

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
SPECIAL OPERATIONS WARRIOR FOUNDATION

December 31, 2020 and 2019

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Special Operations Warrior Foundation

We have audited the accompanying financial statements of Special Operations Warrior Foundation (a nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of December 31, 2020 and 2019 and the related statements of activities, changes in net assets, cash flows and functional expenses 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 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.

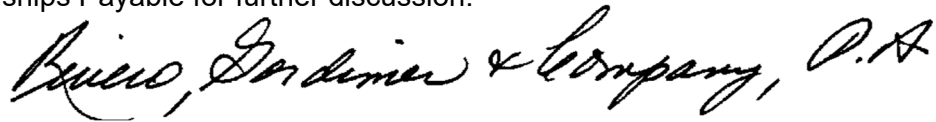


## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Operations Warrior Foundation as of December 31, 2020 and 2019, and the changes in its net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

The computation of the accrued scholarship liability is a material amount to the financial statements and the change in the liability is reflected in the Statement of Activities. See note H - Accrued Scholarships Payable for further discussion.

A handwritten signature in cursive script that reads "Bruce, Gardner & Company, P.A.".

Tampa, Florida  
April 22, 2021

Special Operations Warrior Foundation  
STATEMENT OF FINANCIAL POSITION

December 31, 2020  
(With summarized comparative totals for December 31, 2019)

	Without donor restriction	With donor restriction	Total	
			2020	2019
ASSETS				
Cash and cash equivalents (note A5)	\$ 3,888,146	\$ 56,000	\$ 3,944,146	\$ 2,572,759
Investments (notes A6, A10, C and D)	169,135,846	1,258,918	170,394,764	146,575,538
Pledges receivable, net (notes A7 and E)	-	179,938	179,938	323,626
Prepaid expenses and other assets	18,729	-	18,729	16,428
Property and equipment, net of accumulated depreciation (notes A8 and F)	862,838	-	862,838	805,035
<b>TOTAL ASSETS</b>	<b>\$ 173,905,559</b>	<b>\$ 1,494,856</b>	<b>\$ 175,400,415</b>	<b>\$ 150,293,386</b>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 182,727	\$ -	\$ 182,727	\$ 247,909
Accrued scholarships payable (notes D and H)	55,376,000	-	55,376,000	50,725,000
Total liabilities	55,558,727	-	55,558,727	50,972,909
Net assets (note I)	118,346,832	1,494,856	119,841,688	99,320,477
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 173,905,559</b>	<b>\$ 1,494,856</b>	<b>\$ 175,400,415</b>	<b>\$ 150,293,386</b>

The accompanying notes are an integral part of these statements.

Special Operations Warrior Foundation  
STATEMENT OF FINANCIAL POSITION

December 31, 2019

	Without donor restriction	With donor restriction	Total
<b>ASSETS</b>			
Cash and cash equivalents (note A5)	\$ 2,572,759	\$ -	\$ 2,572,759
Investments (notes A6, A10, C and D)	145,464,788	1,110,750	146,575,538
Pledges receivable, net (notes A7 and E)	-	323,626	323,626
Prepaid expenses and other assets	16,428	-	16,428
Property and equipment, net of accumulated depreciation (notes A8 and F)	805,035	-	805,035
<b>TOTAL ASSETS</b>	<b>\$ 148,859,010</b>	<b>\$ 1,434,376</b>	<b>\$ 150,293,386</b>
<b>LIABILITIES AND NET ASSETS</b>			
Accounts payable and accrued expenses	\$ 247,909	\$ -	\$ 247,909
Accrued scholarships payable (notes D and H)	50,725,000	-	50,725,000
Total liabilities	50,972,909	-	50,972,909
Net assets (note I)	97,886,101	1,434,376	99,320,477
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 148,859,010</b>	<b>\$ 1,434,376</b>	<b>\$ 150,293,386</b>

The accompanying notes are an integral part of this statement.

