

**No Greater Sacrifice Foundation**

Financial Statements  
and Independent Auditors' Report

December 31, 2015 and 2014

# No Greater Sacrifice Foundation

Financial Statements  
December 31, 2015 and 2014

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
No Greater Sacrifice Foundation

We have audited the accompanying financial statements of the No Greater Sacrifice Foundation (NGS), which comprise the statements of financial position as of December 31, 2015 and 2014, the related statements of activities 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 an audit to obtain reasonable assurance about whether the financial statements are free of 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 NGS as of December 31, 2015 and 2014, 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.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on pages 14-15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, and the "+" is a simple cross symbol.

Vienna, Virginia  
November 8, 2016

## No Greater Sacrifice Foundation

### Statements of Financial Position December 31, 2015 and 2014

	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 634,598	\$ 362,088
Pledges receivable, net	200,724	560,616
Investments	3,979,907	3,669,469
Prepaid expenses	1,478	165
Total assets	<u>\$ 4,816,707</u>	<u>\$ 4,592,338</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 11,036	\$ 2,783
Scholarships payable, net	2,586,518	2,450,176
Total liabilities	<u>2,597,554</u>	<u>2,452,959</u>
<b>Net Assets</b>		
Unrestricted	2,133,503	2,053,729
Temporarily restricted	85,650	85,650
Total net assets	<u>2,219,153</u>	<u>2,139,379</u>
Total liabilities and net assets	<u>\$ 4,816,707</u>	<u>\$ 4,592,338</u>

## No Greater Sacrifice Foundation

Statement of Activities  
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>Operating Revenue and Support</b>			
Grants and contributions	\$ 1,182,265	\$ -	\$ 1,182,265
Total operating revenue and support	1,182,265	-	1,182,265
<b>Expenses</b>			
Program services:			
Scholarship program	1,413,854	-	1,413,854
Total program services	1,413,854	-	1,413,854
Supporting services:			
Management and general	65,684	-	65,684
Fundraising	16,980	-	16,980
Total supporting services	82,664	-	82,664
Total expenses	1,496,518	-	1,496,518
<b>Change in Net Assets from Operations</b>	(314,253)	-	(314,253)
<b>Non-Operating Activities</b>			
Investment loss	(83,498)	-	(83,498)
Change in net present value, scholarships payable	477,525	-	477,525
<b>Change in Net Assets</b>	79,774	-	79,774
<b>Net Assets, beginning of year</b>	2,053,729	85,650	2,139,379
<b>Net Assets, end of year</b>	\$ 2,133,503	\$ 85,650	\$ 2,219,153

*See accompanying notes.*

## No Greater Sacrifice Foundation

### Statement of Activities For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
<b>Operating Revenue and Support</b>			
Grants and contributions	\$ 1,095,028	\$ -	\$ 1,095,028
Net assets released from restrictions	3,010	(3,010)	-
<b>Total operating revenue and support</b>	<b>1,098,038</b>	<b>(3,010)</b>	<b>1,095,028</b>
<b>Expenses</b>			
Program services:			
Scholarship program	1,675,697	-	1,675,697
<b>Total program services</b>	<b>1,675,697</b>	<b>-</b>	<b>1,675,697</b>
Supporting services:			
Management and general	94,534	-	94,534
Fundraising	32,218	-	32,218
<b>Total supporting services</b>	<b>126,752</b>	<b>-</b>	<b>126,752</b>
<b>Total expenses</b>	<b>1,802,449</b>	<b>-</b>	<b>1,802,449</b>
<b>Change in Net Assets from Operations</b>	<b>(704,411)</b>	<b>(3,010)</b>	<b>(707,421)</b>
<b>Non-Operating Activities</b>			
Investment income	135,067	-	135,067
Change in net present value, scholarships payable	321,175		321,175
<b>Change in Net Assets</b>	<b>(248,169)</b>	<b>(3,010)</b>	<b>(251,179)</b>
<b>Net Assets, beginning of year</b>	<b>2,301,898</b>	<b>88,660</b>	<b>2,390,558</b>
<b>Net Assets, end of year</b>	<b>\$ 2,053,729</b>	<b>\$ 85,650</b>	<b>\$ 2,139,379</b>

See accompanying notes.

