

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

SPECIAL OPERATIONS WARRIOR FOUNDATION

December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Special Operations Warrior Foundation

Opinion

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, 2021 and 2020 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.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



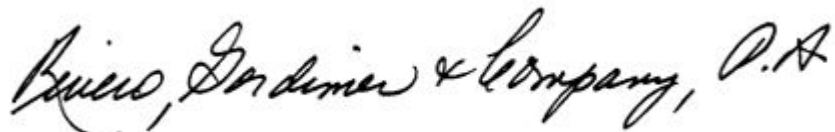
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Tampa, Florida
April 28, 2022

Special Operations Warrior Foundation

STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With summarized comparative totals for December 31, 2020)

	Without donor restriction	With donor restriction	<u>Total</u>	
			<u>2021</u>	<u>2020</u>
ASSETS				
Cash and cash equivalents (note A4)	\$ 3,622,543	\$ -	\$ 3,622,543	\$ 3,944,146
Investments (notes A5, A9, C and D)	206,177,216	1,459,448	207,636,664	170,394,764
Pledges receivable, net (notes A6 and E)	-	115,000	115,000	179,938
Prepaid expenses and other assets	39,057	-	39,057	18,729
Property and equipment, net of accumulated depreciation (notes A7 and F)	<u>832,947</u>	<u>-</u>	<u>832,947</u>	<u>862,838</u>
TOTAL ASSETS	<u>\$ 210,671,763</u>	<u>\$ 1,574,448</u>	<u>\$ 212,246,211</u>	<u>\$ 175,400,415</u>
LIABILITIES AND NET ASSETS				
Accounts payable and accrued expenses	\$ 226,527	\$ -	\$ 226,527	\$ 182,727
Accrued scholarships payable (notes D and H)	<u>61,195,000</u>	<u>-</u>	<u>61,195,000</u>	<u>55,376,000</u>
Total liabilities	61,421,527	-	61,421,527	55,558,727
Net assets (note I)	<u>149,250,236</u>	<u>1,574,448</u>	<u>150,824,684</u>	<u>119,841,688</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 210,671,763</u>	<u>\$ 1,574,448</u>	<u>\$ 212,246,211</u>	<u>\$ 175,400,415</u>

The accompanying notes are an integral part of these statements.

Special Operations Warrior Foundation
STATEMENT OF FINANCIAL POSITION

December 31, 2020

	Without donor restriction	With donor restriction	Total
ASSETS			
Cash and cash equivalents (note A4)	\$ 3,888,146	\$ 56,000	\$ 3,944,146
Investments (notes A5, A9, C and D)	169,135,846	1,258,918	170,394,764
Pledges receivable, net (notes A6 and E)	-	179,938	179,938
Prepaid expenses and other assets	18,729	-	18,729
Property and equipment, net of accumulated depreciation (notes A7 and F)	862,838	-	862,838
TOTAL ASSETS	\$ 173,905,559	\$ 1,494,856	\$ 175,400,415
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses	\$ 182,727	\$ -	\$ 182,727
Accrued scholarships payable (notes D and H)	55,376,000	-	55,376,000
Total liabilities	55,558,727	-	55,558,727
Net assets (note I)	118,346,832	1,494,856	119,841,688
TOTAL LIABILITIES AND NET ASSETS	\$ 173,905,559	\$ 1,494,856	\$ 175,400,415

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, 2021
(With summarized comparative totals for December 31, 2020)