Special Operations Warrior Foundation

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2020

(With summarized comparative totals for December 31, 2019)

	Without donor restriction	With donor restriction	Total	
			2020	2019
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public support				
Contributions (notes A9 and A11)	\$ 10,533,446	\$ 56,000	\$ 10,589,446	\$ 11,401,494
Special events, net of direct costs of \$65,649	54,551	-	54,551	(131,885)
Total public support	<u>10,587,997</u>	<u>56,000</u>	<u>10,643,997</u>	<u>11,269,609</u>
Other revenue				
Interest and dividends	4,119,106	34,224	4,153,330	3,697,300
Realized gain on investments	807,233	12,816	820,049	7,430,318
Total other revenue	<u>4,926,339</u>	<u>47,040</u>	<u>4,973,379</u>	<u>11,127,618</u>
Net assets released from restrictions	<u>143,688</u>	<u>(143,688)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>15,658,024</u>	<u>(40,648)</u>	<u>15,617,376</u>	<u>22,397,227</u>
<b>EXPENSES</b>				
Program services				
Scholarships and related expenses	8,521,523	-	8,521,523	7,325,862
Counseling, tutoring, preschool and internships	760,389	-	760,389	897,737
Support to Special Operations wounded personnel	258,378	-	258,378	273,709
Total program services	<u>9,540,290</u>	<u>-</u>	<u>9,540,290</u>	<u>8,497,308</u>
Supporting services				
Management and general	415,061	-	415,061	505,837
Fundraising	771,739	-	771,739	973,946
Total supporting services	<u>1,186,800</u>	<u>-</u>	<u>1,186,800</u>	<u>1,479,783</u>
Total expenses	<u>10,727,090</u>	<u>-</u>	<u>10,727,090</u>	<u>9,977,091</u>
Change in net assets before other items	4,930,934	(40,648)	4,890,286	12,420,136
Other changes in net assets:				
Gain on forgiveness of debt (note G)	312,200	-	312,200	-
Unrealized gain on investments	15,217,597	101,128	15,318,725	10,345,011
Change in net assets	20,460,731	60,480	20,521,211	22,765,147
Net assets at beginning of year	<u>97,886,101</u>	<u>1,434,376</u>	<u>99,320,477</u>	<u>76,555,330</u>
Net assets at end of year	<u>\$ 118,346,832</u>	<u>\$ 1,494,856</u>	<u>\$ 119,841,688</u>	<u>\$ 99,320,477</u>

The accompanying notes are an integral part of these statements.

Special Operations Warrior Foundation

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2019

	Without donor restriction	With donor restriction	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public support			
Contributions (notes A9 and A11)	\$ 11,191,012	\$ 210,482	\$ 11,401,494
Special events, net of direct costs of \$320,075	(131,885)	-	(131,885)
Total public support	<u>11,059,127</u>	<u>210,482</u>	<u>11,269,609</u>
Other revenue			
Interest and dividends	3,656,204	41,096	3,697,300
Realized gain on investments	7,310,872	119,446	7,430,318
Total other revenue	<u>10,967,076</u>	<u>160,542</u>	<u>11,127,618</u>
Net assets released from restrictions	<u>84,064</u>	<u>(84,064)</u>	<u>-</u>
Total public support and revenue	<u>22,110,267</u>	<u>286,960</u>	<u>22,397,227</u>
<b>EXPENSES</b>			
Program services			
Scholarships and related expenses	7,325,862	-	7,325,862
Counseling, tutoring, preschool and internships	897,737	-	897,737
Support to Special Operations wounded personnel	273,709	-	273,709
Total program services	<u>8,497,308</u>	<u>-</u>	<u>8,497,308</u>
Supporting services			
Management and general	505,837	-	505,837
Fundraising	973,946	-	973,946
Total supporting services	<u>1,479,783</u>	<u>-</u>	<u>1,479,783</u>
Total expenses	<u>9,977,091</u>	<u>-</u>	<u>9,977,091</u>
Change in net assets before other items	12,133,176	286,960	12,420,136
Other changes in net assets:			
Gain on forgiveness of debt (note G)	-	-	-
Unrealized gain on investments	10,342,467	2,544	10,345,011
Change in net assets	22,475,643	289,504	22,765,147
Net assets at beginning of year	<u>75,410,458</u>	<u>1,144,872</u>	<u>76,555,330</u>
Net assets at end of year	<u>\$ 97,886,101</u>	<u>\$ 1,434,376</u>	<u>\$ 99,320,477</u>

The accompanying notes are an integral part of this statement.



