



THE MISSION CONTINUES

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2015

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Independent Auditor's Report

Board of Directors
The Mission Continues
St. Louis, Missouri

We have audited the accompanying financial statements of The Mission Continues ("TMC"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and 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 TMC'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 TMC'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 The Mission Continues 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.

Brown Smith Wallace, LLP

St. Louis, Missouri

April 8, 2016

THE MISSION CONTINUES

Statements of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8,766,728	\$ 9,579,586
Certificate of deposit	539,098	500,000
Promises to give	420,000	370,000
Other assets	324,990	371,354
Total Current Assets	10,050,816	10,820,940
Property and Equipment, net	41,481	84,426
TOTAL ASSETS	\$ 10,092,297	\$ 10,905,366
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 282,016	\$ 215,489
Accrued expenses	169,046	66,639
Other liabilities	-	162,275
Total Current Liabilities	451,062	444,403
Net Assets		
Unrestricted	7,251,331	6,042,638
Temporarily restricted	2,389,904	4,418,325
Total Net Assets	9,641,235	10,460,963
TOTAL LIABILITIES AND NET ASSETS	\$ 10,092,297	\$ 10,905,366

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

THE MISSION CONTINUES

Statement of Activities

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Public support	\$ 5,667,988	\$ 2,077,448	\$ 7,745,436
Special event revenue, net of \$142,492 direct expenses	441,886	-	441,886
Other in-kind goods and services	55,955	200,000	255,955
Other income	31,577	-	31,577
Net assets released from restrictions	4,305,869	(4,305,869)	-
Total revenues and support	10,503,275	(2,028,421)	8,474,854
Expenses			
Program services	8,208,545	-	8,208,545
Administrative	409,501	-	409,501
Fundraising	676,536	-	676,536
Total expenses	9,294,582	-	9,294,582
CHANGE IN NET ASSETS	1,208,693	(2,028,421)	(819,728)
Net assets at beginning of year	6,042,638	4,418,325	10,460,963
Net assets at end of year	\$ 7,251,331	\$ 2,389,904	\$ 9,641,235

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

THE MISSION CONTINUES

Statement of Activities

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Public support	\$ 6,250,124	\$ 3,864,725	\$ 10,114,849
Special event revenue, net of \$138,754 direct expenses	510,552	-	510,552
In-kind public service announcements	8,345,271	-	8,345,271
Other in-kind goods and services	51,326	200,000	251,326
Other income	16,164	-	16,164
Net assets released from restrictions	1,212,100	(1,212,100)	-
Total revenues and support	16,385,537	2,852,625	19,238,162
Expenses			
Program services	14,263,520	-	14,263,520
Administrative	371,140	-	371,140
Fundraising	591,320	-	591,320
Total expenses before website write down	15,225,980	-	15,225,980
Changes in net assets before website write down	1,159,557	2,852,625	4,012,182
Website write down	59,715	-	59,715
CHANGE IN NET ASSETS	1,099,842	2,852,625	3,952,467
Net assets at beginning of year	4,942,796	1,565,700	6,508,496
Net assets at end of year	\$ 6,042,638	\$ 4,418,325	\$ 10,460,963

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

THE MISSION CONTINUES

Statement of Functional Expenses

Year Ended December 31, 2015

	Program Services				Support Services		
	Fellowship Program	Service Platoons	Research and Evaluation	Total Program Services	Administrative	Fundraising	Total
Awareness and messaging	\$ 51,288	\$ 140,486	\$ 40,154	\$ 231,928	\$ -	\$ 4,684	\$ 236,612
Banking/online processing	-	11	-	11	4,061	3,452	7,524
Computers and technology	130,175	137,804	77,591	345,570	35,169	23,057	403,796
Contract labor	498	655	1,077	2,230	195	105	2,530
Contract services	119,312	156,298	259,125	534,735	45,262	24,675	604,672
Contributed legal services	11,018	14,427	23,726	49,171	4,264	2,321	55,756
Depreciation and amortization	16,103	16,182	4,601	36,886	8,876	4,789	50,551
Employee benefits	110,200	96,385	51,520	258,105	24,118	51,550	333,773
Events and conferences	320,768	430,039	199	751,006	-	-	751,006
Fellowship awards	1,698,635	-	-	1,698,635	-	-	1,698,635
Insurance	17,412	17,496	4,974	39,882	9,595	5,177	54,654
Meals	14,248	12,166	1,723	28,137	236	1,805	30,178
Office/supplies	18,676	77,941	6,405	103,022	4,149	10,634	117,805
Payroll taxes	73,574	64,349	34,396	172,319	16,101	34,416	222,836
Platoon awards	-	176,799	-	176,799	-	-	176,799
Postage, mailing service	5,452	22,693	1,865	30,010	1,208	3,067	34,285
Printing and copying	5,768	24,007	1,973	31,748	1,278	3,275	36,301
Project grants and supplies	178,843	239,883	-	418,726	366	366	419,458
Relocation expenses	707	605	86	1,398	12	90	1,500
Rent	24,526	188,218	7,008	219,752	7,008	7,008	233,768
Salaries	963,156	842,414	450,288	2,255,858	210,782	450,547	2,917,187
Telephone and E-communications	37,140	39,315	22,136	98,591	10,033	6,578	115,202
Travel and meetings	255,111	217,811	30,856	503,778	4,220	25,640	533,638
Volunteer recognition and staff recognition	83,441	100,534	36,273	220,248	22,568	13,300	256,116
	\$ 4,136,051	\$ 3,016,518	\$ 1,055,976	\$ 8,208,545	\$ 409,501	\$ 676,536	\$ 9,294,582

