

**EOD WARRIOR FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2013**



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ASSURANCE, TAX & ADVISORY SERVICES

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
EOD Warrior Foundation  
Bluemont, Virginia

### **Report on the Financial Statements**

We have audited the accompanying statements of financial position of the EOD Warrior Foundation (the Foundation) as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the EOD Warrior Foundation as of December 31, 2013 and 2012 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PBMares, LLP*

Fredericksburg, Virginia  
May 8, 2014

# EOD WARRIOR FOUNDATION

## STATEMENTS OF FINANCIAL POSITION December 31, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 553,265	\$ 206,212
Due from related party	-	968
Accounts receivable	-	1,236
Prepaid expenses and other assets	117,786	18,972
	<hr/>	<hr/>
<b>Total current assets</b>	<b>671,051</b>	<b>227,388</b>
	<hr/>	<hr/>
Equipment, net of accumulated depreciation 2013 \$9,995 and 2012 \$2,773	56,126	3,325
Investments	2,684,625	1,713,878
	<hr/>	<hr/>
	<b>\$ 3,411,802</b>	<b>\$ 1,944,591</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 21,678	\$ 13,281
Other liabilities	-	2,184
	<hr/>	<hr/>
	<b>21,678</b>	<b>15,465</b>
Net Assets		
Unrestricted	3,390,124	1,929,126
	<hr/>	<hr/>
	<b>\$ 3,411,802</b>	<b>\$ 1,944,591</b>
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## EOD WARRIOR FOUNDATION

### STATEMENTS OF ACTIVITIES

Years Ended December 31, 2013 and 2012

	2013	2012
Support and Revenue		
Contributions	\$ 2,226,099	\$ 934,514
Fundraising activities, net of direct expenses of 2013 \$292,184; 2012 \$97,267	97,502	311,075
Sale of merchandise	-	1,050
Realized and unrealized gains	55,307	55,981
Dividend income	71,709	34,620
Interest income	210	306
	<hr/>	<hr/>
<b>Total support and revenue</b>	<b>2,450,827</b>	<b>1,337,546</b>
	<hr/>	<hr/>
Expenses		
Program services	620,079	313,559
Management and general	140,917	109,106
Fundraising	228,833	62,936
	<hr/>	<hr/>
<b>Total expenses</b>	<b>989,829</b>	<b>485,601</b>
	<hr/>	<hr/>
<b>Change in net assets</b>	<b>1,460,998</b>	<b>851,945</b>
	<hr/>	<hr/>
Net Assets, beginning	1,929,126	1,077,181
	<hr/>	<hr/>
Net Assets, ending	<b>\$ 3,390,124</b>	<b>\$ 1,929,126</b>
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**EOD WARRIOR FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2013 and 2012**

	2013			
	Program Services	Management and General	Fund- raising	Total
Grants	\$ 60,000	\$ -	\$ -	\$ 60,000
Specific assistance	307,199	-	-	307,199
Scholarships	95,000	-	-	95,000
Memorial ceremony	22,014	-	-	22,014
Memorial wall care	5,901	-	-	5,901
Fundraising supplies	-	-	35,862	35,862
Payroll expenses	98,654	29,381	45,179	173,214
Payroll processing fees	778	232	356	1,366
Office supplies and expenses	6,527	8,453	2,989	17,969
General supplies	-	-	-	-
Postage	4,717	1,279	2,113	8,109
Telephone and internet	1,595	475	730	2,800
Donor database	-	2,011	2,011	4,022
Marketing materials	-	-	51,677	51,677
Bank service fees	-	956	4,146	5,102
Registration fees	-	175	4,350	4,525
Professional fees	-	69,229	70,868	140,097
Travel	9,206	13,201	4,663	27,070
Occupancy	3,417	1,018	1,565	6,000
Training	-	3,054	-	3,054
Insurance	958	1,608	440	3,006
Depreciation	4,113	1,225	1,884	7,222
Investment fees	-	6,239	-	6,239
Other	-	2,381	-	2,381
<b>Total</b>	<b>\$ 620,079</b>	<b>\$ 140,917</b>	<b>\$ 228,833</b>	<b>\$ 989,829</b>

See Notes to Financial Statements.