Special Operations Warrior Foundation

STATEMENTS OF CASH FLOWS

For the year ended December 31,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	<u>\$ 20,521,211</u>	<u>\$ 22,765,147</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on debt forgiveness	(312,200)	-
Depreciation	38,718	36,932
Unrealized gain on investments	(15,318,725)	(10,345,011)
Decrease (increase) in pledges receivable	143,688	(126,418)
(Increase) decrease in prepaid expenses and other assets	(2,301)	53,527
Decrease in accounts payable and accrued expenses	(65,182)	(137,082)
Cash disbursements for accrued scholarships	(3,347,452)	(2,574,172)
Accrued scholarships payable adjustment	<u>7,998,452</u>	<u>6,639,172</u>
Total adjustments	<u>(10,865,002)</u>	<u>(6,453,052)</u>
Net cash provided by operating activities	<u>9,656,209</u>	<u>16,312,095</u>
Cash flows used in investing activities		
Dividends/interest received on investments	(4,153,330)	(3,697,300)
Purchases and sales of investments, net	(4,347,171)	(12,073,792)
Purchases of property, plant and equipment	<u>(96,521)</u>	<u>-</u>
Net cash used in investing activities	<u>(8,597,022)</u>	<u>(15,771,092)</u>
Cash flows from financing activities		
Proceeds from PPP loan	<u>312,200</u>	<u>-</u>
Net cash provided by financing activities	312,200	-
Net change in cash and cash equivalents	1,371,387	541,003
Cash and cash equivalents at beginning of year	<u>2,572,759</u>	<u>2,031,756</u>
Cash and cash equivalents at end of year	<u>\$ 3,944,146</u>	<u>\$ 2,572,759</u>
Supplemental disclosures of cash flow information		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

Special Operations Warrior Foundation

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2020  
(With summarized comparative totals for December 31, 2019)

	Scholarships and related expenses	Counseling, Tutoring, Preschool and Internships	Support to Special Operations Wounded Personnel	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total December 31, 2020	Total December 31, 2019
Salaries	\$ 370,162	\$ 222,097	\$ 74,032	\$ 666,291	\$ 310,936	\$ 503,420	\$ 814,356	1,480,647	\$ 1,659,902
Payroll taxes and benefits	53,592	32,155	10,718	96,465	45,017	72,885	117,902	214,367	250,997
Accrued scholarship payable adjustment	7,998,452	-	-	7,998,452	-	-	-	7,998,452	6,639,172
Assistance paid to wounded personnel	-	-	156,275	156,275	-	-	-	156,275	143,780
Tutoring, internships and preschool assistance	-	454,076	-	454,076	-	-	-	454,076	507,957
Banking and other fees	2,711	-	-	2,711	-	73,495	73,495	76,206	87,648
Conferences and meetings	1,538	923	308	2,769	1,292	2,092	3,384	6,153	7,615
Equipment rental and maintenance	7,071	4,243	1,414	12,728	5,940	9,617	15,557	28,285	36,794
Insurance	2,974	1,785	595	5,354	2,498	4,045	6,543	11,897	46,812
Internet technology services	10,759	6,455	2,152	19,366	9,037	14,632	23,669	43,035	75,397
Miscellaneous expenses	1,257	754	251	2,262	1,056	1,710	2,766	5,028	18,983
Postage and delivery	1,387	832	277	2,496	1,165	1,886	3,051	5,547	22,615
Printing and publications	1,490	894	298	2,682	1,252	2,027	3,279	5,961	24,015
Professional fees	14,412	8,647	2,882	25,941	12,106	19,600	31,706	57,647	56,880
Promotional materials	26,239	9,840	3,280	39,359	-	26,239	26,239	65,598	189,775
Supplies	3,908	2,345	782	7,035	3,283	5,315	8,598	15,633	22,744
Taxes, fees, and licenses	27	16	5	48	23	37	60	108	14,542
Telephone	1,118	671	224	2,013	939	1,520	2,459	4,472	8,072
Travel	6,577	3,946	1,315	11,838	5,524	8,944	14,468	26,306	100,115
Utilities	8,170	4,902	1,634	14,706	6,862	11,111	17,973	32,679	26,344
Depreciation expense	9,679	5,808	1,936	17,423	8,131	13,164	21,295	38,718	36,932
<b>Total expenses</b>	<b>\$ 8,521,523</b>	<b>\$ 760,389</b>	<b>\$ 258,378</b>	<b>\$ 9,540,290</b>	<b>\$ 415,061</b>	<b>\$ 771,739</b>	<b>\$ 1,186,800</b>	<b>\$ 10,727,090</b>	<b>\$ 9,977,091</b>

Note: The Foundation provided approximately \$3.4 million in direct scholarship grants, academic and financial aid during 2020. See notes A1, D and H.

The accompanying notes are an integral part of these statements.