## No Greater Sacrifice Foundation

### Statements of Cash Flows For the Years Ended December 31, 2015 and 2014

	2015	2014
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 79,774	\$ (251,179)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized loss (gain)		
on investments	190,863	(39,001)
Bad debt expense	3,152	2,210
Change in net present value discount – scholarships payable	(477,525)	(321,175)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivables	356,740	426,016
Prepaid expenses	(1,313)	684
Increase (decrease) in:		
Accounts payable and accrued expenses	8,253	(15,103)
Scholarships payable	613,867	1,209,145
	773,811	1,011,597
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(1,258,170)	(1,193,840)
Sales of investments	756,869	223,688
	(501,301)	(970,152)
<b>Net Increase in Cash and Cash Equivalents</b>	272,510	41,445
<b>Cash and Cash Equivalents, beginning of year</b>	362,088	320,643
<b>Cash and Cash Equivalents, end of year</b>	\$ 634,598	\$ 362,088

*See accompanying notes.*



# No Greater Sacrifice Foundation

Notes to Financial Statements  
December 31, 2015 and 2014

## 1. Nature of Operations

No Greater Sacrifice Foundation (NGS) is a nonprofit organization incorporated on January 7, 2008 under the laws of the District of Columbia. NGS is dedicated to the children of our nation's fallen and wounded service members by delivering scholarships and resources to improve their quality of life through the pursuit of higher education. NGS accomplishes its mission by mentoring and funding NGS recipients as well as sister charities that are working on behalf of this noble cause. The activities are funded primarily through grants and contributions. Over \$7 million has been committed to the NGS mission.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting and Presentation

NGS's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of NGS's operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of NGS or the passage of time.

### Cash Equivalents

NGS considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Excluded from this definition of cash equivalents are amounts held for investment.

### Pledges Receivable

Pledges receivable are recorded at net realizable value. NGS provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. Accounts are individually analyzed for collectability, and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the accounts are written-off against the related allowance. At December 31, 2015 and 2014, \$3,152 and \$2,210, respectively, were written-off. No discount has been calculated for 2015 and 2014, as all amounts are due within one year.

## No Greater Sacrifice Foundation

Notes to Financial Statements  
December 31, 2015 and 2014

### 2. Summary of Significant Accounting Policies (continued)

#### Investments

Investments are recorded at fair value. All realized and unrealized gains and losses are included in the accompanying statements of activities.

#### Scholarships Payable

Scholarships payable represents NGS's commitments made to qualified recipients. Scholarships payable and the corresponding expenses are recognized at the net present value of the commitment when the commitment is formally approved by the Board of Directors. The net present value is based on the recipient's age and discount rate, and is adjusted annually to reflect changes in various factors, most notably the recipient's age.

#### Revenue Recognition

Grants and contributions, including unconditional promises to give, are recognized at fair value in the period received. All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. NGS reports grants and contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Special events are designed to raise awareness of the NGS mission and the amount of children of fallen and wounded Service members that need support. Amounts recorded in excess of the cost of benefits provided to donors are recognized as revenue in the accompanying financial statements.

All other sources of revenue are recognized when earned.

#### Donated Services

During the years ended December 31, 2015 and 2014, NGS received donated legal, communications, and other specialized services in the amount of \$90,011 and \$133,137, respectively, which are included in grants and contributions in the accompanying statements of activities.

