

Thanks U.S.A.

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

December 31, 2016 and 2015

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, 2016 and 2015, the related statements of activities and change 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, 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.

CohnReznick LLP

Bethesda, Maryland
November 8, 2017

Thanks U.S.A.

Statements of Financial Position
December 31, 2016 and 2015

	<u>Assets</u>	
	December 31,	
	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 90,199	\$ 600,612
Accounts receivable	13,500	10,500
Pledges receivable, current, net of allowance for doubtful accounts	723,068	395,833
Prepaid expense	<u>25,772</u>	<u>27,342</u>
Total current assets	852,539	1,034,287
Investments	418,929	348,341
Long-term pledges receivable, net of current portion	206,633	144,138
Other assets	<u>24,500</u>	<u>24,500</u>
	<u>\$ 1,502,601</u>	<u>\$ 1,551,266</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 105,489	\$ 61,789
Scholarships payable	73,500	397,301
Total current liabilities	<u>178,989</u>	<u>459,090</u>
Net assets		
Unrestricted	538,981	194,409
Temporarily restricted	<u>784,631</u>	<u>897,767</u>
Total net assets	<u>1,323,612</u>	<u>1,092,176</u>
	<u>\$ 1,502,601</u>	<u>\$ 1,551,266</u>

See Notes to Financial Statements.

Thanks U.S.A.

Statements of Activities and Change in Net Assets
Years Ended December 31, 2016 and 2015

	Year Ended December 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Contributions	\$ 1,973,720	\$ -	\$ 1,973,720	\$ 1,234,214	\$ 400,772	\$ 1,634,986
In-kind contributions	269,568	-	269,568	220,840	-	220,840
Unrealized gain (loss) on investments	3,586	-	3,586	(3,930)	-	(3,930)
Interest income (loss)	2,414	-	2,414	3,939	(1,720)	2,219
Net assets released from restrictions - Satisfaction of program restrictions	113,136	(113,136)	-	22,000	(22,000)	-
Total revenue and support	<u>2,362,424</u>	<u>(113,136)</u>	<u>2,249,288</u>	<u>1,477,063</u>	<u>377,052</u>	<u>1,854,115</u>
Expenses						
Program services						
Scholarship program	1,673,711	-	1,673,711	1,490,684	-	1,490,684
Treasure hunt	580	-	580	27,046	-	27,046
Total program services	<u>1,674,291</u>	<u>-</u>	<u>1,674,291</u>	<u>1,517,730</u>	<u>-</u>	<u>1,517,730</u>
Supporting services						
General and administrative	233,126	-	233,126	193,556	-	193,556
Fundraising	110,435	-	110,435	70,009	-	70,009
Total supporting services	<u>343,561</u>	<u>-</u>	<u>343,561</u>	<u>263,565</u>	<u>-</u>	<u>263,565</u>
Total expenses	<u>2,017,852</u>	<u>-</u>	<u>2,017,852</u>	<u>1,781,295</u>	<u>-</u>	<u>1,781,295</u>
Change in net assets	344,572	(113,136)	231,436	(304,232)	377,052	72,820
Net assets, beginning 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>
Net assets, end of year	<u>\$ 538,981</u>	<u>\$ 784,631</u>	<u>\$ 1,323,612</u>	<u>\$ 194,409</u>	<u>\$ 897,767</u>	<u>\$ 1,092,176</u>

See Notes to Financial Statements.

Thanks U.S.A.

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

	Year Ended December 31,	
	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 231,436	\$ 72,820
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized (gain) loss on investments	(3,586)	3,930
Loss on pledge receivable	11,000	11,000
Change in discount on pledges receivable	3,005	(3,558)
Change in:		
Accounts receivable	(3,000)	-
Pledges receivable	(403,735)	(93,478)
Prepaid expenses	1,570	(2,476)
Accounts payable and accrued expenses	43,700	3,002
Scholarships payable	(323,801)	(46,698)
Net cash used in operating activities	<u>(443,411)</u>	<u>(55,458)</u>
Cash flows from investing activities		
Purchases of investments	<u>(67,002)</u>	<u>(76,195)</u>
Net cash used in investing activities	<u>(67,002)</u>	<u>(76,195)</u>
Decrease in cash and cash equivalents	(510,413)	(131,653)
Cash and cash equivalents, beginning of year	<u>600,612</u>	<u>732,265</u>
Cash and cash equivalents, end of year	<u>\$ 90,199</u>	<u>\$ 600,612</u>

See Notes to Financial Statements.

Thanks U.S.A.

Notes to Financial Statements December 31, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015, 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, 2016 and 2015.

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 contributions revenue on the statements of

Thanks U.S.A.

Notes to Financial Statements December 31, 2016 and 2015

activities and change in net assets. The need for an allowance 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 allowance for doubtful accounts once management determines a pledge, or a portion thereof, to be uncollectible. Bad debt expense on pledges receivable was \$11,000 for the years ended December 31, 2016 and 2015.