Special Operations Warrior Foundation  
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Scholarships and related expenses	Counseling, Tutoring, Preschool and Internships	Support to Special Operations Wounded Personnel	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	\$ 414,976	\$ 248,985	\$ 82,995	\$ 746,956	\$ 348,579	\$ 564,367	\$ 912,946	1,659,902
Payroll taxes and benefits	62,749	37,650	12,550	112,949	52,709	85,339	138,048	250,997
Accrued scholarship payable adjustment	6,639,172	-	-	6,639,172	-	-	-	6,639,172
Assistance paid to wounded personnel	-	-	143,780	143,780	-	-	-	143,780
Tutoring, internships and preschool assistance	-	507,957	-	507,957	-	-	-	507,957
Banking and other fees	8,589	-	-	8,589	-	79,059	79,059	87,648
Conferences and meetings	1,904	1,142	381	3,427	1,599	2,589	4,188	7,615
Equipment rental and maintenance	9,198	5,519	1,840	16,557	7,727	12,510	20,237	36,794
Insurance	11,703	7,022	2,341	21,066	9,830	15,916	25,746	46,812
Internet technology services	18,849	11,310	3,770	33,929	15,833	25,635	41,468	75,397
Miscellaneous expenses	4,746	2,847	949	8,542	3,987	6,454	10,441	18,983
Postage and delivery	5,654	3,392	1,131	10,177	4,749	7,689	12,438	22,615
Printing and publications	6,004	3,602	1,201	10,807	5,043	8,165	13,208	24,015
Professional fees	14,220	8,532	2,844	25,596	11,945	19,339	31,284	56,880
Promotional materials	75,910	28,466	9,489	113,865	-	75,910	75,910	189,775
Supplies	5,686	3,412	1,137	10,235	4,776	7,733	12,509	22,744
Taxes, fees, and licenses	3,636	2,181	727	6,544	3,054	4,944	7,998	14,542
Telephone	2,018	1,211	404	3,633	1,695	2,744	4,439	8,072
Travel	25,029	15,017	5,006	45,052	21,024	34,039	55,063	100,115
Utilities	6,586	3,952	1,317	11,855	5,532	8,957	14,489	26,344
Depreciation expense	9,233	5,540	1,847	16,620	7,755	12,557	20,312	36,932
<b>Total expenses</b>	<b>\$ 7,325,862</b>	<b>\$ 897,737</b>	<b>\$ 273,709</b>	<b>\$ 8,497,308</b>	<b>\$ 505,837</b>	<b>\$ 973,946</b>	<b>\$ 1,479,783</b>	<b>\$ 9,977,091</b>

Note: The Foundation provided approximately \$2.6 million in direct scholarship grants, academic and financial aid during 2019. See notes A1, D and H.

The accompanying notes are an integral part of this statement.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A description of the organization and a summary of its significant accounting policies consistently applied in the preparation of the accompanying financial statements follow:

1. Description of the Organization and Activities

Mission Statement - The Special Operations Warrior Foundation supports America's Army, Navy, Air Force, and Marine Corps Special Operations and Medal of Honor personnel through two primary programs: (1) Ensuring full financial assistance for post-secondary education from an accredited two or four-year college, university, technical or trade school, as well as educational counseling, preschool grants, and tutoring to the surviving children of Special Operations personnel who lose their lives in the line-of-duty and, (2) Provides immediate financial grants to severely combat-wounded and hospitalized Special Operations' personnel and their families.

The Foundation has a staff of 16 employees and is governed by a Board of Directors (up to 25 members). The Board of Directors has four standing committees: Executive, Audit and Finance, Investment Advisory, and Governance. The Foundation office is located in Tampa, FL, in close proximity to MacDill AFB, the home of the United States Special Operations Command (USSOCOM).

For purposes of the audited financial statements, when the term 'college' is used, it is intended to be all inclusive of post-secondary educational schools, two and four year colleges and universities, private and out of state colleges and universities, technical and trade schools. When the term 'scholarship assistance' is used, it is intended to be all inclusive of full funding including tuition, room and board, books, fees, transportation, tutoring and miscellaneous expenses for the educational programs.

A summary of the activities of the Foundation follows:

Scholarship and Counseling Support - The Foundation has a unique program in which it begins establishing a relationship with the families within 30 days of a fatality. The Foundation's staff remains in contact with children and families, offers referral assistance, and works with each child to develop a personalized college education plan, from pre-school through college.

The Foundation provided approximately \$3.4 and \$2.6 million in direct scholarship grants, academic and financial aid counseling, and related expenses for 214 and 198 children who attended college during 2020 and 2019, respectively.