## No Greater Sacrifice Foundation

Notes to Financial Statements  
December 31, 2015 and 2014

### 2. Summary of Significant Accounting Policies (continued)

#### Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes most existing revenue recognition guidance under accounting principles generally accepted in the United States. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration an entity expects to be entitled to for those goods or services using a defined five-step process. More judgment and estimates may be required to achieve this principle than under existing accounting principles generally accepted in the United States of America. ASU 2014-09 is effective for annual periods beginning after December 15, 2018, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption, which includes additional footnote disclosures. NGS has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The standard is effective for nonpublic business entities for fiscal years beginning after December 15, 2019, and NGS is currently evaluating the impact of the pending adoption of ASU 2016-02.

In August 2016, the FASB issued ASU 2016-14, *Not-For-Profit Entities* (Topic 958). ASU 2016-04 simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The standard is effective for fiscal years beginning after December 15, 2017. NGS's first required year to adopt will be the year ending December 31, 2018 has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

#### Functional Allocation of Expenses

The costs of NGS's program and supporting services have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs or functions benefited based on hours worked by employees.

## No Greater Sacrifice Foundation

Notes to Financial Statements  
December 31, 2015 and 2014

### 2. Summary of Significant Accounting Policies (continued)

#### Measure of Operations

Investment loss or income (which includes interest and dividends income, and realized and unrealized gains and losses), and the change in the present value of the scholarships payable are considered non-operating activities. NGS does not consider these items to be part of normal operating activities and, accordingly, separately identifies them in the accompanying statements of activities.

#### 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation. These reclassifications have no effect on the change in net assets previously reported.

#### Subsequent Events

In preparing the financial statements, NGS has evaluated events and transactions for potential recognition or disclosure through November 8, 2016, the date the financial statements were available to be issued.

### 3. Concentration of Credit Risk

Financial instruments that potentially subject NGS to significant concentrations of credit risk consist of cash and cash equivalents, and investments. NGS maintains various cash deposit, investment, and transaction accounts with financial institutions and these values, from time to time, may exceed insurable limits under the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). NGS has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions, and believes that the risk of any credit loss is minimal.

## No Greater Sacrifice Foundation

Notes to Financial Statements  
December 31, 2015 and 2014

### 4. Investments and Fair Value Measurements

NGS follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. NGS recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. In general, and where applicable, NGS uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents NGS's fair value hierarchy for those investments measured on a recurring basis at December 31:

	Level 1	Level 2	Level 3	Total
<u>2015</u>				
Exchange traded funds:				
Fixed income	\$ 1,172,249	\$ -	\$ -	\$ 1,172,249
U.S. equities	1,569,343	-	-	1,569,343
International equities	822,949	-	-	822,949
Mutual funds – fixed income	294,356	-	-	294,356
Money markets	121,010	-	-	121,010
<b>Total investments</b>	<b>\$ 3,979,907</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,979,907</b>
<u>2014</u>				
Exchange traded funds:				
Fixed income	\$ 978,855	\$ -	\$ -	\$ 978,855
U.S. equities	1,393,157	-	-	1,393,157
International equities	932,805	-	-	932,805
Mutual funds – fixed income	349,549	-	-	349,549
Money markets	15,103	-	-	15,103
<b>Total investments</b>	<b>\$ 3,669,469</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,669,469</b>

## No Greater Sacrifice Foundation

Notes to Financial Statements  
December 31, 2015 and 2014

### 4. Investments and Fair Value Measurements (continued)

Investment (loss) income consists of the following for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 107,365	\$ 96,066
Net realized and unrealized (loss) gain	<u>(190,863)</u>	<u>39,001</u>
Total investment (loss) income	<u><u>\$ (83,498)</u></u>	<u><u>\$ 135,067</u></u>

### 5. Scholarships Payable

NGS awards grants to fund scholarships for children of our nation's fallen and wounded service members. A discount rate used on long-term grants was approximately 7% at December 31, 2015 and 2014, which is based on various factors including the projected rate of return, market inflation, and education inflation.

