MEALS on WHEELS AMERICA

Financial Statements

For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

and
Report Thereon

Raffa

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Meals on Wheels America

We have audited the accompanying financial statements of Meals on Wheels America (the Organization), which comprise the statement of financial position as of December 31, 2016, 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 (GAAP). 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 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 Meals on Wheels America as of December 31, 2016, 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.

Continued

Other Matters

Adjustments to Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2015, were audited by other auditors whose report dated April 25, 2016, expressed an unmodified opinion on those statements. As discussed in Note 11 to the financial statements, the Organization has restated its 2015 financial statements during the current year to correct the recognition of grants and contributions receivable, other receivables, lease obligation, deferred rent and lease incentive, grants and contributions, and occupancy expense in accordance with GAAP. The other auditors reported on the 2015 financial statements before the restatement.

As part of our audit of the 2016 financial statements, we also audited adjustments described in Note 11 that were applied to restate the 2015 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of the Organization other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements as a whole.

Raffa P.C.

Raffa, P.C.

Washington, DC
May 18, 2017

MEALS ON WHEELS AMERICA

STATEMENT OF FINANCIAL POSITION
December 31, 2016
(With Summarized Financial Information as of December 31, 2015)

	2016	(As Restated) 2015
ASSETS		
Cash and cash equivalents	$ 813,939	$ 1,822,494
Grants and contributions receivables	2,820,099	1,967,565
Other receivables	364,039	739,727
Inventory	35,512	23,696
Prepaid expenses	110,559	157,991
Investments	9,559,260	10,932,964
Property and equipment, net	759,631	770,194
Security deposit	22,940	188,867
TOTAL ASSETS	$ 14,485,979	$ 16,603,498
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 651,636	$ 258,458
Lease obligation	246,906	467,818
Deferred revenue	412,177	443,876
Deferred rent and lease incentives	1,267,923	1,316,882
TOTAL LIABILITIES	2,578,642	2,487,034
Net Assets		
Unrestricted	7,560,332	9,609,828
Temporarily restricted	4,347,005	4,506,636
TOTAL NET ASSETS	11,907,337	14,116,464
TOTAL LIABILITIES AND NET ASSETS	$ 14,485,979	$ 16,603,498

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

MEALS ON WHEELS AMERICA

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	(As Restated) 2015 Total
OPERATING REVENUE AND SUPPORT				
In-kind contributions – Public Service Announcements (PSA's)	$ 19,252,718	$ -	$ 19,252,718	$ -
Grants and contributions	2,663,904	4,102,343	6,766,247	6,615,925
Conference	521,965	-	521,965	466,348
Program service fees	445,726	-	445,726	383,568
Government grants	260,492	-	260,492	248,347
Membership dues	191,595	-	191,595	157,380
Other income	3,024	-	3,024	4,142
Net assets released from restrictions:				
Satisfaction of program restrictions	4,261,974	(4,261,974)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	27,601,398	(159,631)	27,441,767	7,875,710
OPERATING EXPENSES				
Program Services	28,404,258	-	28,404,258	5,858,360
Supporting Services:				
Management and general	1,441,356	-	1,441,356	1,276,372
Development	475,084	-	475,084	433,921
Total Supporting Services	1,916,440	-	1,916,440	1,710,293
TOTAL OPERATING EXPENSES	30,320,698	-	30,320,698	7,568,653
Change in net assets from operations	(2,719,300)	(159,631)	(2,878,931)	307,057
Non-operating Activities				
Investment income (loss)	680,262	-	680,262	(127,484)
Loss on operating lease obligations	-	-	-	(474,453)
Loss on the disposal of fixed assets	(10,458)	-	(10,458)	-
CHANGE IN NET ASSETS	(2,049,496)	(159,631)	(2,209,127)	(294,880)
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	9,609,828	4,506,636	14,116,464	14,411,344
NET ASSETS, END OF YEAR	$ 7,560,332	$ 4,347,005	$ 11,907,337	$ 14,116,464

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

MEALS ON WHEELS AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)