	Without donor restriction	With donor restriction	Total	
			2021	2020
PUBLIC SUPPORT AND REVENUE				
Public support				
Contributions	\$ 12,776,053	\$ -	\$ 12,776,053	\$ 9,625,226
Special events, net of direct costs of \$224,397	1,985,669	-	1,985,669	1,018,771
Total public support	<u>14,761,722</u>	<u>-</u>	<u>14,761,722</u>	<u>10,643,997</u>
Other revenue				
Interest and dividends	7,965,539	61,272	8,026,811	4,153,330
Realized gain on investments	12,024,016	73,026	12,097,042	820,049
Total other revenue	<u>19,989,555</u>	<u>134,298</u>	<u>20,123,853</u>	<u>4,973,379</u>
Net assets released from restrictions	<u>117,730</u>	<u>(117,730)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>34,869,007</u>	<u>16,568</u>	<u>34,885,575</u>	<u>15,617,376</u>
EXPENSES				
Program services				
Scholarships and related expenses	9,873,379	-	9,873,379	8,521,523
Counseling, tutoring, preschool and internships	997,379	-	997,379	760,389
Support to Special Operations wounded personnel	249,856	-	249,856	258,378
Total program services	<u>11,120,614</u>	<u>-</u>	<u>11,120,614</u>	<u>9,540,290</u>
Supporting services				
Management and general	437,418	-	437,418	415,061
Fundraising	771,555	-	771,555	771,739
Total supporting services	<u>1,208,973</u>	<u>-</u>	<u>1,208,973</u>	<u>1,186,800</u>
Total expenses	<u>12,329,587</u>	<u>-</u>	<u>12,329,587</u>	<u>10,727,090</u>
Change in net assets before other items	22,539,420	16,568	22,555,988	4,890,286
Other changes in net assets:				
Gain on forgiveness of debt (note G)	-	-	-	312,200
Unrealized gain on investments	8,363,984	63,024	8,427,008	15,318,725
Change in net assets	<u>30,903,404</u>	<u>79,592</u>	<u>30,982,996</u>	<u>20,521,211</u>
Net assets at beginning of year	<u>118,346,832</u>	<u>1,494,856</u>	<u>119,841,688</u>	<u>99,320,477</u>
Net assets at end of year	<u>\$ 149,250,236</u>	<u>\$ 1,574,448</u>	<u>\$ 150,824,684</u>	<u>\$ 119,841,688</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, 2020

	Without donor restriction	With donor restriction	Total
PUBLIC SUPPORT AND REVENUE			
Public support			
Contributions	\$ 9,569,226	\$ 56,000	\$ 9,625,226
Special events, net of direct costs of \$65,649	1,018,771	-	1,018,771
Total public support	<u>10,587,997</u>	<u>56,000</u>	<u>10,643,997</u>
Other revenue			
Interest and dividends	4,119,106	34,224	4,153,330
Realized gain on investments	807,233	12,816	820,049
Total other revenue	<u>4,926,339</u>	<u>47,040</u>	<u>4,973,379</u>
Net assets released from restrictions	<u>143,688</u>	<u>(143,688)</u>	<u>-</u>
Total public support and revenue	<u>15,658,024</u>	<u>(40,648)</u>	<u>15,617,376</u>
EXPENSES			
Program services			
Scholarships and related expenses	8,521,523	-	8,521,523
Counseling, tutoring, preschool and internships	760,389	-	760,389
Support to Special Operations wounded personnel	258,378	-	258,378
Total program services	<u>9,540,290</u>	<u>-</u>	<u>9,540,290</u>
Supporting services			
Management and general	415,061	-	415,061
Fundraising	771,739	-	771,739
Total supporting services	<u>1,186,800</u>	<u>-</u>	<u>1,186,800</u>
Total expenses	<u>10,727,090</u>	<u>-</u>	<u>10,727,090</u>
Change in net assets before other items	4,930,934	(40,648)	4,890,286
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
Change in net assets	<u>20,460,731</u>	<u>60,480</u>	<u>20,521,211</u>
Net assets at beginning of year	<u>97,886,101</u>	<u>1,434,376</u>	<u>99,320,477</u>
Net assets at end of year	<u>\$ 118,346,832</u>	<u>\$ 1,494,856</u>	<u>\$ 119,841,688</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>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 30,982,996	\$ 20,521,211
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on debt forgiveness	-	(312,200)
Depreciation	44,089	38,718
Unrealized gain on investments	(8,427,008)	(15,318,725)
Decrease in pledges receivable	64,938	143,688
Increase in prepaid expenses and other assets	(20,328)	(2,301)
Increase (decrease) in accounts payable and accrued expenses	43,800	(65,182)
Cash disbursements for accrued scholarships	(3,397,911)	(3,347,452)
Accrued scholarships payable adjustment	9,216,911	7,998,452
Total adjustments	<u>(2,475,509)</u>	<u>(10,865,002)</u>
Net cash provided by operating activities	<u>28,507,487</u>	<u>9,656,209</u>
Cash flows used in investing activities		
Dividends/interest received on investments	(8,026,811)	(4,153,330)
Purchases and sales of investments, net	(20,788,081)	(4,347,171)
Purchases of property, plant and equipment	<u>(14,198)</u>	<u>(96,521)</u>
Net cash used in investing activities	<u>(28,829,090)</u>	<u>(8,597,022)</u>
Cash flows from financing activities		
Proceeds from PPP loan	<u>-</u>	<u>312,200</u>
Net cash provided by financing activities	-	312,200
Net change in cash and cash equivalents	(321,603)	1,371,387
Cash and cash equivalents at beginning of year	<u>3,944,146</u>	<u>2,572,759</u>
Cash and cash equivalents at end of year	<u>\$ 3,622,543</u>	<u>\$ 3,944,146</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, 2021
(With summarized comparative totals for December 31, 2020)