2012

Program Services	Management and General	Fund- raising	Total
\$ 63,000	\$ -	\$ -	\$ 63,000
162,627	-	-	162,627
-	-	-	-
-	-	-	-
-	-	-	-
-	-	4,334	4,334
67,516	16,846	3,325	87,687
-	-	-	-
856	8,511	856	10,223
3,140	-	-	3,140
915	2,981	3	3,899
3,745	1,322	3,745	8,812
-	-	-	-
-	-	16,226	16,226
-	689	1,534	2,223
-	-	-	-
-	65,625	28,000	93,625
6,967	3,818	122	10,907
3,267	3,267	3,266	9,800
-	-	-	-
355	355	354	1,064
346	346	346	1,038
-	4,522	-	4,522
825	824	825	2,474
<u>\$ 313,559</u>	<u>\$ 109,106</u>	<u>\$ 62,936</u>	<u>\$ 485,601</u>



## EOD WARRIOR FOUNDATION

### STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 1,460,998	\$ 851,945
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	7,222	1,037
Realized and unrealized investment gains	(55,307)	(55,981)
(Increase) decrease in:		
Due from related party	968	4,032
Accounts receivable	1,236	(1,236)
Prepaid expenses and other assets	(98,814)	(16,653)
Increase (decrease) in:		
Accounts payable	8,397	10,865
Other liabilities	(2,184)	1,525
<b>Net cash provided by operating activities</b>	<b>1,322,516</b>	<b>795,534</b>
Cash Flows From Investing Activities		
Purchase of fixed assets	(60,023)	(1,213)
Purchase of investments	(915,440)	(780,099)
<b>Net cash used in investing activities</b>	<b>(975,463)</b>	<b>(781,312)</b>
<b>Increase in cash and cash equivalents</b>	<b>347,053</b>	<b>14,222</b>
Cash and Cash Equivalents		
Beginning	206,212	191,990
Ending	<u>\$ 553,265</u>	<u>\$ 206,212</u>

## EOD WARRIOR FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Nature of the Foundation and Significant Accounting Policies**

The EOD Warrior Foundation (the Foundation), formerly the Wounded EOD Warrior Foundation, is committed to providing funds and support to military service members, veterans, state and local government employees, and civilian employees wounded in the course of performing explosive ordnance disposal (EOD) activities. The Foundation serves the EOD community by providing financial assistance and support to active-duty and veteran wounded, injured, or ill EOD warriors, families of the wounded and fallen EOD warriors, and by maintaining the EOD memorial. The Foundation is supported primarily by fundraisers and the generosity of donations.

Significant accounting policies followed by the Foundation are described below:

***Basis of accounting:*** The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the net assets, revenues, and expenses of the Foundation are classified and reported as follows:

*Unrestricted net assets* - Unrestricted net assets are not subject to donor imposed restrictions and generally result from revenues derived from providing services, receiving unrestricted contributions, realized gains and losses, and receiving dividends and interest from investing in income-producing assets, less expenses incurred in providing services, raising contributions, and performing administrative functions.

***Support and revenue recognition:*** Contributions are recognized as revenue when they are received or unconditionally pledged.

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Foundation reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Foundation has not received any gifts of cash or other assets that were restricted by the donor since inception.

***Cash and cash equivalents:*** For purposes of the statement of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Balances in these accounts may, at times, exceed federally insured limits. The Foundation has not experienced any loss in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

***Accounts receivable:*** Accounts receivable as of December 31, 2012 consisted of unconditional promises to give, received in connection with special events held during the year, that were collected in full during 2013. There were no accounts receivable as of December 31, 2013.

## EOD WARRIOR FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Nature of the Foundation and Significant Accounting Policies (Continued)**

**Investments:** Investments consist of mutual funds reported at fair value in the statements of financial position (see Note 3). Investment income (including gains and losses on investments, interest, and dividends) is included in the change in unrestricted net assets.

**Property and equipment:** Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**Donated services:** Donated services that create or enhance non-financial assets or that require specialized skills and would have been purchased if not provided by individuals possessing those skills are recorded in the statement of activities at their fair value. Other donated services received that do not meet these criteria are not recorded in the financial statements.

**Functional allocation of expenses:** Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

**Income taxes:** The Foundation is exempt from federal and state income taxes under Internal Revenue Code 501(c)(3) and has been determined not to be a private foundation under Code Section 509(a).

Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of current guidance. The Foundation files income tax returns in the U.S. federal jurisdiction. The Foundation's income tax returns for the years 2010 and beyond remain subject to examination by the Internal Revenue Service.