		Supporting Services				
	Program Services	Management and General	Development	Total Supporting Services	2016 Total	(As Restated) 2015 Total
Personnel	$ 2,387,154	$ 825,127	$ 360,039	$ 1,185,166	$ 3,572,320	$ 2,651,386
Grants, scholarships and awards	3,413,310	-	-	-	3,413,310	2,635,821
Consulting and contracted services	2,252,264	375,058	6,548	381,606	2,633,870	987,179
Conference and events	408,612	-	-	-	408,612	307,548
Occupancy	735	292,441	-	292,441	293,176	334,793
Travel and meetings	161,253	74,368	32,145	106,513	267,766	161,231
Member services	96,508	-	-	-	96,508	131,018
Accounting, audit and legal fees	-	88,546	-	88,546	88,546	74,725
Depreciation and amortization	-	77,775	-	77,775	77,775	29,322
Dues and subscriptions	30,629	7,305	1,779	9,084	39,713	21,516
Bank fees	-	31,556	-	31,556	31,556	30,082
Miscellaneous	2,468	24,644	-	24,644	27,112	36,946
Printing	14,012	8,651	1,823	10,474	24,486	49,974
Office supplies	11,118	11,246	68	11,314	22,432	36,182
Telephone	141	21,305	-	21,305	21,446	25,964
Insurance	-	13,446	-	13,446	13,446	12,925
State registration fees	-	13,145	-	13,145	13,145	13,965
Advertising	-	-	12,100	12,100	12,100	-
Postage	4,885	5,260	516	5,776	10,661	28,076
Indirect expenses	368,451	(428,517)	60,066	(368,451)	-	-
TOTAL EXPENSES BEFORE IN-KIND	9,151,540	1,441,356	475,084	1,916,440	11,067,980	7,568,653
In-kind public service announcements and advertising	19,252,718	-	-	-	19,252,718	-
TOTAL OPERATING EXPENSES	$ 28,404,258	$ 1,441,356	$ 475,084	$ 1,916,440	$ 30,320,698	$ 7,568,653

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

MEALS ON WHEELS AMERICA

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(With Summarized Financial Information for the Year Ended December 31, 2015)
Increase (Decrease) in Cash and Cash Equivalents

	2016	(As Restated) 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,209,127)	$ (294,880)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	77,775	29,322
Unrealized loss (gain) on investments	(588,895)	413,676
Realized loss on investments	233,039	16,524
Loss on operating lease obligations	-	474,453
Loss on the disposal of fixed assets	10,458	-
Changes in assets and liabilities:		
Grants and contributions receivable	(852,534)	(99,024)
Other receivables	375,688	(712,680)
Inventory	(11,816)	(1,083)
Prepaid expenses	47,432	(3,611)
Security deposit	165,927	(165,927)
Accounts payable and accrued expenses	393,178	(12,130)
Lease obligation	(220,912)	467,818
Member grants payable	-	(42,531)
Deferred revenue	(31,699)	71,642
Deferred rent and lease incentives	(48,959)	90,844
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,660,445)	232,413
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,708,068)	(3,783,858)
Proceeds from sale of investments	11,437,628	3,535,636
Purchases of property and equipment	(77,670)	(59,632)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,651,890	(307,854)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,008,555)	(75,441)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,822,494	1,897,935
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 813,939	$ 1,822,494
SUPPLEMENTAL INFORMATION		
Noncash financing and investing activities:		
Increase in property and equipment for tenant allowance provided by landlord of office space	$ -	$ 698,640
Increase in deferred lease incentives	-	(698,640)
	$ -	$ -

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

1. Organization and Summary of Significant Accounting Policies

Organization

Meals on Wheels America (the Organization) is a nonprofit organization chartered in Washington, D.C., on April 30, 1976. The Organization's vision is an America in which all seniors live nourished lives with independence and dignity. The Organization's mission is to empower local community programs to improve the health and quality of life of the seniors they serve so that no one is left hungry or isolated. The Organization's activities are primarily funded from corporate, foundation and government grants, contributions from individuals, an annual conference, and membership dues.

Basis of Presentation

The financial statements are presented using the accrual method of accounting. Revenue is recognized when earned and support is recognized when contributions are made. Expenses are reported when obligations are incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market accounts and all highly liquid investments with initial maturities of three months or less.

Receivables

Receivables are stated at net realizable value. Management believes that all outstanding grants and contributions and other receivables are fully collectible and due within one year. Accordingly, an allowance for doubtful accounts has not been recognized.

Investments

Investments consist of cash and cash equivalents, mutual and exchange-traded funds, and common stock. These investments are recorded in the accompanying statement of financial position at fair value based on quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by comparison of fair value at the beginning and end of the reporting period.