	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 2021	Total 2020
Salaries	\$ 453,470	\$ 226,735	\$ 75,578	\$ 755,783	\$ 302,313	\$ 453,470	\$ 755,783	\$ 1,511,566	\$ 1,480,647
Payroll taxes and benefits	75,398	37,699	12,566	125,663	50,266	75,398	125,664	251,327	214,367
Accrued scholarship payable adjustment	9,216,911	-	-	9,216,911	-	-	-	9,216,911	7,998,452
Assistance paid to wounded personnel	-	-	138,482	138,482	-	-	-	138,482	156,275
Tutoring, internships and preschool assistance	-	663,260	-	663,260	-	-	-	663,260	454,076
Banking and other fees	2,368	-	-	2,368	-	81,096	81,096	83,464	76,206
Conferences and meetings	601	360	120	1,081	504	817	1,321	2,402	6,153
Equipment rental and maintenance	8,146	4,887	1,629	14,662	6,842	11,079	17,921	32,583	28,285
Insurance	9,992	5,995	1,999	17,986	8,393	13,589	21,982	39,968	11,897
Internet technology services	17,427	10,456	3,485	31,368	14,639	23,701	38,340	69,708	43,035
Miscellaneous expenses	1,461	877	292	2,630	1,227	1,987	3,214	5,844	5,028
Postage and delivery	3,009	1,805	602	5,416	2,527	4,092	6,619	12,035	5,547
Printing and publications	736	441	147	1,324	618	1,000	1,618	2,942	5,961
Professional fees	18,070	10,842	3,614	32,526	15,179	24,575	39,754	72,280	57,647
Promotional materials	24,232	9,087	3,029	36,348	-	24,232	24,232	60,580	65,598
Supplies	2,337	1,403	468	4,208	1,964	3,179	5,143	9,351	15,633
Taxes, fees, and licenses	27	16	6	49	23	37	60	109	108
Telephone	2,832	1,699	566	5,097	2,379	3,851	6,230	11,327	4,472
Travel	18,522	11,113	3,704	33,339	15,558	25,189	40,747	74,086	26,306
Utilities	6,818	4,091	1,364	12,273	5,727	9,273	15,000	27,273	32,679
Depreciation expense	11,022	6,613	2,205	19,840	9,259	14,990	24,249	44,089	38,718
Total expenses	\$ 9,873,379	\$ 997,379	\$ 249,856	\$ 11,120,614	\$ 437,418	\$ 771,555	\$ 1,208,973	\$ 12,329,587	\$ 10,727,090

Note: The Foundation provided approximately \$3.4 million in direct scholarship grants, academic and financial aid during 2021. 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, 2020

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

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 this statement.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 the children of all Medal of Honor Recipients, and, (2) Provides immediate financial grants to severely wounded, ill, and injured Special Operations' personnel who require hospitalization.

