

Thanks U.S.A.

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2015 and 2014

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Thanks U.S.A

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Independent Auditor's Report

Board of Directors
Thanks U.S.A.
McLean, Virginia

We have audited the accompanying financial statements of Thanks U.S.A., which comprise the statements of financial position as of December 31, 2015 and 2014, the related statements of activities and changes in net assets and statements of 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 audits 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 Thanks U.S.A. 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.



Bethesda, Maryland
November 3, 2016

Thanks U.S.A.

Statements of Financial Position
December 31, 2015 and 2014

	<u>Assets</u>	
	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 600,612	\$ 732,265
Accounts receivable	10,500	10,500
Pledges receivable, current portion	395,833	296,022
Prepaid expense	27,342	24,866
Total current assets	<u>1,034,287</u>	<u>1,063,653</u>
Investments	348,341	276,076
Long-term pledges receivable, net of current portion	144,138	157,913
Other assets	<u>24,500</u>	<u>24,500</u>
	<u>\$ 1,551,266</u>	<u>\$ 1,522,142</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 61,789	\$ 58,787
Scholarships payable	397,301	443,999
Total current liabilities	<u>459,090</u>	<u>502,786</u>
Net assets		
Unrestricted	194,409	498,641
Temporarily restricted	<u>897,767</u>	<u>520,715</u>
Total net assets	<u>1,092,176</u>	<u>1,019,356</u>
	<u>\$ 1,551,266</u>	<u>\$ 1,522,142</u>

See Notes to Financial Statements.

Thanks U.S.A.

Statements of Activities and Change in Net Assets
Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Contributions	\$ 1,234,214	\$ 400,772	\$ 1,634,986	\$ 1,364,614	\$ 193,789	\$ 1,558,403
In-kind contributions	220,840	-	220,840	226,524	-	226,524
Unrealized gain (loss) on investments	(3,930)	-	(3,930)	70	-	70
Interest income (loss)	3,939	(1,720)	2,219	850	-	850
Write-down of other assets	-	-	-	(27,292)	-	(27,292)
Net assets released from restrictions -						
Satisfaction of program restrictions	22,000	(22,000)	-	438,809	(438,809)	-
Total revenue and support	<u>1,477,063</u>	<u>377,052</u>	<u>1,854,115</u>	<u>2,003,575</u>	<u>(245,020)</u>	<u>1,758,555</u>
Expenses						
Program services						
Scholarship program	1,490,684	-	1,490,684	1,547,656	-	1,547,656
Treasure hunt	27,046	-	27,046	51,824	-	51,824
Total program services	<u>1,517,730</u>	<u>-</u>	<u>1,517,730</u>	<u>1,599,480</u>	<u>-</u>	<u>1,599,480</u>
Supporting services						
General and administrative	193,556	-	193,556	118,189	-	118,189
Fundraising	70,009	-	70,009	71,698	-	71,698
Total supporting services	<u>263,565</u>	<u>-</u>	<u>263,565</u>	<u>189,887</u>	<u>-</u>	<u>189,887</u>
Total expenses	<u>1,781,295</u>	<u>-</u>	<u>1,781,295</u>	<u>1,789,367</u>	<u>-</u>	<u>1,789,367</u>
Change in net assets	(304,232)	377,052	72,820	214,208	(245,020)	(30,812)
Net assets, beginning of year	<u>498,641</u>	<u>520,715</u>	<u>1,019,356</u>	<u>284,433</u>	<u>765,735</u>	<u>1,050,168</u>
Net assets, end of year	<u>\$ 194,409</u>	<u>\$ 897,767</u>	<u>\$ 1,092,176</u>	<u>\$ 498,641</u>	<u>\$ 520,715</u>	<u>\$ 1,019,356</u>

See Notes to Financial Statements.

Thanks U.S.A.

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

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ 72,820	\$ (30,812)
Adjustments to reconcile change in net assets to net cash		
Used in operating activities		
Unrealized (gain) loss on investments	3,930	(70)
Loss on pledge receivable	11,000	-
Write-down of other assets	-	27,292
Change in discount on pledges receivable	(3,558)	(9,374)
Change in:		
Accounts receivable	-	(6,000)
Pledges receivable	(93,478)	(61,405)
Prepaid expenses	(2,476)	1,831
Accounts payable and accrued expenses	3,002	111
Scholarships payable	(46,698)	16,324
Net cash used in operating activities	<u>(55,458)</u>	<u>(62,103)</u>
Cash flows from investing activities		
Purchases of investments	(76,195)	(286,114)
Proceeds from the sale of investments	-	85,089
Net cash used in investing activities	<u>(76,195)</u>	<u>(201,025)</u>
Decrease in cash and cash equivalents	(131,653)	(263,128)
Cash and cash equivalents, beginning of year	<u>732,265</u>	<u>995,393</u>
Cash and cash equivalents, end of year	<u>\$ 600,612</u>	<u>\$ 732,265</u>

See Notes to Financial Statements.

