

EOD WARRIOR FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015



ASSURANCE, TAX & ADVISORY SERVICES

EOD WARRIOR FOUNDATION

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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 EOD Warrior Foundation (the Foundation) as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 EOD Warrior Foundation as of December 31, 2015 and 2014 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PBMares, LLP

Fredericksburg, Virginia
April 8, 2016

FINANCIAL STATEMENTS

EOD WARRIOR FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 504,384	\$ 489,330
Pledges receivable, current portion	5,000	-
Inventory	26,544	-
Prepaid expenses and other assets	234,991	78,004
	<hr/>	<hr/>
Total current assets	770,919	567,334
	<hr/>	<hr/>
Equipment, net of accumulated depreciation 2015 \$35,685; 2014 \$22,996	30,436	43,125
Other Assets		
Long-term pledges receivable	66,790	-
Investments	3,486,524	3,166,156
	<hr/>	<hr/>
	3,553,314	3,166,156
	<hr/>	<hr/>
	\$ 4,354,669	\$ 3,776,615
	<hr/>	<hr/>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 204,200	\$ 46,897
	<hr/>	<hr/>
Net Assets		
Unrestricted	4,071,179	3,699,718
Temporarily restricted net assets	79,290	30,000
	<hr/>	<hr/>
	4,150,469	3,729,718
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Total liabilities and net assets	\$ 4,354,669	\$ 3,776,615
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EOD WARRIOR FOUNDATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2015 and 2014

	2015			2014
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total	Total
Support and Revenue				
Contributions	\$ 816,297	\$ 84,290	\$ 900,587	\$ 843,916
Fundraising activities, net of direct expenses of 2015 \$269,575; 2014 \$239,688	721,201	-	721,201	527,877
Grants	-	-	-	30,000
Realized and unrealized gains (losses)	(70,837)	-	(70,837)	49,189
Dividend income	53,620	-	53,620	85,019
Interest income	137	-	137	150
Net assets released from restrictions	35,000	(35,000)	-	-
Total support and revenue	1,555,418	49,290	1,604,708	1,536,151
Expenses				
Program services	872,939	-	872,939	825,226
Management and general	138,658	-	138,658	116,130
Fundraising	172,360	-	172,360	255,201
Total expenses	1,183,957	-	1,183,957	1,196,557
Change in net assets	371,461	49,290	420,751	339,594
Net Assets, beginning	3,699,718	30,000	3,729,718	3,390,124
Net Assets, ending	\$ 4,071,179	\$ 79,290	\$ 4,150,469	\$ 3,729,718

EOD WARRIOR FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2015

	Program Services	Management and General	Fund- raising	Total
Grants	\$ 3,000	\$ -	\$ -	\$ 3,000
Specific assistance	359,964	-	-	359,964
Scholarships	172,098	-	-	172,098
Memorial ceremony	30,573	-	-	30,573
Memorial wall care	10,541	-	-	10,541
Payroll expenses	250,137	32,994	53,659	336,790
Payroll processing fees	1,882	248	404	2,534
Office supplies and expenses	3,645	481	13,309	17,435
Postage	6,821	528	44,932	52,281
Telephone and internet	3,363	4,944	721	9,028
Donor database	-	-	25,124	25,124
Bank service fees	-	862	13,488	14,350
Registration fees	-	2,765	2,745	5,510
Professional fees	-	39,794	7,405	47,199
Travel	1,625	13,396	4,290	19,311
Occupancy	4,531	598	972	6,101
Training	-	12,438	-	12,438
Insurance	10,102	3,744	2,167	16,013
401(k) fees and matching	5,233	690	1,122	7,045
Depreciation	9,424	1,243	2,022	12,689
Investment fees	-	14,434	-	14,434
Other	-	9,499	-	9,499
Total	\$ 872,939	\$ 138,658	\$ 172,360	\$ 1,183,957

EOD WARRIOR FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2014

	Program Services	Management and General	Fund- raising	Total
Grants	\$ 24,000	\$ -	\$ -	\$ 24,000
Specific assistance	418,038	-	-	418,038
Scholarships	140,000	-	-	140,000
Memorial ceremony	33,016	-	-	33,016
Memorial wall care	7,572	-	-	7,572
Fundraising supplies	-	-	95,389	95,389
Payroll expenses	166,485	37,841	97,324	301,650
Payroll processing fees	1,347	306	788	2,441
Office supplies and expenses	4,858	1,104	2,840	8,802
Postage	2,758	567	1,456	4,781
Telephone and internet	5,403	2,353	3,158	10,914
Donor database	-	-	18,758	18,758
Bank service fees	-	149	11,104	11,253
Registration fees	-	200	2,655	2,855
Professional fees	-	41,124	11,409	52,533
Travel	4,096	4,914	-	9,010
Occupancy	3,311	753	1,936	6,000
Training	-	2,746	-	2,746
Insurance	6,221	3,533	3,636	13,390
401(k) fees	946	215	553	1,714
Depreciation	7,175	1,631	4,195	13,001
Investment fees	-	12,683	-	12,683
Other	-	6,011	-	6,011
Total	\$ 825,226	\$ 116,130	\$ 255,201	\$ 1,196,557

EOD WARRIOR FOUNDATION

STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	\$ 420,751	\$ 339,594
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	12,689	13,001
Realized and unrealized investment losses (gains)	70,837	(49,189)
(Increase) decrease in:		
Pledges receivable	(71,790)	-
Inventory	(26,544)	-
Prepaid expenses and other assets	(156,987)	39,782
Increase in accounts payable	157,303	25,219
Net cash provided by operating activities	406,259	368,407
Cash Flows From Investing Activities		
Purchase of investments	(391,205)	(432,342)
Net cash used in investing activities	(391,205)	(432,342)
Increase (decrease) in cash and cash equivalents	15,054	(63,935)
Cash and Cash Equivalents		
Beginning	489,330	553,265
Ending	\$ 504,384	\$ 489,330

EOD WARRIOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of the Foundation and Significant Accounting Policies

EOD Warrior Foundation (the “Foundation”), formerly 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.

