

DND Consulting, LLC
Accountants & Consultants

OPERATION MILITARY EMBRACE, INC.

TOMBALL, TEXAS

FINANCIAL STATEMENTS

DECEMBER 31, 2009

OPERATION MILITARY EMBRACE, INC.

TOMBALL, TEXAS

FINANCIAL STATEMENTS

DECEMBER 31, 2009

CONTENTS

	PAGE
Independent Auditor's Report	1
Basic Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5

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, 2009, 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, 2009 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.

March 3, 2012

DND Consulting, LLC

BASIC FINANCIAL STATEMENTS

OPERATION MILITARY EMBRACE, INC.
BALANCE SHEET
DECEMBER 31, 2009

ASSETS

Current Assets:

Cash and cash equivalents	\$ 18,342
Other receivables	250
Prepaid expenses	915
Total current assets	<u>19,507</u>

Property and Equipment:

Furniture and equipment	1,746
Less accumulated depreciation	(349)
Net property and equipment	<u>1,397</u>

Total Assets	\$ <u>20,904</u>
---------------------	-------------------------

LIABILITIES AND NET ASSETS

Net Assets:

Unrestricted	19,904
Temporarily restricted	1,000
Total net assets	<u>20,904</u>

**Total Liabilities and
Net Assets**

\$ <u>20,904</u>

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

OPERATION MILITARY EMBRACE, INC.
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Donations	94,470		\$ 94,470
In-kind donations	61,065		61,065
Fundraising	52,229	1,000	53,229
Other income	30		30
Net assets released from restrictions:			
Satisfaction of program restrictions	10,506	(10,506)	-
Total revenues and net assets released from restrictions	<u>218,300</u>	<u>(9,506)</u>	<u>208,794</u>
Functional expenses:			
Program expenses:			
Brooke Army Medical Center support	92,133		92,133
Financial assistance	69,116		69,116
Morale and welfare activities	12,003		12,003
Total program expenses	<u>173,252</u>	<u>-</u>	<u>173,252</u>
Supporting expenses:			
Fundraising	32,268		32,268
Administration	3,169		3,169
Depreciation	349		349
Technology and communications	235		235
Total supporting expenses	<u>36,021</u>	<u>-</u>	<u>36,021</u>
Total expenses	<u>209,273</u>	<u>-</u>	<u>209,273</u>
Change in Net Assets	9,027	(9,506)	(479)
Net Assets, beginning of year	<u>10,877</u>	<u>10,506</u>	<u>21,383</u>
Net Assets, end of year	<u>\$ 19,904</u>	<u>\$ 1,000</u>	<u>\$ 20,904</u>

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

OPERATION MILITARY EMBRACE, INC.
STATEMENT OF CASH FLOWS
DECEMBER 31, 2009

Cash Flows From Operating Activities:

Change in net assets	\$ (479)
Adjustments to reconcile change in net assets to net used in operating activities:	
Depreciation	349
Changes in -	
Other receivable	(250)
Prepaid expenses	(915)
Other assets	5,106
	3,811
Net cash provided by operating activities	3,811

Cash Flows From Investing Activities:

Purchase of property and equipment	(1,746)
	(1,746)
Net cash used in investing activities	(1,746)

Net Increase in Cash	2,065
Cash, Beginning of Year	16,277
Cash, End of Year	\$ 18,342

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

OPERATION MILITARY EMBRACE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009

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, 2009, 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, 2009, advertising expense was \$241.

OPERATION MILITARY EMBRACE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 – FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

Furniture and equipment	\$ 1,746
Less: accumulated depreciation	<u>(349)</u>
Total	<u>\$ 1,397</u>

Depreciation for the year ended December 31, 2009 totaled \$349.

**OPERATION MILITARY EMBRACE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 – CONTRIBUTIONS IN-KIND

During the year ended December 31, 2009, the Organization received the following non-cash contributions:

Personal care items	\$ 37,273
Equipment	17,855
Other	5,297
Event tickets	<u>610</u>
Total	<u>\$ 61,065</u>

NOTE 5 – SUBSEQUENT EVENTS

The Organization has evaluated events and transactions that occurred between December 31, 2009 and March 3, 2012, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No matters were identified affecting the 2009 financial statements.