Fair Value Measurement

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, the Organization has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the fair value hierarchy, the categorization is based upon the lowest-level input that is significant to the fair value measurement of the instrument.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement (continued)

The applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

Only the Organization's investments were measured at fair value on a recurring basis (see Note 4).

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. All additions in excess of $1,000 are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Computer and office equipment is depreciated on a straight-line basis over the estimated useful life of the assets, which ranges from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation, and any gain or loss is reflected in the accompanying statement of activities.

Net Assets

The net assets of the Organization are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

The Organization recognizes all unconditional contributed support in the period in which the commitment to give is made. Grants and contributions are considered unrestricted revenue and support and available for general operations unless specifically restricted by the donor. The Organization reports grants of cash and other assets as temporarily restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets as to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized on grants and contributions that has been committed to the Organization, but has not been received, is reflected as grants and contributions receivable in the accompanying statement of financial position.

Government grants and program service fees are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on grants and contracts for which billings have not been presented to or collected from the donor or awarding agency is included in grants and contribution receivable in the accompanying statement of financial position. Amounts received in advance that were not spent as of year-end are included in deferred revenue in the accompanying statement of financial position.

Revenue and the related costs of the annual conference are recognized in the year in which the conference is held.

Membership dues are recognized as revenue in the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying statement of financial position.

Donated Services

Donated services consist of donated public service announcements (PSA's), other media spots, and digital and web advertising and are recognized as in-kind contributions in the accompanying statement of activities at their estimated fair value as provided by the donor, at the date of receipt.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of direct labor costs.

Definition of Operations

Operating revenue and expenses generally reflect those revenues and expenses that are an integral part of the programs and supporting activities of the Organization and exclude investment income (loss) and one-time losses generated from the Organization's relocation from existing office space to new office space, including losses from the disposal of property and equipment.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

2. Receivables

As of December 31, 2016, grants and contributions receivable consisted of grants and contributions from foundations, government agencies and corporate donors to be used for particular programs and/or general support. The balances were expected to be collected within one year and were considered fully collectible.

Other receivables consisted of the following as of December 31, 2016:

Rent credit receivable	$ 246,906
Leasehold improvement allowance receivable	90,433
Other	22,025
Dues	4,675
Total Receivables	$ 364,039

3. Investments

Investments consisted of the following as of December 31, 2016:

Mutual funds	$ 6,699,112
Exchange-traded funds	2,362,748
Cash and cash equivalents	497,163
Common stock	237
Total Investments	$ 9,559,260

Investment income is summarized as follows for the year ended December 31, 2016:

Unrealized gain, net	$ 588,895
Interest and dividends	324,406
Realized loss, net	(233,039)
Total Investment Income	$ 680,262

Investment fees totaled $58,817 for the year ended December 31, 2016, and are included as consulting and contracted services in the accompanying statement of functional expenses.

Continued

4. Fair Value Measurement

The following table summarizes the Organization's assets measured at fair value on a recurring basis as of December 31, 2016:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds:				
Fixed income	$ 5,080,222	$ 5,080,222	$ -	$ -
Equity	1,294,410	1,294,410	-	-
Multi-alternative	324,480	324,480	-	-
Exchange-traded funds				
Equity	2,362,748	2,362,748	-	-
Common stock	237	237	-	-
Total Investments[a]	$ 9,062,097	$ 9,062,097	$ -	$ -

[a] Excludes cash and cash equivalents of $497,163 which is not included in the to a fair value hierarchy

The Organization used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Mutual funds and exchange-traded funds – Valued at net asset value at the closing price reported in the active market in which the mutual and exchange-traded funds are traded.

Common stock – Valued at the closing price reported in the active market in which the individual stocks are traded.

5. Property and Equipment and Accumulated Depreciation and Amortization

The Organization's property and equipment consisted of the following as of December 31, 2016:

Leasehold improvements	$ 783,555
Computer equipment	95,376
Office equipment	27,286
Total Property and Equipment	906,217
Less: Accumulated Depreciation and Amortization	(146,586)
Property and Equipment, Net	$ 759,631

Depreciation and amortization expense totaled $77,775 for the year ended December 31, 2016.

