfaction of all conditions, if applicable. Contributions are classified as net assets with donor restrictions when use of the contribution is limited to specific programmatic areas or is designated for use in future periods.

Contributions with 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; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions received in advance of incurring the related expenses are recorded as "net assets with donor restrictions."

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 -

FASB issued ASU 2019-01, *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 Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

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.

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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. 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.

2. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2019:

Program Services	\$ 182,406
Time Restricted	<u>66,666</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 249,072</u>

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:

	<u>2019</u>
Program Services	\$ 481,094
Passage of Time	<u>76,667</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 557,761</u>

4. **LIQUIDITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 1,406,030
Contributions receivable	84,138
Funds subject to donor-imposed purpose and time restrictions	<u>(182,406)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,307,762</u>

OMK has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, OMK has financial assets equal to approximately nine months of operating expenses.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

5. 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, 2019 are as follows:

Year Ending December 31, 2020	\$ <u>50,562</u>
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During the year ended December 31, 2019, occupancy expense totaled \$51,443.

6. 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. During the year ended December 31, 2019, OMK did not make any contributions to the Plan.

7. SUBSEQUENT EVENTS

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through March 17, 2020, the date the financial statements were issued.