At December 31, 2020, there are 1,478 children who survived 1,165 Special Operations personnel and Medal of Honor recipients who gave their lives in patriotic service to their country.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Of these 1,478 children, 401 have graduated college. Many of the children who are eligible for the Foundation funding are also eligible for funding from other military related organizations of which they are not aware. Therefore, the Foundation has established liaisons with many other organizations and coordinates the funding for the children in the Foundation program.

Thus, while the total annual cost of 214 children in college would be an estimated \$7.1 million, the Foundation leverages the cost of the requirements from several other outside funding sources, including government educational benefits.

However, the Foundation is prepared to provide full college funding should outside funding not be available. This unique program allows the Foundation to provide the funds required for each student's needs and to invest funds for the needs of the children who will attend college in the future. In addition to the direct financial assistance, the Foundation provides in-home tutoring for children from kindergarten through college graduation, and pre-school grants up to \$8,000 per year, per child in pre-school, ages two to five.

Support to Special Operations Wounded Personnel - The Foundation, at the request of the Special Operations Command, provides up to \$5,000 to meet the immediate financial needs their families face when Special Operations' men and women are hospitalized from wounds suffered in combat, or severely injured in training. The Foundation provided approximately \$156,300 and \$144,000 in direct financial assistance for the years ended December 31, 2020 and 2019, respectively.

Counseling and Tutoring - The Foundation's counselors provide educational counseling, advise families about educational tutoring, and assist with college applications.

2. Basis of Accounting

The financial statements, presented on the accrual basis of accounting, have been prepared to focus on the Foundation as a whole, and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of assets, liabilities, and net assets into two self-balancing net asset groups as follow:

- With Donor Restriction - Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may be fulfilled by actions of the Foundation to meet the stipulations, that may become undesignated by the passage of time, or that require net assets to be permanently maintained, thereby restricting the use of principal.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- Without Donor Restriction - Net assets without donor restrictions are net assets not subject to donor-imposed restrictions or the donor-imposed restrictions have expired. These net assets are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

3. New Accounting Standards

During 2019, the Foundation adopted ASU 2018-08, *Clarifying the scope of the Accounting Guidance for Contributions Received and Contributions made* as well as ASU 2014-09 *Revenue from Contracts with Customers*. The Foundation adopted ASU 2018-08 and 2014-09 using the retrospective method. The adoption of these standards did not result in significant changes to the Foundation's accounting policies or impact its financial position, results of operations or cash flows.

During 2020, the Foundation adopted ASU 2018-13, *Fair Value Measurement – Disclosure Framework, Changes to the Disclosure Requirements for Fair Value Measurement*. The Foundation adopted ASU 2018-13 using both the retrospective and prospective method. The adoption of this standard primarily effected financial statement disclosures and did not result in significant changes to the Foundation's accounting policies or impact its financial position, results of operations or cash flows. As such, prior period financial statements were not restated and there was no cumulative effect adjustment upon adoption.

4. Liquidity

Assets and liabilities are presented in the accompanying statement of financial position according to their nearness of conversion to cash and, their maturity and resulting use of cash, respectively. See also note B.

5. Cash Equivalents

Cash equivalents consist of highly liquid short-term market instruments and certificates of deposit with a maturity of three months or less when purchased. Cash equivalents approximated \$312,000 and \$102,000 at December 31, 2020 and 2019, respectively.

6. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. Pledges Receivable

Pledges receivable represent unconditional promises to give by donors. Pledges that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value, net of any uncollectible amounts.

8. Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets ranging from 5 to 39 years. The Foundation capitalizes all purchases that exceed \$1,000.

9. Contributions

Contributions, including unconditional promises to give, are recognized in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the current year are recorded at their net realizable value. Unconditional promises to give, due in subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

10. Board Designated Funds

The Foundation is committed to provide post-secondary funding for all surviving children of Special Operations Warriors who die in the line of duty. This commitment requires investing funds for current and future liabilities. Therefore, the Board has directed funds, net of current year program expenses and operating expenses, be invested to meet the future liabilities.

11. Contributed Services, Materials, and Supplies

Material in-kind items used in the program (e.g., equipment, supplies, etc.) are recorded as income and expense at the time the items are placed into service or distributed.

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets; the services would have been purchased if not provided by contribution; and the service requires specialized skills.

In addition, the Foundation received significant contributions of time from its Directors and unpaid volunteers for fundraising activities and other services to the Foundation. The value of this contributed time is not reflected in these statements since no objective basis is available to measure the value of these services.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE A - DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Income Tax Status

The Foundation has received a determination of tax exempt status under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

The Foundation is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after 2016 remain subject to examination by federal and state taxing authorities.

