

*DND Consulting, LLC*  
*Accountants & Consultants*

OPERATION MILITARY EMBRACE, INC.

TOMBALL, TEXAS

FINANCIAL STATEMENTS

DECEMBER 31, 2007

**OPERATION MILITARY EMBRACE, INC.**

**TOMBALL, TEXAS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Operation Military Embrace, Inc.  
Tomball, Texas

We have audited the accompanying statement of financial position of Operation Military Embrace, Inc. (the "Organization") as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Military Embrace, Inc. as of December 31, 2007 and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

February 25, 2012

*DND Consulting, LLC*

## **BASIC FINANCIAL STATEMENTS**

**OPERATION MILITARY EMBRACE, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2007**

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 4,035
<b>Total Assets</b>	<b><u>\$ 4,035</u></b>

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Note payable to officer	11,208
Total current liabilities	<u>11,208</u>

**Net Deficit:**

Unrestricted net deficit	(7,173)
Total net deficit	<u>(7,173)</u>

**Total Liabilities and  
Net Deficit**

**\$ 4,035**

**OPERATION MILITARY EMBRACE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**DECEMBER 31, 2007**

<b>Revenues:</b>	
Donations	\$ 22,585
In-kind donations	10,070
Other income	3
Total revenues	<u>32,658</u>
<b>Functional expenses:</b>	
Program expenses:	
Brooke Army Medical Center support	18,937
Financial assistance	17,284
Morale and welfare activities	1,666
Total program expenses	<u>37,887</u>
Supporting expenses:	
Administration	1,783
Technology and communications	161
Total supporting expenses	<u>1,944</u>
Total expenses	<u>39,831</u>
<b>Change in Net Deficit</b>	<b>(7,173)</b>
<b>Net Assets, beginning of year</b>	<u>-</u>
<b>Net Deficit, end of year</b>	<u><u>\$ (7,173)</u></u>

*The accompanying notes are an integral part of these financial statements.*

**OPERATION MILITARY EMBRACE, INC.**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2007**

**Cash Flows From Operating Activities:**

Change in net assets	\$ (7,173)
Net cash provided by operating activities	<u>(7,173)</u>

**Cash Flows From Financing Activities:**

Loan from officers	11,208
Net cash provided by financing activities	<u>11,208</u>

**Net Increase in Cash**

4,035

**Cash, Beginning of Year**

-

**Cash, End of Year**

\$ 4,035

*The accompanying notes are an integral part of these financial statements.*

**OPERATION MILITARY EMBRACE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 1 – PURPOSE AND ORGANIZATION**

Operation Military Embrace, Inc. (the Organization) is organized for the purpose of assisting injured Active Duty Marines, Corpsmen, Sailors, Airmen and Soldiers with legal expenses associated with disability claims and disability ratings as well as combat-related criminal charges. In addition, financial grants are provided to assist and support injured Active Duty personnel and/or their families with their normal day-to-day living expenses where the need exists. The mission of the Organization is to show appreciation by providing support to our wounded military and raising public awareness of the difficulties and challenges related to our wounded military's care and their families. The organization is supported by donations from American citizens.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Organization conform to generally accepted accounting principles for non-profit organizations. The significant policies are:

*Basis of Accounting:*

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

*Basis of Presentation:*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Board designated or appropriated amounts are reported as part of the unrestricted class since the Board has the authority to change or withdraw such designations or appropriations.

Temporarily restricted net assets contain donor-imposed restrictions that require the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization. The Organization currently does not have any temporarily restricted net assets.

Permanently restricted net assets contain donor-imposed restrictions requiring the resources be maintained permanently, but generally allowing the Organization to part or all of the income derived from the donated assets for specified purposes. The Organization currently does not have any permanently restricted net assets.



**OPERATION MILITARY EMBRACE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Cash Equivalents:*

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

*Property and Equipment:*

Furniture and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. Donated assets are recorded at fair market value on the date of the gift. Depreciation is recorded using the straight-line method over estimated useful lives ranging from three to ten years.

*Contributions:*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restriction. 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 statement of activities as net assets released from restriction.

*Donated Assets:*

Donated equipment and other noncash donations are valued at estimated fair value at date of donation.

*Donated Services:*

The Organization reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. During the year ended December 31, 2007, no such services met criteria for recognition in the financial statements.

*Use of Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Advertising:*

Advertising is expensed as incurred. For the year ended December 31, 2007, advertising expense was \$800.

**OPERATION MILITARY EMBRACE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

*Income Tax Status:*

The Internal Revenue Service has determined the Organization to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recognized. The Organization is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles. The Organization is required to file an annual information report with the Internal Revenue Service on Form 990.

*Concentration of Credit Risk:*

The Organization places its cash accounts with FDIC insured financial institutions. At times, the account balances may exceed the FDIC insured limits. The Organization does not believe it is exposed to any significant credit risk with respect to cash.

*Functional Allocation of Expenses:*

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities.

**NOTE 3 – NOTE PAYABLE TO OFFICERS**

The Organization received a non-interest bearing note in order to commence operations in the amount of \$24,207 from two officers/directors. There are no specific repayment terms and \$13,000 was repaid as of December 31, 2007. The remaining balance of \$11,207 is considered a current liability.

**NOTE 4 – CONTRIBUTIONS IN-KIND**

During the year ended December 31, 2007, the Organization received the following non-cash contributions:

Personal care items	\$ 7,230
Equipment	1,835
Event tickets	750
Other	<u>255</u>
Total	<u>\$ 10,070</u>

**OPERATION MILITARY EMBRACE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 5 – RELATED PARTY TRANSACTIONS**

In the process of starting operations, the Organization entered into a related party transaction with two of the officers/directors. The transaction was a non-interest bearing loan in the amount of \$24,207. Of this amount, the Organization repaid \$13,000 in 2007. The remaining balance of the note at December 31, 2007 was \$11,207 and was repaid in full in 2008.

**NOTE 6 – SUBSEQUENT EVENTS**

The Organization has evaluated events and transactions that occurred between December 31, 2007 and February 25, 2012, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Except for the payment to the officers/directors mentioned in Note 5 above, no other matters were identified affecting the 2007 financial statements.