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 in direct scholarship grants, academic and financial aid counseling, and related expenses for 210 children who attended college during 2021.

At December 31, 2021, there are 1,575 children who survived 1,193 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, 2021 and 2020

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

Of these 1,575 children, 440 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 210 children in college would be an estimated \$6.7 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 \$138,500 and \$156,300 in direct financial assistance for the years ended December 31, 2021 and 2020, 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, 2021 and 2020

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. 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.

4. 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 at December 31, 2021 and 2020.

5. 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.

6. 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.

7. 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.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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

8. 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.

9. 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.

10. 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.

11. Special Events

The Foundation conducts special events for the purpose of raising money for annual operations. Net special event revenue consisted of the following for the years ended December 31,:

	<u>2021</u>	<u>2020</u>
Total gross receipts, including contributions	\$ 2,210,066	\$ 1,084,420
Less: direct expenses	<u>(224,397)</u>	<u>(65,649)</u>
Total special event revenue, net	<u>\$ 1,985,669</u>	<u>\$ 1,018,771</u>

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 2017 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.

16. Reclassifications

Certain amounts from the December 31, 2020 financial statements have been reclassified to conform to the December 31, 2021 presentation.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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.

The following reflects the Foundation's financial assets for the years ended December 31, 2021 and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,622,543	\$ 3,944,146
Investments - money market funds	3,683,595	1,786,019
Investments - stocks and mutual funds	156,269,080	120,193,902
Investments - fixed income	39,407,071	48,011,248
Investments - private credit	8,276,918	403,595
Current portion of pledges receivable	<u>115,000</u>	<u>150,000</u>
 Total financial assets available within one year	 211,374,207	 174,488,910
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Time and purpose restrictions	(728,448)	(648,856)
Restricted by donors in perpetuity	<u>(846,000)</u>	<u>(846,000)</u>
Total amounts unavailable for general expenditures within one year	 <u>(1,574,448)</u>	 <u>(1,494,856)</u>
 Amounts unavailable to management without Board's approval:		
Board designated endowment	<u>(206,177,216)</u>	<u>(169,135,846)</u>
Total amounts unavailable to management without Board's approval	 <u>(206,177,216)</u>	 <u>(169,135,846)</u>
 Total financial assets available to management for expenditure within one year	 <u>\$ 3,622,543</u>	 <u>\$ 3,858,208</u>

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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,:

	2021	2020
Money market funds	\$ 3,683,595	\$ 1,786,019
Fixed income	39,407,071	48,011,248
Private credit	8,276,918	403,595
Stocks and mutual funds	156,269,080	120,193,902
	<u>\$ 207,636,664</u>	<u>\$ 170,394,764</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, 2021 and 2020

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 and the Investment Advisory Committee are responsible for overseeing the investment portfolio and monitor it on an ongoing basis in accordance with the Foundation's Investment Policy Statement ("IPS").