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

THE MISSION CONTINUES

Statement of Functional Expenses

Year Ended December 31, 2014

	Program Services				Support Services		
	Fellowship Program	Service Platoons	Research and Evaluation	Total Program Services	Administrative	Fundraising	Total
Awareness and messaging	\$ 34,963	\$ 131,944	\$ 108,401	\$ 275,308	\$ -	\$ 537	\$ 275,845
Banking/online processing	-	-	-	-	5,768	5,223	10,991
Computers and technology	9,441	7,249	5,137	21,827	2,382	1,408	25,617
Contract labor	807	430	1,010	2,247	188	95	2,530
Contract services	175,194	93,642	220,912	489,748	40,327	20,505	550,580
Contributed legal services	11,929	6,357	14,968	33,254	2,770	1,408	37,432
Depreciation and amortization	36,476	17,165	21,680	75,321	27,112	10,990	113,423
Employee benefits	96,629	64,281	43,962	204,872	21,605	49,147	275,624
Events and conferences	251,186	70,445	560	322,191	-	3,387	325,578
Fellowship awards	1,819,578	-	-	1,819,578	-	-	1,819,578
Insurance	17,022	8,010	10,118	35,150	12,652	5,128	52,930
Meals	9,436	6,687	1,622	17,745	503	1,204	19,452
Office/supplies	11,225	8,454	4,532	24,211	2,463	4,491	31,165
Payroll taxes	58,565	38,960	26,645	124,170	13,094	29,787	167,051
Platoon awards	-	58,000	-	58,000	-	-	58,000
Postage, mailing service	9,594	7,225	3,875	20,694	2,105	3,838	26,637
Printing and copying	10,149	7,643	4,099	21,891	2,227	4,061	28,179
Project grants and supplies	33,990	9,435	-	43,425	254	16,249	59,928
Public service announcements	-	-	8,345,271	8,345,271	-	-	8,345,271
Relocation expenses	7,519	5,329	1,293	14,141	401	1,044	15,586
Rent	43,776	20,600	25,750	90,126	25,750	12,875	128,751
Salaries	774,279	515,082	352,270	1,641,631	173,110	393,812	2,208,553
Taxes and licenses	-	-	-	-	2,320	2,100	4,420
Telephone and E-communications	79,666	61,174	43,336	184,176	20,099	11,887	216,162
Travel and meetings	182,786	124,110	29,328	336,224	9,091	6,442	351,757
Volunteer recognition and staff recognition	29,956	21,566	10,797	62,319	6,919	5,702	74,940
	<u>\$ 3,704,166</u>	<u>\$ 1,283,788</u>	<u>\$ 9,275,566</u>	<u>\$ 14,263,520</u>	<u>\$ 371,140</u>	<u>\$ 591,320</u>	<u>\$ 15,225,980</u>

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

THE MISSION CONTINUES

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	\$ (819,728)	\$ 3,952,467
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
In-kind donations, net	86,000	(25,400)
Depreciation and amortization	50,552	113,423
Website write down	-	59,715
(Increase) decrease in operating assets:		
Other assets	(39,636)	(27,154)
Promises to give	(50,000)	275,000
Increase (decrease) in operating liabilities:		
Accounts payable	66,527	73,893
Accrued expenses	102,407	11,362
Other liabilities	(162,275)	162,275
Net cash (used in) provided by operating activities	(766,153)	4,595,581
Cash flows from investing activities:		
Purchase of certificate of deposit	(39,098)	-
Purchases of property and equipment	(7,607)	(19,563)
Net cash used in investing activities	(46,705)	(19,563)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(812,858)	4,576,018
Cash and cash equivalents, beginning of year	9,579,586	5,003,568
Cash and cash equivalents, end of year	\$ 8,766,728	\$ 9,579,586