Scholarships payable are due as follows as of December 31:

	<u>2015</u>	<u>2014</u>
Payable in less than one year	\$ 1,413,109	\$ 1,136,742
Payable in one to five years	965,500	965,500
Payable in more than five years	<u>1,715,500</u>	<u>1,378,000</u>
Total scholarships payable	4,094,109	3,480,242
Less: discount to present value	<u>(1,507,591)</u>	<u>(1,030,066)</u>
Scholarships payable, net	<u><u>\$ 2,586,518</u></u>	<u><u>\$ 2,450,176</u></u>

### 6. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Shane Childers Memorial Scholarship	\$ 83,515	\$ 83,515
Other designated scholarships	<u>2,135</u>	<u>2,135</u>
Total temporarily restricted net assets	<u><u>\$ 85,650</u></u>	<u><u>\$ 85,650</u></u>

## **No Greater Sacrifice Foundation**

Notes to Financial Statements  
December 31, 2015 and 2014

### **7. Income Taxes**

Under Section 501(c)(3) of the Internal Revenue Code (IRC), NGS is exempt from the payment of taxes on income other than net unrelated business income. No tax expense is recorded in the accompanying financial statements, as there were no unrelated business activities. NGS did not have any significant uncertain tax positions at December 31, 2015 and 2014. Contributions to NGS are deductible as provided in IRC Section 170(b)(1)(A)(vi).

## **SUPPLEMENTARY INFORMATION**

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## No Greater Sacrifice Foundation

### Schedule of Functional Expenses For the Year Ended December 31, 2015

	Program Services	Supporting Services		Total
	Scholarship Program	Management and General	Fundraising	
Scholarship program	\$ 889,013	\$ -	\$ -	\$ 889,013
Awareness	12,978	-	625	13,603
Salaries	239,564	31,931	6,052	277,547
Payroll taxes	17,605	2,410	447	20,462
Supplies	13	287	-	300
Contract and professional fees	132	11,424	-	11,556
Donated services	81,817	7,656	538	90,011
Recipient support	5,199	-	-	5,199
Insurance	845	83	19	947
Events	153,779	-	-	153,779
Postage and mailing service	93	478	-	571
Office and internet services	1,825	3,182	165	5,172
Bad debt	-	-	3,151	3,151
Printing and copying	5,822	750	5,983	12,555
Registration and filing fees	-	4,443	-	4,443
Bank fees	-	2,736	-	2,736
Travel and meetings	5,169	304	-	5,473
<b>Total Expenses</b>	<b>\$ 1,413,854</b>	<b>\$ 65,684</b>	<b>\$ 16,980</b>	<b>\$ 1,496,518</b>

## No Greater Sacrifice Foundation

### Schedule of Functional Expenses For the Year Ended December 31, 2014

	Program Services	Supporting Services		Total
	Scholarship Program	Management and General	Fundraising	
Scholarship program	\$ 1,342,501	\$ -	\$ -	\$ 1,342,501
Salaries	176,817	47,622	6,038	230,477
Payroll taxes	12,499	3,438	462	16,399
Supplies	187	384	-	571
Contract and professional fees	-	10,533	-	10,533
Donated services	103,751	18,087	11,299	133,137
Recipient support	22,240	-	-	22,240
Insurance	-	849	-	849
Events	12,669	-	7,403	20,072
Postage and mailing service	6	883	2,073	2,962
Office and internet services	1,084	2,993	-	4,077
Bad debt	730	-	1,480	2,210
Printing and copying	1,712	1,081	3,463	6,256
Registration and filing fees	-	3,965	-	3,965
Bank fees	-	4,151	-	4,151
Travel and meetings	1,501	548	-	2,049
<b>Total Expenses</b>	<b><u>\$ 1,675,697</u></b>	<b><u>\$ 94,534</u></b>	<b><u>\$ 32,218</u></b>	<b><u>\$ 1,802,449</u></b>