**Advertising:** The Foundation follows a policy of charging the costs of advertising to expense as incurred. Advertising expense amounted to \$51,677 and \$16,226 for the years ended December 31, 2013 and 2012, respectively.

**Subsequent events:** Subsequent events have been evaluated through May 8, 2014, which was the date the financial statements were available to be issued.

#### **Note 2. Related Party Transactions**

The Foundation received donated services in the amount of \$20,408 for the year ended December 31, 2012, including accounting, management, and fundraising, provided by AT Solutions, Inc., a separately governed affiliated organization. This represents approximately 32% of the non-cash support received for the year ended December 31, 2012. In addition, AT Solutions, Inc. contributed \$3,011 in other contributions and sponsorships for the year ended December 31, 2012.

## EOD WARRIOR FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 2. Related Party Transactions (Continued)**

During 2013 and 2012, the Foundation contracted to receive services including shared office space, general administrative functions, accounting functions and advisory services from Shoulder2Shoulder, Inc. These services, valued at \$36,928 and \$32,864 for the years ended December 31, 2013 and 2012, respectively, were donated by Shoulder2Shoulder, Inc. to the Foundation. These donations represent approximately 78% and 52% of the non-cash support, excluding auction items, received for the years ended December 31, 2013 and 2012, respectively. Ken Falke, Chairman and prior acting Executive Director of the Foundation, is a shareholder of Shoulder2Shoulder, Inc.

Due from related party in the amount of \$968 at December 31, 2012, consisted of amounts due from Boulder Crest Retreat Foundation, a separately governed affiliated organization.

During 2013, the Foundation entered into a trademark licensing agreement with Wear the Force, LLC, an entity owned by a family member of Ken Falke, Chairman of the Board. The agreement calls for 5% of net profits to be paid to the Foundation related to sales of promotional items with the Foundation's trademarked logo. The Foundation is not reporting any income related to this contract in 2013; however, the Foundation believes Wear the Force, LLC will fulfill its obligations under the agreement and remit 5% of net profits subsequent to year-end. The Foundation purchased \$59,221 worth of outreach and marketing clothing from Wear the Force, LLC during 2013.

#### **Note 3. Fair Value Measurements**

The Fair Value Measurements Topic of the FASB Accounting Standards Codification 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Codification are described below:

- **Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- **Level 2** – Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- **Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## EOD WARRIOR FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Mutual funds:* Valued at the net asset value of shares held by the Foundation at year end based on the quoted market value of the underlying assets.

The methods described on the previous page may produce a fair value calculation that may not be indicative of 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 the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2013:

	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets				
Mutual Funds:				
Intermediate duration	\$ 238,484	\$ -	\$ -	\$ 238,484
Bond inflation strategy	393,921	-	-	393,921
Global fixed income	477,963	-	-	477,963
Strategic equities	444,859	-	-	444,859
Equities	1,101	-	-	1,101
International	165,740	-	-	165,740
Emerging markets	25,174	-	-	25,174
Real asset strategy	107,710	-	-	107,710
Dynamic asset allocation	806,128	-	-	806,128
Cash	23,545	-	-	23,545
	<u>\$ 2,684,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,684,625</u>

## EOD WARRIOR FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

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#### Note 3. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets				
Mutual Funds:				
Intermediate duration	\$ 802,298	\$ -	\$ -	\$ 802,298
Equities	205,936	-	-	205,936
International	90,045	-	-	90,045
Emerging markets	31,819	-	-	31,819
Real estate	70,340	-	-	70,340
Dynamic asset allocation	513,439	-	-	513,439
Cash	1	-	-	1
	<u>\$ 1,713,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,713,878</u>

#### Note 4. Asset Assignment

Effective March 1, 2013, EOD Memorial Foundation, Inc., a Florida not-for-profit corporation, assigned substantially all of its assets to the Foundation. The Foundation did not pay any consideration for these assets, but instead, assumed all rights, title, and interest in the assigned assets, free and clear of all liens, and assumed and agreed to pay, perform, and discharge all obligations and liabilities of the assigned assets arising after the effective date, though no such liabilities were identified as of the transaction date. Following is a summary of assets assigned, all of which were recorded at estimated fair value on the date of transfer:

Cash and cash equivalents	\$ 878,394
Certificate of deposit	50,855
Marketable securities	1,064
Prepaid and other assets	<u>19,559</u>
	<u>\$ 949,872</u>