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

THE MISSION CONTINUES

Notes to Financial Statements

December 31, 2015

Note A - Nature of Activities

The Mission Continues ("TMC") is a 501(c)(3) not-for-profit organization, established in 2007, headquartered in St. Louis, Missouri with offices in New York, New York, Houston, Texas, Los Angeles, California, and Washington, D.C. The Mission Continues helps United States military veterans facing the challenges of reintegrating into civilian life. TMC believes today's veterans have built tremendous skills during their military service and community service provides a pathway for these veterans to rebuild a sense of purpose, restore social connections, and create new opportunities for professional networks. TMC accomplishes these goals through the following areas:

The Fellowship Program offers post-9/11 veterans an intensive, six-month service experience. Through the fellowship program, TMC directly supports veterans as they tackle individual reintegration challenges while also addressing an important issue at a non-profit in their community.

The Service Platoon Program offers veterans of all generations to serve their community as a member of a volunteer team, working on service projects and targeted community needs.

Research and Evaluation measures the impact and efficacy of TMC's programs, ensuring their work is producing positive outcomes for veterans' reintegration and demonstrating that engaging in continued service to others is a viable restoration tool for veterans.

Note B - Summary of Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared on the accrual basis and, accordingly, reflect all significant receivables, payables and other liabilities. Revenues and expenses are recognized in the period in which they are earned or incurred.

THE MISSION CONTINUES

Notes to Financial Statements - Continued

December 31, 2015

Note B - Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Financial statement presentation follows the requirements of Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958-205, *Presentation of Financial Statements*, which requires TMC to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. As of December 31, 2015 and 2014, TMC had no permanently restricted net assets.

Use of Estimates in Financial Statement Preparation

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

TMC considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. TMC’s cash is on deposit at three major domestic financial institutions. At times, bank deposits may be in excess of federally insured limits.

Certificates of Deposit

Certificates of deposit (“CDs”) are recorded at cost, which approximates fair value at December 31, 2015 and 2014. The CDs were purchased from PNC on December 20, 2012 and September 23, 2015 and mature on July 1, 2016 and September 23, 2016, respectively. The CDs earn interest at an annual percentage yield of 0.1% and 0.2%, respectively.

Promises to Give

Promises to give are stated at the amount management expects to collect from balances outstanding at year-end. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At December 31, 2015 and 2014, there was no allowance for uncollectible promises established as management considers all outstanding promises to give to be collectible.

THE MISSION CONTINUES

Notes to Financial Statements - Continued

December 31, 2015

Note B - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are carried at cost or, if donated, are recorded based on the estimated fair values of the assets at the time of donation. Major renewals and betterments greater than \$2,000 are capitalized and maintenance and repairs which do not improve or extend the life of the respective assets are expensed in the current period. Depreciation and amortization are calculated using a method that approximates straight-line over the estimated useful life of the asset.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence or nature of any donor restrictions. TMC reports donations of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the satisfaction of a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions received and used for the purpose or time-period intended during the same year are reported as increases in unrestricted net assets.

Donated Services, Supplies, and Facilities

Donated services, supplies, and facilities are recorded as support at their estimated values. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose (see Note I).

TMC records donated services in accordance with FASB ASC 958-605, *Revenue Recognition*. Therefore, donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated.

Functional Allocation of Expenses

Costs have been summarized on a functional basis in the statements of activities and schedules of functional expenses. Accordingly, certain costs have been allocated between program service expenses and support service expenses.

THE MISSION CONTINUES

Notes to Financial Statements - Continued

December 31, 2015

Note B - Summary of Significant Accounting Policies (Continued)

Change in Estimate

During 2014, TMC changed its method of capitalizing costs associated with website development, code updates, and error corrections to expensing these costs as they are incurred. TMC believes it is difficult to estimate the useful life of the website because technology transforms rapidly and additions and changes soon become obsolete. The effect on the change on the increase in net assets is reflected in the statement of activities.

Income Tax Status

TMC constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

In accordance with accounting principles generally accepted in the United States of America, TMC uses a loss contingency approach for evaluating uncertain tax positions. Management continually evaluates expiring statute of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

TMC has addressed the provisions of FASB ASC 740, *Accounting for Income Taxes*. In that regard, TMC has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings and believes that no provision for income taxes is necessary, at this time, to cover any uncertain tax positions.