Temporarily restricted net assets - Temporarily restricted net assets generally result from contributions whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be satisfied by actions of the Foundation pursuant to those stipulations.

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 unrestricted support, unless 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.

Cash and cash equivalents: For purposes of the statements 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.

EOD WARRIOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

Pledges receivable: Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flow. Amortization of the resultant discount is recognized as contribution revenue. The need for an allowance for uncollectible pledges receivable is determined based on an evaluation of the collectability of individual promises. All pledges were considered fully collectible at December 31, 2015; accordingly, no allowance for doubtful pledges receivable was recorded.

Investments: Investments consist of mutual funds and equities 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.

Inventory: Inventory consists of clothing and accessories with the Foundation's logo and is stated at the lower of cost (determined on the average cost method) or market (net realizable value).

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, supporting services, and fundraising. 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 2012 and beyond remain subject to examination by the Internal Revenue Service.

Subsequent events: Subsequent events have been evaluated through April 8, 2016, which was the date the financial statements were available to be issued.

EOD WARRIOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 2. Pledges Receivable

Pledges receivable at December 31, 2015 and 2014 are expected to be collected as follows:

	2015	2014
In one year or less	\$ 5,000	\$ -
Between one and eighteen years	90,000	-
	95,000	-
Less present value discount (1.65% - 3.47%)	(23,210)	-
	\$ 71,790	\$ -

Note 3. Related Party Transactions

During 2015 and 2014, 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 \$29,480 and \$31,598 for the years ended December 31, 2015 and 2014, respectively, were donated by Shoulder2Shoulder, Inc. to the Foundation. These donations represent approximately 86% of the non-cash support, excluding auction items, received for each of the years ended December 31, 2015 and 2014. Ken Falke, Chairman and prior acting Executive Director of the Foundation, is a shareholder of Shoulder2Shoulder, Inc.

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 did not report any income related to this contract in 2013; however, Wear the Force, LLC fulfilled its obligations under the agreement and remitted 5% of net profits in 2014. The Foundation received \$1,000 during 2014 related to this agreement. The Foundation purchased \$67,458 and \$49,520 worth of outreach and marketing clothing from Wear the Force, LLC during 2015 and 2014, respectively. During 2015, Wear the Force, LLC discontinued its operations and sold its remaining inventory to the Foundation, at which time The Foundation began selling the promotional items on its own behalf.

During 2015, Ken Falke, Chairman of the Board, made a pledge of \$100,000, payable in \$5,000 increments over the next 20 years. The final payment is expected to be paid in April, 2034. This is the only pledge recorded by the Foundation, the details of which are shown in Note 2. In addition to his pledge, during the year ended December 31, 2015, Ken Falke also made a \$30,000 contribution to the Foundation.

EOD WARRIOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 4. 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.

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 and equities: 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 valuation methods used 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.

EOD WARRIOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 4. 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, 2015:

	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets				
Mutual Funds:				
Intermediate duration	\$ 312,946	\$ -	\$ -	\$ 312,946
Bond inflation strategy	523,041	-	-	523,041
Global fixed income	627,001	-	-	627,001
International	210,082	-	-	210,082
Emerging markets	34,403	-	-	34,403
Real asset strategy	140,346	-	-	140,346
Dynamic asset allocation	1,043,541	-	-	1,043,541
Equities:				
Strategic equities	577,316	-	-	577,316
Equities	1,032	-	-	1,032
Cash	16,816	-	-	16,816
	<u>\$ 3,486,524</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,486,524</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2014:

	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets				
Mutual Funds:				
Intermediate duration	\$ 283,448	\$ -	\$ -	\$ 283,448
Bond inflation strategy	471,293	-	-	471,293
Global fixed income	567,615	-	-	567,615
International	190,156	-	-	190,156
Emerging markets	25,379	-	-	25,379
Real asset strategy	126,487	-	-	126,487
Dynamic asset allocation	951,512	-	-	951,512
Equities:				
Strategic equities	543,372	-	-	543,372
Equities	929	-	-	929
Cash	5,965	-	-	5,965
	<u>\$ 3,166,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,166,156</u>

EOD WARRIOR FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 5. Operating Lease Commitment

In January 2016, the Organization entered into a lease agreement for office space that calls for monthly payments of \$2,330 through January 2018. Future minimum lease payments as of December 31, 2015 are due in future years as follows:

Year	Amount
2016	\$ 26,537
2017	27,965
2018	2,330
	<u>\$ 56,832</u>

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Annual scholarship programs	\$ 79,290	\$ -
Therapeutic retreats	-	30,000
Total related party contributions	<u>\$ 79,290</u>	<u>\$ 30,000</u>

Note 7. Reclassification

In 2015, fundraising revenues were reported net of additional fundraising expenses compared to previous years. The 2014 expenses were reclassified on the financial statements in order to remain comparable to 2015 figures.