The Board of Directors has approved the IPS, which includes a target asset allocation and appropriate performance benchmarks and selected an investment consulting firm to implement the investment program through external investment managers. All investments are held by a third-party, independent custodian. 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, 2021 and 2020, 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, 2021 and 2020

NOTE C - INVESTMENTS - Continued

Changes in the endowment's assets are as follows for the year ended December 31, 2021:

	Without donor restrictions - Board Designated	With donor restrictions	Total
Endowment assets at December 31, 2020	\$ 169,135,846	\$ 1,258,918	\$ 170,394,764
Interest, dividends, realized and unrealized activity	28,782,253	203,327	28,985,580
Endowment additions	8,691,039	-	8,691,039
Investment fees	(431,922)	(2,797)	(434,719)
Transfers	-	-	-
Endowment assets at December 31, 2021	<u>\$ 206,177,216</u>	<u>\$ 1,459,448</u>	<u>\$ 207,636,664</u>

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	105,108	20,714,064
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>\$ 1,213,918</u>	<u>\$ 170,349,764</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, 2021 and 2020

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 is 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, 2021 and 2020

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
Cash and money market funds	\$ 3,683,595	\$ -	\$ -	\$ 3,683,595
Mutual funds				
Fixed Income				
Core Fixed Income	39,407,071	-	-	39,407,071
Equities				-
Private Equities	1,100,486	-	-	1,100,486
Domestic Large Cap	73,991,173	-	-	73,991,173
Domestic Mid Cap	36,235,378	-	-	36,235,378
Domestic Small Cap	11,353,439	-	-	11,353,439
International Growth	17,064,483	-	-	17,064,483
International Value	16,524,121	-	-	16,524,121
Private Credit	-	-	8,276,918	8,276,918
Total assets	<u>\$ 199,359,746</u>	<u>\$ -</u>	<u>\$ 8,276,918</u>	<u>\$ 207,636,664</u>
Liabilities				
Accrued scholarships payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,195,000</u>	<u>\$ 61,195,000</u>

During the year ended December 31, 2021, the Foundation acquired an interest in eight private credit limited partnerships, which are all classified as Level 3 assets at December 31, 2021.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Assets				
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>
Liabilities				
Accrued scholarships payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,376,000</u>	<u>\$ 55,376,000</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>2021</u>	<u>2020</u>
Total unconditional pledges	\$ 230,000	\$ 230,000
Less discount	-	(10,062)
Less allowance for uncollectible pledges	<u>(115,000)</u>	<u>(40,000)</u>
Total pledges receivable net	<u>\$ 115,000</u>	<u>\$ 179,938</u>

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE E - PLEDGES RECEIVABLE - Continued

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

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 230,000	\$ 150,000
One to five years	<u>-</u>	<u>80,000</u>
	<u>\$ 230,000</u>	<u>\$ 230,000</u>

NOTE F - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 127,060	\$ 127,060
Buildings and improvements	871,827	857,628
Office equipment	230,363	230,363
Software	27,982	27,982
Vehicles	<u>32,527</u>	<u>64,927</u>
	1,289,759	1,307,960
Less accumulated depreciation	<u>(456,812)</u>	<u>(445,122)</u>
	<u>\$ 832,947</u>	<u>\$ 862,838</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.

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, 2021 and 2020

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, 2021. 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, 2021 and 2020. During 2020, the Foundation added 62 children to the scholarship program. The Foundation added 97 children to the scholarship program during 2021.

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, 2021 and 2020). The liability is then discounted to its net present value using a discount rate of 3.5% at December 31, 2021 and 2020.

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>2021</u>	<u>2020</u>
Net assets subject to time and donor restrictions	\$ 115,000	\$ 235,938
Endowment net assets subject to spending policy	613,448	412,918
Endowment net assets in perpetuity	<u>846,000</u>	<u>846,000</u>
Total net assets with donor restrictions	<u>\$ 1,574,448</u>	<u>\$ 1,494,856</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:

NOTE J - 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 contributed 4% and 3% of employees' annual salary at December 31, 2021 and 2020, respectively. A profit sharing contribution was also approved for the years ended December 31, 2021 and 2020. Contributions to the plan approximated \$127,000 and \$89,000 for the years ended December 31, 2021 and 2020, respectively.

Special Operations Warrior Foundation

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE K - 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 L - SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions occurring subsequent to December 31, 2021 as of April 28, 2022 which is the date the financial statements were available to be issued.