



YELLOW RIBBON FUND, INC

Welcoming Our Injured Service Members Home

FINANCIAL STATEMENTS

FOR THE YEAR ENDED FEBRUARY 28, 2018



Independent Auditors' Report

The Board of Directors
Yellow Ribbon Fund, Inc.
Bethesda, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Yellow Ribbon Fund, Inc. which comprise the statement of financial position as of February 28, 2018, and the related statements of activities, and cash flows for the year 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.

Auditors' 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 auditors' 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 auditors consider 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.

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The Board of Directors
Yellow Ribbon Fund, Inc.

Report on the Financial Statements (Continued)

Auditors' Responsibility (Continued)

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 Yellow Ribbon Fund, as of February 28, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The summarized financial information of Yellow Ribbon Fund as of and for the year ended February 28, 2017 was audited by other auditors whose report dated June 23, 2017 expressed an unmodified opinion. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Bethesda, Maryland
May 23, 2018

Yellow Ribbon Fund, Inc.

**Statement of Financial Position
February 28, 2018
With Comparative Totals as of February 28, 2017**

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 546,298	\$ 746,709
Investments	50,011	400,624
Prepaid Expenses	32,970	39,383
Other Assets	<u>12,221</u>	<u>-</u>
Total Current Assets	<u>641,500</u>	<u>1,186,716</u>
Property and Equipment - Net	949	5,973
Other Assets		
Deposits	<u>12,216</u>	<u>11,416</u>
Total Assets	<u>654,665</u>	<u>1,204,105</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Liabilities	87,523	149,879
Pass - Thru Payables	<u>40,000</u>	<u>-</u>
Total Current Liabilities	<u>127,523</u>	<u>149,879</u>
Net Assets		
Unrestricted	432,130	1,029,226
Temporarily Restricted	<u>95,012</u>	<u>25,000</u>
Total Net Assets	<u>527,142</u>	<u>1,054,226</u>
Total Liabilities and Net Assets	<u>\$ 654,665</u>	<u>\$ 1,204,105</u>

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

**Statement of Activities
For the Year Ended February 28, 2018
With Comparative Totals for the Year Ended February 28, 2017**

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and Support				
Contributions and Grants	\$ 726,407	\$ 259,984	\$ 986,391	\$ 1,195,086
Events, Net of Expenses of \$236,552	510,734	-	510,734	827,878
Contributed Services and Materials	271,441	-	271,441	229,558
Investment Income	2,236	-	2,236	4,091
Net Assets released from Donor Restrictions	189,972	(189,972)	-	-
Total Revenues and Support	<u>1,700,790</u>	<u>70,012</u>	<u>1,770,802</u>	<u>2,256,613</u>
Expenses				
Program Services	<u>1,789,629</u>	<u>-</u>	<u>1,789,629</u>	<u>1,938,005</u>
Supporting Services				
Management and General	396,839		396,839	244,582
Fundraising	<u>111,418</u>		<u>111,418</u>	<u>260,832</u>
Total Supporting Services	<u>508,257</u>	<u>-</u>	<u>508,257</u>	<u>505,414</u>
Total Expenses	<u>2,297,886</u>	<u>-</u>	<u>2,297,886</u>	<u>2,443,419</u>
Change in Net Assets	(597,096)	70,012	(527,084)	(186,806)
Net Assets, Beginning of Year	<u>1,029,226</u>	<u>25,000</u>	<u>1,054,226</u>	<u>1,241,032</u>
Net Assets, End of Year	<u>\$ 432,130</u>	<u>\$ 95,012</u>	<u>\$ 527,142</u>	<u>\$ 1,054,226</u>

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

**Statement of Functional Expenses
For the Year Ended February 28, 2018
With Comparative Totals for the Year Ended February 28, 2017**