Thanks U.S.A.

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Organization and summary of significant accounting policies

Organization

Thanks U.S.A., which was formed and incorporated in the District of Columbia in October 2005, is a non-partisan, charitable effort to mobilize Americans of all ages to "thank" the men and women of the United States armed forces by providing college, technical and vocational school scholarships for their children and spouses.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

Cash and cash equivalents

For the purposes of the statements of cash flows, Thanks U.S.A. considers cash in operating bank accounts and money funds to be cash and cash equivalents.

Revenue recognition

Contributions, including unconditional promises to give, are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions. Contributions that are temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. There are no permanently restricted net assets at December 31, 2015 and 2014.

Accounts receivable

Thanks U.S.A. records accounts receivable, net of allowances for doubtful accounts when necessary. The need for allowances is determined based on a review of the estimated collectibility of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowances for doubtful accounts once management determines an account, or a portion thereof, to be worthless.

At December 31, 2015 and 2014, all accounts receivables are considered to be fully collectible, and, as such, no allowance for doubtful accounts has been provided for in these financial statements. There was no bad debt expense on accounts receivable for the years ended December 31, 2015 and 2014.

Pledges receivable

Pledges receivable represents unconditional promises to give cash to Thanks U.S.A. Unconditional promises to give that are expected to be collected within one year are reflected as current pledges receivable and are recorded at their net realizable values in the period in which Thanks U.S.A. is notified by the donor of his or her commitment to make a contribution. Unconditional promises to give that are expected to be collected in future years are reflected as long-term pledges and are recorded at their net present value, using risk-adjusted interest rates. Amortization of the present value discount on pledges receivable are reflected as contribution income on the statements of

Thanks U.S.A.

Notes to Financial Statements December 31, 2015 and 2014

activities and change in net assets. Management considers all pledges receivable to be fully collectible. Bad debt expense on pledges receivable for the years ended December 31, 2015 and 2014 was \$11,000 and \$0, respectively.

Scholarships payable

Scholarships payable represents the amount of money awarded for scholarships, but not yet disbursed to the recipients of the awards. Scholarships payable are expensed after the awardees have accepted the scholarship. Scholarships payable at December 31, 2015 and 2014 totaled \$397,301 and \$443,999, respectively.

Donated materials and services

Contributions of materials and services are recognized in the financial statements as in-kind contributions if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. These services are recorded at their estimated fair values at the date of donation and are recognized in the financial statements as in-kind contributions. Thanks U.S.A. receives a substantial amount of donated prizes for the Treasure Hunt that are recorded at their fair value as of the date of donation. Donated materials and services for the years ended December 31, 2015 and 2014 totaled \$220,840 and \$226,524, respectively.

Other assets

Other assets at December 31, 2015 and 2014 consists of the estimated fair value of the Treasure Chest, which contains jewelry and the contents of the Treasure Chest that have been donated back to Thanks U.S.A. by past winners of the Treasure Hunt. At December 31, 2015 and 2014, the estimated fair value of the Treasure totaled \$24,500.

Net assets

Thanks U.S.A. reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. Permanently restricted net assets are required by donor restriction to invest the corpus in perpetuity and are treated as endowments. Investment return, which includes interest and dividends earned and realized and unrealized appreciation or depreciation on such net assets, is available for operations in accordance with donor restrictions. Investment return on permanently restricted net assets is recorded as temporarily restricted until appropriated for expenditure by the Board and time and purpose restrictions have been met. Once appropriated for expenditure and restrictions have been met, the amounts are transferred to unrestricted net assets to be used for their intended purpose.

Contributions that are temporarily restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions when a stipulated time restriction ends or a purpose restriction is accomplished.

Unrestricted net assets are the portion of net assets that are neither temporarily nor permanently restricted by donor stipulations on their use.

Income taxes

Thanks U.S.A. is exempt from federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Thanks U.S.A. had no federal and state taxable income for the years ended December 31, 2015 and 2014; therefore, the accompanying financial statements do not include a provision for federal or

Thanks U.S.A.