Continued

6. Temporarily Restricted Net Assets

The Organization's temporarily restricted net assets were available for the following programs or purposes as of December 31, 2016:

Community Impact	$ 3,122,181
Pet Initiative	1,002,421
Home Repair Program	175,557
More Than a Meal	46,846
Total Temporarily Restricted Net Assets	$ 4,347,005

7. Commitments and Risks

Operating Leases

Lease for New Office Space

On November 16, 2015, the Organization entered into a noncancelable operating lease for new office space located in Arlington, Virginia. The lease agreement commenced in July 2015 and is scheduled to terminate on November 15, 2027. The agreement allowed for rent abatement at the beginning of the lease and requires monthly rental payments of $27,655, subject to 2.5% annual fixed escalations. The Organization is obligated to pay its pro rata share of the building's real estate and operating expenses after the abatement period ends. The terms of the lease required a security deposit of $165,927 and included a tenant improvement allowance of $698,640, representing the landlord's contribution towards leasehold improvements and other build-out related costs, as well as a provision to provide monthly rent credits worth up to $563,104 to assist the Organization with the payment of its existing lease obligation. As of December 31, 2016, the unused rent credits totaled approximately $247,000 and are included in other receivables in the accompanying statement of financial position.

Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease incentives in the accompanying statements of financial position.

Future minimum lease payments required under the office space lease are as follows:

For the Year Ending December 31,	
2017	$ 341,213
2018	349,744
2019	358,487
2020	367,449
2021	376,636
Thereafter	2,410,207
Total	$ 4,203,737

Continued

7. Commitments and Risks (continued)

Operating Leases (continued)

Lease for Old Office Space

The Organization entered into a noncancelable lease agreement for office space located in Alexandria, Virginia that commenced on February 1, 2013, and will expire on January 31, 2018. The agreement allowed for rent abatement and requires minimum monthly rental payments of $17,728, subject to annual fixed escalations. The terms of the lease required a security deposit of $17,728 and included a $17,728 building improvement allowance to be applied towards build-out costs comprising of architectural, engineering and constructions costs as an incentive to enter into the lease.

In accordance with GAAP, the Organization was required to recognize the costs to exit its existing lease agreement as a loss, including the costs that will continue to be incurred under the lease agreement, net of any sublease income, credits for cleaning (janitorial) costs and discounted to the present value. As of December 31, 2016, the Organization has been unable to secure a sublease tenant for its previous office space. An evaluation of the discount for the present value of the lease obligation was not considered to be material to the financial statements taken as a whole, and is therefore not included in these financial statements.

At December 31, 2016, the Organization was committed to pay the following rental payments under the terms of its old office lease:

For the Year Ending December 31,	Rental Payments	Cleaning Credit	Total
2017	$ 238,848	$ (10,979)	$ 227,869
2018	19,952	(915)	19,037
Lease obligation at December 31, 2016	$ 258,800	$ (11,894)	$ 246,906

Rental expense totaled $270,231 for the year ended December 31, 2016, and is included in occupancy expense in the accompanying statement of functional expenses.

Letter of Credit

In lieu of a cash security deposit to its landlord, the Organization elected to deliver an irrevocable unconditional letter of credit in the amount of $165,927, issued by a financial institution, naming the landlord as the beneficiary thereof. The letter of credit expires and renews each year automatically on the last day of December, unless written notice is provided by the lender forty-five days prior to expiration. The letter of credit however, will not be extended beyond December 31, 2027, the final maturity date.

Continued

7. Commitments and Risks (continued)

Hotel Agreements

The Organization has entered into agreements with a hotel providing for room accommodations for its 2017 and 2018 annual conferences. These agreements contain clauses whereby the Organization is liable for liquidated damages in the event of cancellation. The potential liquidated damages increase as the actual date of the annual conference approaches. The maximum possible amount of liquidated damages as of December 31, 2016, was approximately $248,000.

Employment Agreement

During 2013, the Organization entered into an employment contract with the Executive Director that documents the terms and conditions of employment. Under the terms of the contract, should the Organization terminate the Executive Director's employment without cause, the Organization would be obligated to make a separation payment equal to her annual base salary, and would be obligated to pay certain benefits for a period of six months from her termination date.

