

No Greater Sacrifice Foundation

Financial Statements
and Independent Auditors' Report

December 31, 2016 and 2015

No Greater Sacrifice Foundation

Financial Statements
December 31, 2016 and 2015

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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, 2016 and 2015, 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 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 NGS as of December 31, 2016 and 2015, 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 13-14 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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, and the "+" sign is a simple horizontal line.

Vienna, Virginia
July 28, 2017

No Greater Sacrifice Foundation

Statements of Financial Position December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 1,588,572	\$ 634,598
Pledges receivable, net	218,022	200,724
Investments	4,656,484	3,979,907
Prepaid expenses	702	1,478
	<u>6,463,780</u>	<u>4,816,707</u>
Total assets	<u>\$ 6,463,780</u>	<u>\$ 4,816,707</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 23,483	\$ 11,036
Scholarships payable, net	2,492,720	2,586,518
	<u>2,516,203</u>	<u>2,597,554</u>
Total liabilities	<u>2,516,203</u>	<u>2,597,554</u>
Net Assets		
Unrestricted	3,873,482	2,133,503
Temporarily restricted	74,095	85,650
	<u>3,947,577</u>	<u>2,219,153</u>
Total net assets	<u>3,947,577</u>	<u>2,219,153</u>
Total liabilities and net assets	<u>\$ 6,463,780</u>	<u>\$ 4,816,707</u>

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Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Operating Revenue and Support			
Grants and contributions	\$ 2,510,267	\$ -	\$ 2,510,267
Net assets released from restrictions	11,555	(11,555)	-
Total operating revenue and support	2,521,822	(11,555)	2,510,267
Expenses			
Program services:			
Scholarship program	1,381,711	-	1,381,711
Total program services	1,381,711	-	1,381,711
Supporting services:			
Management and general	76,183	-	76,183
Fundraising	12,131	-	12,131
Total supporting services	88,314	-	88,314
Total expenses	1,470,025	-	1,470,025
Change in Net Assets from Operations	1,051,797	(11,555)	1,040,242
Non-Operating Activities			
Investment income	337,590	-	337,590
Change in net present value, scholarships payable	350,592	-	350,592
Change in Net Assets	1,739,979	(11,555)	1,728,424
Net Assets, beginning of year	2,133,503	85,650	2,219,153
Net Assets, end of year	\$ 3,873,482	\$ 74,095	\$ 3,947,577

See accompanying notes.

No Greater Sacrifice Foundation

Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Operating Revenue and Support			
Grants and contributions	\$ 1,182,265	\$ -	\$ 1,182,265
Total operating revenue and support	1,182,265	-	1,182,265
Expenses			
Program services:			
Scholarship program	1,417,005	-	1,417,005
Total program services	1,417,005	-	1,417,005
Supporting services:			
Management and general	65,684	-	65,684
Fundraising	13,829	-	13,829
Total supporting services	79,513	-	79,513
Total expenses	1,496,518	-	1,496,518
Change in Net Assets from Operations	(314,253)	-	(314,253)
Non-Operating Activities			
Investment loss	(83,498)	-	(83,498)
Change in net present value, scholarships payable	477,525	-	477,525
Change in Net Assets	79,774	-	79,774
Net Assets, beginning of year	2,053,729	85,650	2,139,379
Net Assets, end of year	\$ 2,133,503	\$ 85,650	\$ 2,219,153

See accompanying notes.

No Greater Sacrifice Foundation

Statements of Cash Flows For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 1,728,424	\$ 79,774
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss on investments	(228,147)	190,863
Bad debt expense	1,405	3,151
Change in net present value discount – scholarships payable	(350,592)	(477,525)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivables	(18,703)	356,741
Prepaid expenses	776	(1,313)
Increase (decrease) in:		
Accounts payable and accrued expenses	12,447	8,253
Scholarships payable	256,794	613,867
	1,402,404	773,811
Cash Flows from Investing Activities		
Purchases of investments	(559,746)	(1,258,170)
Sales of investments	111,316	756,869
	(448,430)	(501,301)
Net Increase in Cash and Cash Equivalents	953,974	272,510
Cash and Cash Equivalents, beginning of year	634,598	362,088
Cash and Cash Equivalents, end of year	\$ 1,588,572	\$ 634,598

See accompanying notes.