	2018				2017
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Direct Assistance	\$ 993,529	\$ -	\$ -	\$ -	\$ 1,160,518
Salaries and Wages	565,205	264,370	82,046	346,416	950,787
Employee Benefits	24,755	11,579	3,593	15,172	57,464
Payroll Taxes	49,722	23,257	7,218	30,475	83,601
Professional Fees	34,750	40,723	900	41,623	55,437
Advertising and Promotion	1,634	764	237	1,001	10,317
Office Expenses	73,012	34,151	10,599	44,750	75,533
Occupancy	22,549	10,547	3,273	13,820	34,764
Travel	6,529	3,054	948	4,002	8,483
Conferences	77	36	11	47	946
Depreciation and Amortization	3,736	1,748	542	2,290	3,695
Insurance	14,131	6,610	2,051	8,661	1,874
Total	\$ 1,789,629	\$ 396,839	\$ 111,418	\$ 508,257	\$ 2,443,419

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

**Statement of Cash Flows
For the Year Ended February 28, 2018
With Comparative Totals for the Year Ended February 28, 2017**

	2018	2017
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ (527,084)	\$ (186,806)
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	6,026	3,695
(Gains) and Losses on Investments	613	(28)
<u>(Increase) Decrease in Assets</u>		
Prepaid Expenses	6,413	(27,375)
Other Assets	(12,221)	-
Deposits	(800)	-
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Liabilities	(62,356)	61,977
Pass - Thru Payables	40,000	-
Deferred Revenues	-	(7,000)
Net Cash Provided by (Used in) Operating Activities	(549,409)	(155,537)
Cash Flows from Investing Activities		
Purchases of Investments	-	(402,940)
Sales of Investments	350,000	352,946
Purchases of Furniture and Equipment	(1,002)	(5,025)
Net Cash Provided by (Used in) Investing Activities	348,998	(55,019)
Net Increase (Decrease) in Cash and Cash Equivalents	(200,411)	(210,556)
Cash and Cash Equivalents, Beginning of Year	746,709	957,265
Cash and Cash Equivalents, End of Year	\$ 546,298	\$ 746,709

See accompanying Notes to Financial Statements.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Yellow Ribbon Fund, Inc. (the "Fund") is a 501(c)(3) nonprofit organization incorporated in the State of Maryland in 2005. Its employer identification number is 36-4567583. The Fund's mission is to assist post-9/11 wounded, ill, and injured service members undergoing lengthy medical treatment and rehabilitation at the Walter Reed National Military Medical Center in Bethesda, Maryland. The Fund provides support to their families and military caregivers to help them cope with these life-changing medical events.

The Fund's programs are described below:

Crossroads Program: Provides transportation and lodging assistance not covered by Department of Defense to service members and their families. Transportation assistance includes rental cars which the Fund receives from a local car dealer at a deeply-discounted rate and other transportation aid to qualifying individuals. Lodging assistance includes cost-free furnished apartments or long-term hotel rooms for families temporarily relocating to the Washington, DC area to be with their beloved service member and short-term hotel stays for visiting family members.

Keystone Program: Formerly known as the Fund's Family Caregiver Program, this program provides unique support to military caregivers who often give up career and education plans to help their service member cope with day-to-day living. The program provides caregivers with sanctuary, confidence, and stability through monthly respite and networking social events, and educational and life skills training.

Engagement: The Fund engages patients recovering at the Walter Reed and Fort Belvoir hospitals through on-base and off-base events that help them escape from the monotonous grind of rehabilitation. The Fund staff and its volunteers host holiday parties, social gatherings, and off-base activities such as cultural and sporting events in the Washington, DC area. Reported amounts do not include the time and unreimbursed expenses of volunteers. Tickets to cultural and sporting events are reported as in-kind donations at fair market value.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, Not-for-Profit Entities.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Fund's financial statements for the year ended February 28, 2017, from which the summarized information was derived.

Use of Estimates

The preparation of the 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

The Fund considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at their outstanding balances.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Fund's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions.

Investments

Investments are recorded at their readily determinable fair value. Interest and dividends, realized and unrealized gains and losses are included in investment income in the Statement of Activities.