Conditional Pledge

In June 2016, Thanks U.S.A. entered into a challenge grant agreement with a donor, whereby the donor will match eligible donations (as defined in the grant agreement) received by Thanks U.S.A., subject to a maximum of \$400,000 during each of two grant periods specified in the grant agreement. The first grant period commenced July 1, 2016 and ended June 30, 2017 and the second grant period started July 1, 2017 and ends June 30, 2018. As of December 31, 2016, Thanks U.S.A. was due \$125,000 from the donor for eligible donations raised by Thanks U.S.A. between July 1, 2016 and December 31, 2016. This amount is included in pledges receivable on the statements of financial position and contributions on the statements of activities and change in net assets.

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, 2016 and 2015 totaled \$73,500 and \$397,301, 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, 2016 and 2015 totaled \$269,568 and \$220,840, respectively.

Other assets

Other assets at December 31, 2016 and 2015 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, 2016 and 2015, 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.

Thanks U.S.A.

Notes to Financial Statements December 31, 2016 and 2015

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. Temporarily restricted net assets for the scholarship program represent contributions restricted for scholarships. Temporarily restricted net assets for the President recruitment represent donations from members of the board of directors for the express purpose of selecting a President and to cover the first twelve months of employment.

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, 2016 and 2015; therefore, the accompanying financial statements do not include a provision for federal or 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, 2016 and 2015.

For tax years prior to 2013, 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, 2016, Thanks U.S.A. had no balances of cash and cash equivalents in excess of Federal Deposit Insurance Corporation ("FDIC") coverage.

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, general and administrative and fundraising activities.

Subsequent events

Thanks U.S.A. has evaluated subsequent events for potential recognition or disclosure through November 8, 2017, the date the financial statements were available to be issued.

Thanks U.S.A.

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Pledges receivable

The pledges receivable balance consists of the following:

	December 31,	
	2016	2015
Receivable in less than one year	\$ 734,068	\$ 406,833
Receivable in one to five years	217,500	152,000
Allowance for doubtful accounts	<u>(11,000)</u>	<u>(11,000)</u>
Total pledges receivable	940,568	547,833
Less: Discount to net present value	<u>10,867</u>	<u>7,862</u>
Net pledges receivable	929,701	539,971
Less: Current portion	<u>723,068</u>	<u>395,833</u>
Long-term pledges receivable	<u>\$ 206,633</u>	<u>\$ 144,138</u>

Pledges receivable beyond one year are reflected at their net present value of estimated future cash flows using discount rates of 3.25 to 3.50 percent for 2016 and 2015. 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,	
	2016	2015
Certificates of deposit and structured products	<u>\$ 418,929</u>	<u>\$ 348,341</u>

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, 2016 and 2015 were \$57,500 and \$55,600, respectively. At December 31, 2016 and 2015, Scholarship

Thanks U.S.A.

Notes to Financial Statements December 31, 2016 and 2015

America, Inc. held \$13,500 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 scholarship awards were \$875,899 and \$808,413 for the years ended December 31, 2016 and 2015, respectively.

Note 5 - Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

	December 31,	
	2016	2015
Scholarship program	\$ 716,466	\$ 772,967
President recruitment	68,165	124,800
	\$ 784,631	\$ 897,767

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, 2016 and 2015 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, 2016</u>				
Certificates of deposit and structured products	\$ 418,929	\$ -	\$ 418,929	\$ -
<u>December 31, 2015</u>				
Certificates of deposit and structured products	\$ 348,341	\$ -	\$ 348,341	\$ -

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 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

Thanks U.S.A.

**Notes to Financial Statements
December 31, 2016 and 2015**

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, 2016 and 2015, and our report thereon dated November 8, 2017, 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.



Bethesda, Maryland
November 8, 2017

Thanks U.S.A.

**Schedule of Functional Expenses
Year Ended December 31, 2016**

	Program Services			Supporting Services			Total
	Scholarship Program	Treasure Hunt	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Expenses							
Salaries and benefits	\$ 358,116	\$ 572	\$ 358,688	\$ 64,744	\$ 65,485	\$ 130,229	\$ 488,917
Scholarship awards	729,449	-	729,449	-	-	-	729,449
Scholarship awards - in-kind	146,450	-	146,450	-	-	-	146,450
In-kind goods/services	72,214	-	72,214	49,891	1,013	50,904	123,118
Consultants and professional fees	177,804	-	177,804	89,636	5,976	95,612	273,416
Meetings, events and conferences	69,827	-	69,827	3,955	4,285	8,240	78,067
Printing and copying	13,241	-	13,241	1,332	1,151	2,483	15,724
Postage and delivery	2,895	-	2,895	642	35	677	3,572
Miscellaneous expenses	5,443	-	5,443	10,786	360	11,146	16,589
Travel, transportation and meals	95,547	-	95,547	1,548	21,080	22,628	118,175
Telecommunications	278	8	286	51	-	51	337
Office supplies	870	-	870	136	25	161	1,031
Taxes and fees	-	-	-	5,374	-	5,374	5,374
Bank fees	1,577	-	1,577	5,031	25	5,056	6,633
Bad debt expense	-	-	-	-	11,000	11,000	11,000
	<u>\$ 1,673,711</u>	<u>\$ 580</u>	<u>\$ 1,674,291</u>	<u>\$ 233,126</u>	<u>\$ 110,435</u>	<u>\$ 343,561</u>	<u>\$ 2,017,852</u>

See Independent Auditor's Report.

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.

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