No Greater Sacrifice Foundation

Notes to Financial Statements
December 31, 2016 and 2015

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 \$8 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, 2016, \$1,405 and \$3,151, respectively, were written-off. No discount has been calculated for 2016 and 2015, as all amounts are due within one year.

No Greater Sacrifice Foundation

Notes to Financial Statements
December 31, 2016 and 2015

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, 2016 and 2015, NGS received donated legal, communications, and other specialized services in the amount of \$38,814 and \$90,011, respectively, which are included in grants and contributions in the accompanying statements of activities.

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Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

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.

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.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

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Notes to Financial Statements
December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing the financial statements, NGS has evaluated events and transactions for potential recognition or disclosure through July 28, 2017, 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.

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.

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Notes to Financial Statements
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4. Investments and Fair Value Measurements (continued)

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>2016</u>				
Exchange traded funds:				
Fixed income	\$ 1,320,197	\$ -	\$ -	\$ 1,320,197
U.S. equities	1,745,662	-	-	1,745,662
International equities	1,009,035	-	-	1,009,035
Mutual funds – fixed income	578,485	-	-	578,485
Money markets	3,105	-	-	3,105
Total investments	<u>\$ 4,656,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,656,484</u>
<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
Total investments	<u>\$ 3,979,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,979,907</u>

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

	2016	2015
Interest and dividend income	\$ 109,443	\$ 107,365
Net realized and unrealized gain (loss)	228,147	(190,863)
Total investment income (loss)	<u>\$ 337,590</u>	<u>\$ (83,498)</u>

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Notes to Financial Statements
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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, 2016, 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:

	2016	2015
Payable in less than one year	\$ 1,785,403	\$ 1,413,109
Payable in one to five years	962,500	965,500
Payable in more than five years	1,603,000	1,715,500
Total scholarships payable	4,350,903	4,094,109
Less: discount to present value	(1,858,183)	(1,507,591)
Scholarships payable, net	<u>\$ 2,492,720</u>	<u>\$ 2,586,518</u>

6. Temporarily Restricted Net Assets

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

	2016	2015
Shane Childers Memorial Scholarship	\$ 71,960	\$ 83,515
Other designated scholarships	2,135	2,135
Total temporarily restricted net assets	<u>\$ 74,095</u>	<u>\$ 85,650</u>

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. Management has evaluated NGS's tax positions and concluded that the financial statements do not include any uncertain tax positions. Contributions to NGS are deductible as provided in IRC Section 170(b)(1)(A)(vi).

SUPPLEMENTARY INFORMATION

No Greater Sacrifice Foundation

Schedule of Functional Expenses For the Year Ended December 31, 2016

	Program Services	Supporting Services		Total
	Scholarship Program	Management and General	Fundraising	
Scholarship program	\$ 732,412	\$ -	\$ -	\$ 732,412
Awareness	2,422	-	-	2,422
Salaries	316,930	39,955	9,334	366,219
Payroll taxes	23,167	3,355	680	27,202
Supplies	116	371	-	487
Contract and professional fees	667	12,274	667	13,608
Donated services	28,337	10,113	364	38,814
Recipient support	4,626	-	-	4,626
Insurance	873	138	19	1,030
Events	243,819	-	-	243,819
Postage and mailing service	188	1,010	885	2,083
Office and internet services	1,992	2,386	182	4,560
Bad debt	1,405	-	-	1,405
Printing and copying	139	-	-	139
Registration and filing fees	-	2,665	-	2,665
Miscellaneous	-	100	-	100
Bank fees	-	3,859	-	3,859
Travel and meetings	24,618	(43)	-	24,575
Total Expenses	\$ 1,381,711	\$ 76,183	\$ 12,131	\$ 1,470,025

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
Total Expenses	\$ 1,417,005	\$ 65,684	\$ 13,829	\$ 1,496,518