Property and Equipment

Property and equipment in excess of \$1,000 are capitalized and stated at cost. Property and equipment is depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Net Asset Classification

The net assets are reported in two net asset classifications follows:

- Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Fund and include both internally designated and undesignated resources.
- Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Fund and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributions and Grants

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor.

Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services and Materials

Contributed services and materials consist of free use of apartments, free room nights at hotels, free meals, airline vouchers, and tickets to sporting events, cultural and other events. Contributed services and materials are recorded at their fair market value as of the date of the gift.

In addition, volunteers have donated significant amounts of their time to the Fund. These donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Advertising

The Fund expenses advertising costs as incurred. Advertising expense totaled \$2,635 for the year ended February 28, 2018.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Fund is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Fund is not a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Fund may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Fund and various positions related to the potential sources of unrelated business taxable income (UBIT).

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2018.

The Fund's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during fiscal year 2018.

The Fund's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed as of February 28, 2018, for the years ended February 28, 2017, February 29, 2016, and February 28, 2015, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Yellow Ribbon Fund, Inc.

Notes to Financial Statements February 28, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The Fund invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Subsequent Events

The Fund has evaluated subsequent events through May 23, 2018, the date on which the financial statements were available to be issued.

2. CONCENTRATION OF CREDIT RISK

The Fund maintains its cash accounts in banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Funds held by these banks in excess of the FDIC limits were approximately \$165,000 as of February 28, 2018. Management does not feel this poses a risk to the Fund.

3. INVESTMENTS

Financial assets measured using Level 1, if any, inputs are based on unadjusted quoted market prices in active markets for identical assets.

Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from observable market data.

Level 3 inputs, if any, are obtained from the entity's own assumptions.

As of February 28, 2018, the Fund's investments and their fair values consisted of the following:

	<u>Fair Value</u>	<u>Level 2 Inputs</u>
Certificates of Deposit	\$ 50,011	\$ 50,011

None of the Fund's investments are valued using Level 1 or Level 3 inputs.

Investment income of 2,236 consisted of interest income for the year ended February 28, 2018.

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity during 2018 is as follows:

<u>Program</u>	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Net Asstes Released</u>	<u>End of Year</u>
Lodging Assistance	\$ -	\$ 25,000	\$ (4,814)	\$ 20,186
Caregiver	25,000	232,484	(185,158)	72,326
Other	-	2,500	-	2,500
Total	<u>\$ 25,000</u>	<u>\$ 259,984</u>	<u>\$ (189,972)</u>	<u>\$ 95,012</u>

Yellow Ribbon Fund, Inc.

**Notes to Financial Statements
February 28, 2018**

5. CONTRIBUTED SERVICES AND MATERIALS

During the year ended February 28, 2018, the Fund was the beneficiary of donated goods and services, which allowed the Fund to provide greater resources toward its Crossroads, Keystone and Engagement programs. Contributed services and materials are recorded at their fair market value as of the date of the gift.

To properly reflect total program expenses, the following donations have been included in revenue and "Direct Assistance" expense for the year ended February 28, 2018:

Sports Tickets	\$	235,073
Hotel Rooms		10,125
Meals		3,631
Cultural Event Tickets		938
Gift Cards		2,219
Travel		10,600
Other		2,176
Clothing		6,679
Total	\$	<u>271,441</u>

7. LEASE COMMITMENTS

The Fund leases office space under a two-year agreement, which originated on September 1, 2010 and has been subsequently renewed through August 31, 2018. Base rent under the renewed lease is \$35,364 per year, plus a proportionate share of expenses, increasing by a factor of 5% per year. The future minimum lease payments for 2019 on this lease is \$17,478.

The Fund also leases apartments for its injured soldiers and/or families. As of February 28, 2018, most of these leases were continuing on a month-to-month basis, and are not included below in the future minimum lease amount noted above.

Rent expense for the year ended February 28, 2018 totaled \$225,358, which is included in the Statement of Functional Expenses in "Occupancy" amounting to \$36,369 and in "Direct Assistance" amounting to \$188,989.