13. Allocation of Functional Expenses

The statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Foundation are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas are allocated on the basis of employee time involved or other allocable bases.

14. Estimates

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 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.

15. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk are primarily cash and money market funds. The Foundation's cash deposits are placed in financial institutions which at times may exceed the Federal Deposit Insurance Corporation (FDIC) coverage. The Foundation has not experienced any losses in its cash deposits and does not believe it is exposed to any significant credit risks related to uninsured amounts.

NOTE B - LIQUIDITY AND AVAILABILITY OF RESOURCES

As a part of the Foundation's liquidity management, it invests cash in excess of daily requirements in short-term investments. There is a board designated endowment with the objective of setting funds aside to meet future scholarship liability needs. While the Foundation does not anticipate drawing on these board designated funds for purposes other than those identified, the amounts could be made available for current operations if necessary.



Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE B - LIQUIDITY AND AVAILABILITY OF RESOURCES – Continued

The Following reflects the Foundation's financial assets for the years ended December 31, 2020 and 2019, respectively, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Amounts not available include amounts restricted by time or purpose, amounts restricted by donors in perpetuity, and amounts designated by the board to meet future liabilities:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 3,944,146	\$ 2,572,759
Investments - money market funds	1,786,019	2,837,002
Investments - stocks and mutual funds	120,193,902	95,842,141
Investments - fixed income	48,011,248	47,896,395
Current portion of pledges receivable	<u>150,000</u>	<u>150,000</u>
 Total financial assets available within one year	 174,085,315	 149,298,297
 Less:		
Amounts unavailable for general expenditures within one year, due to:		
Time and purpose restrictions	(648,856)	(110,000)
Restricted by donors in perpetuity	<u>(846,000)</u>	<u>(846,000)</u>
Total amounts unavailable for general expenditures within one year	<u>(1,494,856)</u>	<u>(956,000)</u>
 Amounts unavailable to management without Board's approval:		
Board designated endowment	<u>(169,135,846)</u>	<u>(145,464,788)</u>
Total amounts unavailable to management without Board's approval	<u>(169,135,846)</u>	<u>(145,464,788)</u>
 Total financial assets available to management for expenditure within one year	 <u>\$ 3,454,613</u>	 <u>\$ 2,877,509</u>

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE C - INVESTMENTS

Investments represent the Foundation's Board Designated endowment fund. This fund, designated to provide a revenue stream into perpetuity in order to fund the Foundation's scholarship liabilities, is stated at fair value and comprised of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 1,786,019	\$ 2,837,002
Fixed income	48,011,248	47,896,395
Private Credit	403,595	-
Stocks and mutual funds	<u>120,193,902</u>	<u>95,842,141</u>
	<u>\$ 170,394,764</u>	<u>\$ 146,575,538</u>

The Foundation's endowment is comprised of funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

In July 2011, the State of Florida adopted the *Florida Uniform Prudent Management of Institutional Funds Act* ("FUPMIFA"). The Foundation has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restriction in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE C - INVESTMENTS - Continued

6. Other resources of the Foundation
7. The investment policies of the Foundation

*Return Objectives, Risk Parameters, and Strategies*

The Foundation has adopted an investment and spending policy for endowment assets that attempts to preserve the real (inflation adjusted) value of endowment assets, increase the real value of the portfolio and facilitate a potential distribution to support some level of future operations. The terms of the operating policies of the endowment funds (the "Fund") requires that the Fund will be managed by the Executive Committee and approved by the Board of Directors.

The Executive Committee, along with the Audit and Finance Committee, and the Investment Advisory Committee are responsible to oversee the portfolio's investments and monitor the investments on an ongoing basis to ensure that long-term objectives are being met.

The Board of Directors has agreed to a target asset allocation for the portfolio's assets and seeks advice from a professional investment management firm which holds the assets. The Fund is to invest funds in accordance with the standards set forth in the Foundation's Investment Policy Statement (IPS). See also note D.

*The Endowment Fund Spending Policy*

The Foundation's Board of Directors, on the recommendation of the Executive Committee, has adopted a spending policy that governs the annual distributions from the endowment fund that may be expended for current operations of the Foundation. This policy authorizes the Foundation to distribute from its endowment fund a specified percentage, to be determined by the Board of Directors (Board) from time to time, of the current market at budget time or year-end of the endowment fund.