Notes to Financial Statements December 31, 2015 and 2014

state income taxes. Thanks U.S.A. believes that it has appropriate support for any tax positions taken, and, as such, it does not have any uncertain tax positions that are material to the financial statements. Thanks U.S.A. recognizes interest expense and penalties related to income taxes on uncertain tax positions in accounts payable and accrued expenses in the statements of financial position and general and administrative expenses on the statements of activities and change in net assets. There is no provision in these financial statements for penalties and interest related to income taxes on uncertain tax positions for the years ended December 31, 2015 and 2014.

For tax years prior to 2012, Thanks U.S.A. is no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentration of credit risk

As of December 31, 2015, Thanks U.S.A. had balances of cash and cash equivalents in excess of Federal Deposit Insurance Corporation ("FDIC") coverage. The amount of uninsured deposits at December 31, 2015 was approximately \$267,000.

Functional allocation of expenses

Expenses have been summarized on a functional basis on the statements of activities and change in net assets. Accordingly, certain costs have been allocated among the programs, management and fundraising activities.

Subsequent events

Thanks U.S.A. has evaluated subsequent events for potential recognition or disclosure through November 3, 2016, the date the financial statements were available to be issued.

Thanks U.S.A.

**Notes to Financial Statements
December 31, 2015 and 2014**

Note 2 - Pledges receivable

The pledges receivable balance consists of the following:

	2015	2014
Receivable in less than one year	\$ 395,833	\$ 296,022
Receivable in one to five years	152,000	169,333
Total pledges receivable	547,833	465,355
Less: Discount to net present value	7,862	11,420
Net pledges receivable	539,971	453,935
Less: Current portion	395,833	296,022
Long-term pledges receivable	\$ 144,138	\$ 157,913

Pledges receivable beyond one year are reflected at their net present value of estimated future cash flows using a discount rate of 3.25 percent. Current pledges receivable are shown at their net realizable value.

Note 3 - Investments

In accordance with the *Investments in Debt and Equity Securities of Not-For-Profit* topic of the FASB Accounting Standards Codification ("FASB ASC"), investments in marketable equity securities, including certificates of deposit and structured products with readily determinable fair values are reported at their fair values in the statements of financial position. The structured products consist of certificates of deposit with exposure to the overall performance of the S&P 500 Index and Dow Jones Industrial Index.

Investments consist of the following:

	December 31,	
	2015	2014
Certificates of deposit and structured products	\$ 348,341	\$ 276,076
	\$ 348,341	\$ 276,076

Note 4 - Scholarship program

Thanks U.S.A. has an agreement with Scholarship America, Inc. to manage the Thanks U.S.A. Scholarship Program. Scholarship America, Inc. is responsible for managing the program according to the conditions outlined in the program description, including receipt, acknowledgment and processing of all application materials, evaluation of applications, selection, notification of both recipients and nonrecipients, and making payments of awards to student recipients on behalf of Thanks U.S.A. Total fees paid to Scholarship America, Inc. for the years ended December 31, 2015

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Notes to Financial Statements December 31, 2015 and 2014

and 2014 were \$55,600 and \$54,100, respectively. At December 31, 2015 and 2014, Scholarship America, Inc. held \$10,500 and \$10,500, respectively, of Thanks U.S.A. funds to be used for future Thanks U.S.A. scholarships. Such funds are included in accounts receivable on the statements of financial position. Total scholarship awards and in-kind scholarships awards were \$808,413 and \$874,509 for the years ended December 31, 2015 and 2014, respectively.

Note 5 - Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

	December 31,	
	2015	2014
Scholarship program	\$ 772,967	\$ 498,715
President recruitment	124,800	-
Treasure hunt	-	22,000
	\$ 897,767	\$ 520,715

Note 6 - Fair value measurements

Thanks U.S.A. has determined the fair value of certain assets through the application of the *Fair Value Measurement* topic of the FASB ASC. Fair value of assets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2015</u>				
Certificates of deposit and structured products	\$ 348,341	\$ -	\$ 348,341	\$ -
<u>December 31, 2014</u>				
Certificates of deposit and structured products	\$ 276,076	\$ -	\$ 276,076	\$ -

This FASB ASC topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and provide the highest quality inputs; Level 2 inputs are based primarily on quoted prices for identical assets in inactive markets or similar assets or liabilities in active or inactive markets as significant other observable inputs; Level 3 inputs provide the lowest quality inputs because there are no significant observable

Thanks U.S.A.