Subsequent Events

TMC has evaluated all subsequent events and transactions through April 8, 2016, the date which the financial statements were available to be issued. No events require recognition in the financial statements or disclosures of TMC per the definitions and requirements of FASB ASC Section 855-10, *Subsequent Events*.

THE MISSION CONTINUES

Notes to Financial Statements - Continued

December 31, 2015

Note C - Promises to Give

Promises to give are unconditional promises made by donors but not yet received by TMC.

The balances of promises to give at December 31, 2015 and 2014 are \$420,000 and \$370,000, respectively. All balances are expected to be collected within one year, and therefore, the book value of promises to give approximates fair value at December 31, 2015 and 2014.

Note D - Property and Equipment

At December 31, 2015 and 2014, property and equipment consists of:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 91,805	\$ 84,198
Information technology	160,376	160,376
Furniture and fixtures	36,963	36,963
Leasehold improvements	3,750	3,750
Website	<u>32,300</u>	<u>32,300</u>
Total	325,194	317,587
Less – accumulated depreciation and amortization	<u>(283,713)</u>	<u>(233,161)</u>
	<u>\$ 41,481</u>	<u>\$ 84,426</u>

Note E - Operating Line-of-Credit

During 2012, TMC obtained a \$1,500,000 line-of-credit with PNC Bank. During the year ended December 31, 2014, the agreement was amended to increase the available borrowing base to \$2,500,000, maturing on July 1, 2015. During the year ended December 31, 2015, the agreement was extended to July 1, 2016. Interest is due monthly at prime rate plus 0.25%; as of December 31, 2015 and 2014, the prime rate was 3.50%. The line-of-credit is collateralized by all business assets and the certificate of deposit (“CD”) for \$500,000. There were no draws taken on the line-of- credit during the years ended December 31, 2015 and 2014.

THE MISSION CONTINUES

Notes to Financial Statements - Continued

December 31, 2015

Note F - Temporarily Restricted Net Assets

At December 31, 2015 and 2014, temporarily restricted net assets were restricted for the following:

	<u>2015</u>	<u>2014</u>
Program restrictions	\$1,199,919	\$3,428,725
Timing restrictions	<u>1,189,985</u>	<u>989,600</u>
	<u>\$2,389,904</u>	<u>\$4,418,325</u>
Net assets released:		
Restricted programs	\$3,363,869	\$ 562,500
Restricted timing	<u>959,600</u>	<u>549,600</u>
	<u>\$4,323,496</u>	<u>\$1,212,100</u>

Note G - Conditional Promises to Give

As of December 31, 2015 and 2014, TMC had conditional promises to give amounting to \$9,000,000 and \$2,644,425, respectively, with payments scheduled through July 2017. All payments are contingent upon meeting specific goals and milestones as defined in the agreements. During 2015, the Organization met the conditions defined in the agreements and received payments totaling \$2,644,425. Subsequent to the year ended December 31, 2015, the Organization met certain conditions of the agreement and received payments totaling \$2,250,000 through the date of this report. Since the aforementioned commitments represent conditional promises to give, they are not recorded as contribution revenue until donor conditions have substantially been met.

Note H - Other Liabilities

As of December 31, 2014, there was \$162,275 of other liabilities in the statement of financial position. These are funds being held on another Organization's behalf for a future project that had not launched as of December 31, 2014. The project launched during 2015 and funds were disbursed in accordance with the agreement. There were no such liabilities as of December 31, 2015.

THE MISSION CONTINUES

Notes to Financial Statements - Continued

December 31, 2015

Note I - In-Kind Donations

During the years ended December 31, 2015 and 2014, TMC received donated professional services and supplies valued at \$255,955 and \$8,596,597, respectively. Included in these amounts are the value of donated public service announcements, which were recorded using the market value of \$8,345,271 for the year ended December 31, 2014. There were no donated public service announcements for the year ended December 31, 2015.

Note J - Lease Commitments

TMC leases office space in St. Louis, Missouri under a month to month 90 day cancellable operating lease. TMC leases offices space in other locations under varying terms and expirations as follows:

<u>Location</u>	<u>Term</u>	<u>Expiration</u>
Houston	36 months	June 2018
Washington D.C.	36 months	October 2018
Los Angeles	36 months	January 2019
New York City	87 months	December 2022

At December 31, 2015, future minimum rental commitments under these operating leases are as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2016	\$ 287,339
2017	275,286
2018	246,969
2019	118,222
2020	118,227
Thereafter	246,666

Total rent expense for the years ended December 31, 2015 and 2014 was \$233,768 and \$128,694, respectively.

Note K - Concentrations of Direct Support

For the years ended December 31, 2015 and 2014, TMC received approximately 25% and 40%, respectively, of its total direct support from one donor.