The policy also allows the Board to base the distribution formula on the average market value over a period of several years as it chooses to do so. For the years ended December 31, 2020 and 2019, the Board of Directors has elected not to distribute any funds from the endowment in order to grow the endowment fund.

Distributions cannot exceed the accumulated unspent earnings of the endowment without the approval of the Foundation's Board. Income earned in excess of the spending rate may be reinvested in endowment principal. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets, as well as to provide additional real growth through investment return.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE C - INVESTMENTS - Continued

Changes in the endowment's assets are as follows for the year ended December 31, 2020:

	Without donor restrictions - Board Designated	With donor restrictions	Total
Endowment assets at December 31, 2019	\$ 145,464,788	\$ 1,110,750	\$ 146,575,538
Interest, dividends, realized and unrealized activity	20,608,956	150,108	20,759,064
Endowment additions	3,402,122	-	3,402,122
Investment fees	(340,020)	(1,940)	(341,960)
Transfers	-	-	-
Endowment assets at December 31, 2020	<u>\$ 169,135,846</u>	<u>\$ 1,258,918</u>	<u>\$ 170,394,764</u>

Changes in the endowment's assets are as follows for the year ended December 31, 2019:

	Without donor restrictions - Board Designated	With donor restrictions	Total
Endowment assets at December 31, 2018	\$ 119,511,771	\$ 947,664	\$ 120,459,435
Interest, dividends, realized and unrealized activity	21,436,092	164,518	21,600,610
Endowment additions	4,643,474	-	4,643,474
Investment fees	(126,549)	(1,432)	(127,981)
Transfers	-	-	-
Endowment assets at December 31, 2019	<u>\$ 145,464,788</u>	<u>\$ 1,110,750</u>	<u>\$ 146,575,538</u>

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board's *Accounting Standards Codification 820* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

A fair value measure should reflect the assumptions that market participants would use in pricing the asset or liability, including the assumptions about the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of nonperformance.

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume),
- Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and
- Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on organization-specific data.

These unobservable assumptions reflect the organization's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

ITEMS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Cash and cash equivalents consist of cash deposits with financial institutions and money market funds. The Foundation uses quoted market prices of identical assets on active exchanges, or Level 1 valuations.

Investments primarily consist of publicly traded stocks, bonds and mutual funds. The Foundation uses quoted market prices of identical assets on active exchanges, or Level 1 valuations.

Accrued scholarships payable are based upon the number of potential students, actual costs, funding from other sources of college tuition, and management's estimates about the future costs of college tuition, future inflation and discount rates, or Level 3 valuations.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents financial assets and liabilities measured at fair value on a recurring basis at December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Assets</b>				
Cash and money market funds	\$ 1,786,019	\$ -	\$ -	\$ 1,786,019
Mutual funds				
Fixed Income				
Core Fixed Income	48,011,248	-	-	48,011,248
Equities				-
Domestic Large Cap	77,538,186	-	-	77,538,186
Domestic Small Cap	14,716,801	-	-	14,716,801
International Growth	11,697,313	-	-	11,697,313
International Value	16,241,602	-	-	16,241,602
Private Credit	-	-	403,595	403,595
Total assets	<u>\$ 169,991,169</u>	<u>\$ -</u>	<u>\$ 403,595</u>	<u>\$ 170,394,764</u>
<b>Liabilities</b>				
Accrued scholarships payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,376,000</u>	<u>\$ 55,376,000</u>

During the year ended December 31, 2020, the Foundation acquired an interest in two private credit limited partnerships, which are both classified as Level 3 assets at December 31, 2020.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE D - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table presents financial assets and liabilities measured at fair value on a recurring basis at December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Assets</b>				
Cash and money market funds	\$ 2,837,002	\$ -	\$ -	\$ 2,837,002
Mutual funds				
Fixed Income				
Core Fixed Income	47,896,395	-	-	47,896,395
Equities				
Domestic Large Cap	62,705,279	-	-	62,705,279
Domestic Small Cap	11,093,033	-	-	11,093,033
International Growth	8,933,575	-	-	8,933,575
International Value	13,110,254	-	-	13,110,254
Private Credit	-	-	-	-
Total assets	<u>\$ 146,575,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,575,538</u>
<b>Liabilities</b>				
Accrued scholarships payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,725,000</u>	<u>\$ 50,725,000</u>