**Notes to Financial Statements
December 31, 2015 and 2014**

inputs. Thanks U.S.A. uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Thanks U.S.A. measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There have been no changes in the valuation methodologies used during the current year. All assets have been valued using a market approach. Certificates of deposit and structured products are classified as Level 2, as they are not exchange-traded investments and are valued using a market approach based on quoted prices from pricing sources utilized by investment managers. The fair value of structured products also reference market values based on the performance of market indexes related to the S&P 500 Index and Dow Jones Industrial Index.

Supplementary Information

Independent Auditor's Report on Supplementary Information

Board of Directors
Thanks U.S.A.
McLean, Virginia

We have audited the financial statements of Thanks U.S.A. as of and for the years ended December 31, 2015 and 2014, and our report thereon dated November 3, 2016, which expressed an unmodified opinion on those financial statements, appears on page 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for the purpose of additional analysis and are 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.

CohnReznick LLP

Bethesda, Maryland
November 3, 2016

Thanks U.S.A.

**Schedule of Functional Expenses
Year Ended December 31, 2015**

	Program Services			Supporting Services			Total
	Scholarship Program	Treasure Hunt	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Expenses							
Salaries and benefits	\$ 234,735	\$ 9,450	\$ 244,185	\$ 38,401	\$ 27,861	\$ 66,262	\$ 310,447
Scholarship awards	766,716	-	766,716	-	-	-	766,716
Scholarship awards - in-kind	41,697	-	41,697	-	-	-	41,697
In-kind goods/services	99,832	-	99,832	72,970	6,341	79,311	179,143
Consultants and professional fees	167,028	12,360	179,388	53,086	6,015	59,101	238,489
Meetings, events and conferences	67,911	-	67,911	6,814	2,519	9,333	77,244
Printing and copying	10,147	-	10,147	847	1,309	2,156	12,303
Postage and delivery	3,798	136	3,934	544	79	623	4,557
Treasure hunt prizes	-	3,786	3,786	-	-	-	3,786
Miscellaneous expenses	12,843	1,223	14,066	9,007	407	9,414	23,480
Travel, transportation and meals	81,484	-	81,484	2,511	14,415	16,926	98,410
Telecommunications	1,052	91	1,143	147	-	147	1,290
Office supplies	1,270	-	1,270	82	63	145	1,415
Taxes and fees	-	-	-	5,277	-	5,277	5,277
Bank fees	2,171	-	2,171	3,870	-	3,870	6,041
Bad debt expense	-	-	-	-	11,000	11,000	11,000
	<u>\$ 1,490,684</u>	<u>\$ 27,046</u>	<u>\$ 1,517,730</u>	<u>\$ 193,556</u>	<u>\$ 70,009</u>	<u>\$ 263,565</u>	<u>\$ 1,781,295</u>

See Independent Auditor's Report.

Thanks U.S.A.

**Schedule of Functional Expenses
Year Ended December 31, 2014**

	Program Services			Supporting Services			Total
	Scholarship Program	Treasure Hunt	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Expenses							
Salaries and benefits	\$ 175,713	\$ 15,905	\$ 191,618	\$ 20,444	\$ 20,785	\$ 41,229	\$ 232,847
Scholarship awards	846,543	-	846,543	-	-	-	846,543
Scholarship awards - in-kind	27,966	-	27,966	-	-	-	27,966
In-kind goods/services	116,396	2,785	119,181	62,885	16,492	79,377	198,558
Consultants and professional fees	172,724	18,954	191,678	25,325	6,942	32,267	223,945
Meetings, events and conferences	70,814	-	70,814	3,059	6,397	9,456	80,270
Printing and copying	9,886	-	9,886	449	2,288	2,737	12,623
Postage and delivery	1,848	33	1,881	231	80	311	2,192
Treasure hunt prizes	-	7,020	7,020	-	-	-	7,020
Miscellaneous expenses	6,332	1,971	8,303	9,436	260	9,696	17,999
Travel, transportation and meals	104,105	12	104,117	3,126	18,414	21,540	125,657
Telecommunications	566	144	710	294	40	334	1,044
Office supplies	1,971	-	1,971	238	-	238	2,209
Taxes and fees	-	-	-	5,042	-	5,042	5,042
Bank fees	2,792	-	2,792	2,660	-	2,660	5,452
Indirect cost allocation	10,000	5,000	15,000	(15,000)	-	(15,000)	-
	<u>\$ 1,547,656</u>	<u>\$ 51,824</u>	<u>\$ 1,599,480</u>	<u>\$ 118,189</u>	<u>\$ 71,698</u>	<u>\$ 189,887</u>	<u>\$ 1,789,367</u>

See Independent Auditor's Report.

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