

The Children of War, Inc.

Audited Financial Statements
September 30, 2013



THE CHILDREN OF WAR

Malvin, Riggins & Company, P.C.
Certified Public Accountants
44081 Pipeline Plaza, Suite 310
Ashburn, Virginia 20147
(703) 723-2838

The Children of War, Inc.

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September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Children of War, Inc.

We have audited the accompanying financial statements of The Children of War, Inc. (a not-for-profit organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses, 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.

Auditor's Responsibility

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 from 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.

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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 The Children of War, Inc. as of September 30, 2013, 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.

Malvin, Diggins + Company, P.C.

Ashburn, Virginia

May 14, 2014

The Children of War, Inc.
Statement of Financial Position
September 30, 2013

ASSETS

| | |
|---------------------------|-------------------|
| Current assets | |
| Cash and cash equivalents | \$ 289,152 |
| Total assets | <u>\$ 289,152</u> |

NET ASSETS

| | |
|-------------------------|-------------------|
| Net assets | |
| Unrestricted | \$ 289,152 |
| Temporarily restricted | - |
| Permanently restricted | - |
| Total net assets | <u>\$ 289,152</u> |

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The Children of War, Inc.

Statement of Activities

September 30, 2013

Revenue

| | |
|---------------|----------------|
| Contributions | \$ 441,244 |
| Interest | 1 |
| Total revenue | <u>441,245</u> |

Expenses

| | |
|---|----------------|
| Program services | 383,378 |
| Management and general support services | 17,774 |
| Fund raising support services | 6,600 |
| Total expenses | <u>407,752</u> |

Change in net assets 33,493

Net assets, beginning of year 255,659

Net assets, end of year \$ 289,152

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The Children of War, Inc.
Statement of Functional Expenses
September 30, 2013

| | |
|----------------------------------|-------------------|
| Support services | |
| Accounting | \$ 2,042 |
| Bank charges | 5,121 |
| Occupancy | 2,700 |
| Miscellaneous | 1,417 |
| Registration | 4,870 |
| Supplies | 853 |
| Telephone | 771 |
| Total support services | <u>17,774</u> |
| Fundraising | |
| Advertising | 6,600 |
| Program services | |
| Direct assistance to children | 312,907 |
| Compensation of officers | 60,000 |
| Other salaries | 5,200 |
| Payroll taxes | 5,271 |
| Total program services | <u>383,378</u> |
| Total functional expenses | <u>\$ 407,752</u> |

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The Children of War, Inc.

Statement of Cash Flows

September 30, 2013

| | |
|--|-------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 33,493 |
| | <hr/> |
| Net change in cash and cash equivalents | 33,493 |
| | <hr/> |
| Cash and cash equivalents - beginning of year | 255,659 |
| | <hr/> |
| Cash and cash equivalents - end of year | \$ 289,152 |
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See the independent auditor's report and accompanying notes.

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NOTE 1 – NATURE OF ORGANIZATION

The Children of War, Inc.'s mission is primarily to provide humanitarian aid to war victims of Afghanistan in the form of food, medical aid and educational facilities. It was organized in Virginia in 1993.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Basis of Reporting

The Organization has adopted Accounting Standards Codification (ASC) section 958-205 (formerly, Statement of Financial Accounting Standard No. 117) which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes according to external donor imposed restrictions into three net asset categories; unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include funds not subject to any donor-imposed restrictions. Temporarily restricted net assets consist of contributions subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Cash

For the purposes of reporting cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Functional Allocation of Expenses

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General and Administrative Expenses

Expenses that are not directly related to program activities are recorded as general and administrative expenses.

Fair Value Measurement

The Company's financial instruments consist primarily of cash, accounts receivable and accounts payable. The carrying amount of their cash, accounts receivable and accounts payable approximate their fair value due to the short-term nature of such instruments.

Advertising Costs

The Company expenses advertising costs as they are incurred. Advertising costs were \$6,600 for 2013.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions and may have an impact on future periods.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal income tax in the financial statements. Tax years ending on or after September 30, 2011 remain open for examination by federal and state authorities.

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through May 14, 2014 the date the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

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NOTE 3 – LEASE COMMITMENT

On February 1, 2011, the Organization entered into a lease for office space with DJK, Inc. The lease is for one year, expiring on January 31, 2014. Rent expense for the year ended September 30, 2013 was \$2,700.

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