NOTE E - PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give by donors. Pledges that are expected to be collected after one year have been discounted using a rate of 3% and are reflected in the financial statements at their net present value. Pledges receivable consist of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Total unconditional pledges	\$ 230,000	\$ 340,000
Less discount	(10,062)	(16,374)
Less allowance for uncollectible pledges	<u>(40,000)</u>	<u>-</u>
Total pledges receivable net	<u>\$ 179,938</u>	<u>\$ 323,626</u>

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE E - PLEDGES RECEIVABLE - Continued

The expected collection of pledges receivable consists of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 150,000	\$ 150,000
One to five years	80,000	190,000
	<u>\$ 230,000</u>	<u>\$ 340,000</u>

NOTE F - PROPERTY AND EQUIPMENT

Land, buildings, equipment, and related accumulated depreciation consisted of the following at December 31,:

	<u>2020</u>	<u>2019</u>
Land	\$ 127,060	\$ 127,060
Buildings and improvements	857,628	765,090
Office equipment	230,363	230,363
Software	27,982	24,000
Vehicles	64,927	64,927
	<u>1,307,960</u>	<u>1,211,440</u>
Less accumulated depreciation	<u>(445,122)</u>	<u>(406,405)</u>
	<u>\$ 862,838</u>	<u>\$ 805,035</u>

NOTE G - PAYCHECK PROTECTION PROGRAM

In April 2020, the Foundation received a \$312,200 U.S. Small Business Administration (SBA) Paycheck Protection Program (“PPP”) loan for organizations who continued to pay their employees during the COVID-19 crisis.

PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The Foundation was granted loan forgiveness in January 2021. The forgiveness has been recognized as a gain on forgiveness of debt in the statement of activities and changes in net assets for the year ending December 31, 2020.



Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE H - ACCRUED SCHOLARSHIPS PAYABLE

The Foundation assumes a liability for scholarship assistance for all children of Special Operations service members who die in the line of duty as of December 31, 2020. This liability exists until the child graduate college, or the child turns 33 years old.

Every student's need is different based on the college they are qualified to attend. The liability accrued is at a significantly lesser rate than the maximum averages, since the Foundation leverages its scholarships with other sources of college assistance. As such, the liability is recorded at the average amount paid per student by the Foundation, based on known casualties at December 31, 2020 and 2019. During 2019, the Foundation added 53 children to the scholarship program. The Foundation added 62 children to the scholarship program. during 2020.

In computing the accrued scholarship liability, the Foundation estimates that college costs will grow at a rate greater than or equal to the inflation rate (4.0% at December 31, 2020 and 2020). The liability is then discounted to its net present value using a discount rate of 3.5% and 4.0% at December 31, 2020 and 2019, respectively.

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, as follows:

	<u>2020</u>	<u>2019</u>
Net assets subject to donor imposed restrictions	\$ 166,000	\$ 220,000
Net assets subject to the passage of time	69,938	103,626
Endowment net assets subject to spending policy	412,918	264,750
Endowment net assets in perpetuity	<u>846,000</u>	<u>846,000</u>
Total net assets with donor restrictions	<u>\$ 1,494,856</u>	<u>\$ 1,434,376</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Net assets released due to the passage of time	<u>\$ 143,688</u>	<u>\$ 84,064</u>
Total net assets released from restrictions	<u>\$ 143,688</u>	<u>\$ 84,064</u>

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE J - OPERATING LEASES

The Foundation leases certain equipment under non-cancelable operating leases. Approximate future minimum payments under the operating lease agreements are as follows:

<u>Year ending December 31,</u>	
2021	<u>\$ 1,400</u>

Rent expenses for the Foundation totaled approximately \$22,000 and \$28,000 for the years ended December 31, 2020 and 2019, respectively.

NOTE K - EMPLOYEE BENEFIT PLAN

The Foundation maintains a defined contribution 401(k) plan that provides benefits to all employees who have reached 18 years of age and have completed one year of service. The Foundation contributes 3% of employees' annual salary. A profit sharing contribution was also approved for the years ended December 31, 2020 and 2019. Contributions to the plan approximated \$89,000 and \$106,000 for the years ended December 31, 2020 and 2019, respectively.

NOTE L - RISKS AND UNCERTAINTIES

In March 2020, the United States and global financial markets experienced significant volatility resulting from uncertainty caused by the world-wide coronavirus pandemic (COVID-19). General economic uncertainties have arisen that may impact future cash flows and changes in net assets as a result of the pandemic. The related financial impact cannot be reasonably estimated at this time.

NOTE M - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to December 31, 2020 as of April 22, 2021 which is the date the financial statements were available to be issued.