

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



March 31, 2022

OUR MILITARY KIDS, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,468,264	\$ 1,817,087
Contributions receivable	193,039	13,603
Prepaid expenses	<u>-</u>	<u>2,287</u>
Total current assets	<u>2,661,303</u>	<u>1,832,977</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>(13,201)</u>	<u>(6,761)</u>
Net fixed assets	<u>15,968</u>	<u>22,408</u>
NONCURRENT ASSETS		
Security deposit	2,287	5,787
Contributions receivable, net of current portion and discount	<u>64,569</u>	<u>-</u>
Total noncurrent assets	<u>66,856</u>	<u>5,787</u>
TOTAL ASSETS	<u>\$ 2,744,127</u>	<u>\$ 1,861,172</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable	\$ -	\$ 59,070
Accounts payable and accrued liabilities	<u>54,139</u>	<u>49,323</u>
Total current liabilities	<u>54,139</u>	<u>108,393</u>
LONG-TERM LIABILITIES		
Loan payable, net of current portion	<u>-</u>	<u>24,230</u>
Total liabilities	<u>54,139</u>	<u>132,623</u>
NET ASSETS		
Without donor restrictions	2,391,689	1,622,720
With donor restrictions	<u>298,299</u>	<u>105,829</u>
Total net assets	<u>2,689,988</u>	<u>1,728,549</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,744,127</u>	<u>\$ 1,861,172</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, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions	\$ 2,155,479	\$ 580,689	\$ 2,736,168	\$ 1,909,723
Interest income, net	3,479	-	3,479	4,226
Net assets released from donor restrictions	<u>388,219</u>	<u>(388,219)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,547,177</u>	<u>192,470</u>	<u>2,739,647</u>	<u>1,913,949</u>
EXPENSES				
Program Services	<u>1,607,615</u>	<u>-</u>	<u>1,607,615</u>	<u>1,386,474</u>
Supporting Services:				
Management and General	86,179	-	86,179	123,695
Fundraising	<u>167,714</u>	<u>-</u>	<u>167,714</u>	<u>148,688</u>
Total supporting services	<u>253,893</u>	<u>-</u>	<u>253,893</u>	<u>272,383</u>
Total expenses	<u>1,861,508</u>	<u>-</u>	<u>1,861,508</u>	<u>1,658,857</u>
Change in net assets before other item	685,669	192,470	878,139	255,092
OTHER ITEM				
Extinguishment of debt	<u>83,300</u>	<u>-</u>	<u>83,300</u>	<u>-</u>
Change in net assets after other item	768,969	192,470	961,439	255,092
Net assets at beginning of year	<u>1,622,720</u>	<u>105,829</u>	<u>1,728,549</u>	<u>1,473,457</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,391,689</u>	<u>\$ 298,299</u>	<u>\$ 2,689,988</u>	<u>\$ 1,728,549</u>

OUR MILITARY KIDS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021				2020	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Grants	\$ 1,175,640	\$ -	\$ -	\$ -	\$ 1,175,640	\$ 1,022,990
Salaries and benefits	319,994	11,300	128,938	140,238	460,232	394,131
Professional fees	-	72,835	3,708	76,543	76,543	126,202
Occupancy	20,280	716	8,171	8,887	29,167	52,885
Education awareness events and meetings	48,284	-	-	-	48,284	-
Other	9,850	346	18,462	18,808	28,658	18,474
Supplies	4,526	160	1,824	1,984	6,510	16,929
Postage and delivery	12,632	242	-	242	12,874	11,245
Dues and subscriptions	8,517	301	3,432	3,733	12,250	10,990
Depreciation and amortization	4,478	158	1,804	1,962	6,440	4,500
Travel and transportation	3,414	121	1,375	1,496	4,910	382
Licenses and permits	-	-	-	-	-	129
TOTAL	\$ 1,607,615	\$ 86,179	\$ 167,714	\$ 253,893	\$ 1,861,508	\$ 1,658,857

See accompanying notes to financial statements.

OUR MILITARY KIDS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 961,439	\$ 255,092
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,440	4,500
Receipt of contributed securities	-	(7,036)
Proceeds from the sale of contributed securities	-	7,036
Extinguishment of debt	(83,300)	-
Change in discount	2,098	-
(Increase) decrease in:		
Contributions and other receivables	(246,103)	70,535
Prepaid expenses	2,287	(2,287)
Security deposit	3,500	(2,287)
Increase in:		
Accounts payable and accrued liabilities	<u>4,816</u>	<u>13,741</u>
Net cash provided by operating activities	<u>651,177</u>	<u>339,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(11,537)</u>
Net cash used by investing activities	<u>-</u>	<u>(11,537)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>83,300</u>
Net cash provided by financing activities	<u>-</u>	<u>83,300</u>
Net increase in cash and cash equivalents	651,177	411,057
Cash and cash equivalents at beginning of year	<u>1,817,087</u>	<u>1,406,030</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,468,264</u>	<u>\$ 1,817,087</u>
SUPPLEMENTAL INFORMATION:		
Extinguishment of Debt	<u>\$ 83,300</u>	<u>\$ -</u>

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2020, from which the summarized information was derived.

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.

Contributions receivable -

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.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

Contributions receivable (continued) -

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 contribution revenue. 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, 2021 totaled \$6,440.

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 year ended December 31, 2021, 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 -

Contributions are recognized in the appropriate category of net assets in the period received. OMK performs an analysis of the individual 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 qualifying contributions, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. 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; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. There were no unrecognized conditional contributions as of December 31, 2021.

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

**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 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.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* 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 Update 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 ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact OMK's operations.

OUR MILITARY KIDS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Economic uncertainties (continued) -

The overall potential impact is unknown at this time.

2. **CONTRIBUTIONS RECEIVABLE**

As of December 31, 2021, donors of OMK have made written promises to give totaling \$259,706. Amounts due beyond one year of the Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 3.25%. Contributions receivable are due as follows at December 31, 2021:

Less than one year	\$ 193,039
One to five years	<u>66,667</u>
Total	259,706
Less: Discount	<u>(2,098)</u>
CONTRIBUTIONS RECEIVABLE	<u>\$ 257,608</u>

3. **LOAN PAYABLE**

On April 10, 2020, OMK received loan proceeds in the amount of \$83,300 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months.

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. During the year ended December 31, 2021, OMK used the proceeds for purposes consistent with the Paycheck Protection Program and applied for forgiveness subsequent to the 24-week period stipulated by the terms. On April 7, 2021, OMK received notice that the loan was forgiven in its entirety, both interest and principle. This amount is recorded as "Extinguishment of debt," which is an Other item on the Statement of Activities and Change in Net Assets.

4. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2021:

Program Services	<u>\$ 298,299</u>
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5. **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	\$ 321,553
Passage of Time	<u>66,666</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 388,219</u>

OUR MILITARY KIDS, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

6. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2021:

Cash and cash equivalents	\$ 2,468,264
Contributions receivable	257,608
Funds subject to donor-imposed purpose and time restrictions	<u>(298,299)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 2,427,573**

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

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

Future minimum rental payments due at December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	
2022	\$ 27,440
2023	<u>27,440</u>
	<u>\$ 54,880</u>

During the year ended December 31, 2021, occupancy expense totaled \$29,167.

8. 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, 2021, OMK did not make any contributions to the Plan.

9. SUBSEQUENT EVENTS

In preparing these financial statements, OMK has evaluated events and transactions for potential recognition or disclosure through March 31, 2022, the date the financial statements were issued.