Concentration of Credit Risk

The Organization maintains its cash with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of December 31, 2016, the Organization had approximately $1,617,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately $872,000. The Organization monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

8. Donated Support

Effective April 1, 2015, the Organization entered into a three-year agreement with the Ad Council, a private, nonprofit organization with a rich history of marshaling volunteer talent from the advertising and media industries to deliver critical messages to the American public. This collaboration developed a large-scale media campaign, titled "America, Let's Do Lunch," encouraging America to volunteer during their lunch breaks to deliver meals and a smile to seniors. The agreement between the parties will be terminated on March 31, 2018.

The radio and televised PSA airtime, as well as internet and print advertising space, included in the media campaign have been donated to the Organization for the purpose of recruiting volunteers and educating the general public about the Organization's mission, which is to empower local community programs to improve the health and wellness of the seniors they serve, with the goal of preventing hunger and isolation. The fair value of the PSA's totaled $19,252,718 for the year ended December 31, 2016, and is included in in-kind contribution revenue and program services in the accompanying statement of activities. PSA's are valued based on the number of times and period in which the advertisements are aired at the radio or television station's equivalent advertising rate charged to paying customers, or in the case of print or internet advertising at the rate charged for similar advertising in that media.

Continued

9. Retirement Plan

The Organization maintains a 403(b) retirement plan (the Plan) covering substantially all full-time employees who have completed one year of service and have attained 21 years of age. Employees may elect to defer and contribute to the Plan a portion of their compensation in amounts up to the maximum permitted by law. The Organization matches employee contributions up to 3% of the employees' salary. Retirement plan expense for the year ended December 31, 2016, totaled $51,842.

10. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the year ended December 31, 2016, as the Organization had no net unrelated business income.

The Organization performed an evaluation of uncertainty in income taxes for the year ended December 31, 2016, and determined that there are no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2016, the statute of limitations for tax years 2013 through 2016 remains open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Organization files tax returns. The Organization is not currently under audit by the U.S. Internal Revenue Service for the year ended December 31, 2016. It is the Organization's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax expense. As of December 31, 2016, the Organization had no accruals for interest and/or penalties.

11. Prior Period Adjustments

In November 2015, the Organization vacated its old office space in Alexandria, Virginia. Upon exiting this office space, the Organization should have recorded a loss and lease obligation for the remaining rental payments due under the lease. Further, the Organization entered into a new lease agreement for its current office space in Arlington, Virginia, which commenced in July 2015. As an incentive to enter into the lease, the new landlord provided a rent credit to entice the Organization to leave its old office space early. Upon signing the lease, the Organization should have recorded a receivable and lease incentive liability for the amount of the rent credits, with the receivable being reduced upon the credits being received, and the lease incentive obligation being amortized against rent expense over the life of the lease. The Organization should also have recognized rent expense upon being provided control and use of the space in July 2015, as opposed to when the Organization occupied the space, in November 2015. Accordingly, the following adjustments were made to properly restate its 2015 financial statements: a lease obligation loss and liability of $474,453 was recognized; an other receivable and lease incentive liability of $503,602 was recognized; and additional rent

Continued

11. Prior Period Adjustments (continued)

expense of $48,115 was recognized. The net effect of these adjustments on the net assets and changes in net assets of the Organization as of and for the year ended December 31, 2015, as previously reported, was to decrease unrestricted net assets by $522,568.

As part of a cause marketing campaign, a corporate partner raises funds and public awareness on behalf of the Organization. On an annual basis, the campaign is substantially completed by the Organization's fiscal year-end, indicating that the associated conditions related to the campaign contributions were substantially met at that time. Prior to 2016, the Organization's management determined that it could not reasonably estimate the amount of the campaign contribution receivable and contribution revenue to be recorded prior to the close of the fiscal year, and therefore recorded the contribution upon receipt. Upon further analysis, the Organization's management believes that it can, and should, be estimating the associated campaign contribution receivable and contribution, and accordingly, recorded such as of and for the year ended December 31, 2016. In order to issue comparative financial statements for the year ended December 31, 2015, an adjustment was recorded to increase grants and contributions receivable and temporarily restricted grants and contributions revenue by $183,638. The net effect on the total change in net assets for the year ended December 31, 2015, as previously reported, was an increase of $183,638.

12. Prior Year Summarized Financial Information

The accompanying 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

13. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 18, 2017, the date the financial statements were available to be issued. There were no subsequent events identified through May 18, 2017, required to be recognized or disclosed in the financial statements.