

**EOD WARRIOR FOUNDATION**

**Bluemont, Virginia**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

## **C O N T E N T S**

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 and 2
<b>FINANCIAL STATEMENTS</b>	
Statements of financial position	3
Statements of activities	4 and 5
Statements of functional expenses	6 and 7
Statements of cash flows	8
Notes to financial statements	9-16

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
EOD Warrior Foundation  
Bluemont, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of EOD Warrior Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 audit 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 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 EOD Warrior Foundation as of December 31, 2019 and 2018, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Yount, Hyde & Barbour, P.C.*

Winchester, Virginia  
April 3, 2020

## EOD WARRIOR FOUNDATION

### Statements of Financial Position

December 31, 2019 and 2018

<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 345,701	\$ 466,208
Pledges receivable, current portion	5,000	5,000
Prepaid expenses and other assets	16,813	19,961
Total current assets	<u>\$ 367,514</u>	<u>\$ 491,169</u>
<b>Property and Equipment</b>		
Equipment	\$ 8,336	\$ 9,857
Website	58,501	58,501
Total property and equipment, cost	\$ 66,837	\$ 68,358
Less accumulated depreciation	58,965	60,209
Total property and equipment, net	<u>\$ 7,872</u>	<u>\$ 8,149</u>
<b>Other Assets</b>		
Long-term pledges receivable, net of discount of \$13,467 for 2019 and \$18,595 for 2018	\$ 56,533	\$ 56,405
Investments	4,032,096	3,598,024
Total other assets	<u>\$ 4,088,629</u>	<u>\$ 3,654,429</u>
Total assets	<u>\$ 4,464,015</u>	<u>\$ 4,153,747</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b> , accounts payable and accrued expenses	<u>\$ 10,409</u>	<u>\$ 13,584</u>
<b>Net Assets</b>		
Without donor restrictions	\$ 4,392,073	\$ 4,078,758
With donor restrictions	61,533	61,405
Total net assets	<u>\$ 4,453,606</u>	<u>\$ 4,140,163</u>
Total liabilities and net assets	<u>\$ 4,464,015</u>	<u>\$ 4,153,747</u>

See Notes to Financial Statements.

## EOD WARRIOR FOUNDATION

### Statement of Activities

For the Year Ended December 31, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Contributions	\$ 1,008,524	\$ 5,128	\$ 1,013,652
Special events:			
Contribution portion of special events	839,427	--	839,427
Exchange portion of special events	219,278	--	219,278
Less: direct benefit to donors	(425,945)	--	(425,945)
Special events, net	\$ 632,760	\$ --	\$ 632,760
Royalty income	6,459	--	6,459
Other income	985	--	985
Investment return, net	334,077	--	334,077
Net assets released from restrictions	5,000	(5,000)	--
Total revenues, gains and other support	\$ 1,987,805	\$ 128	\$ 1,987,933
<b>Expenses</b>			
Program services	\$ 1,299,875	\$ --	\$ 1,299,875
Management and general	95,951	--	95,951
Fundraising	278,664	--	278,664
Total expenses	\$ 1,674,490	\$ --	\$ 1,674,490
Change in net assets	\$ 313,315	\$ 128	\$ 313,443
<b>Net assets, beginning of year</b>	<b>4,078,758</b>	<b>61,405</b>	<b>4,140,163</b>
<b>Net assets, ending of year</b>	<b>\$ 4,392,073</b>	<b>\$ 61,533</b>	<b>\$ 4,453,606</b>

See Notes to Financial Statements.

## EOD WARRIOR FOUNDATION

### Statement of Activities

For the Year Ended December 31, 2018

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, Gains (Losses) and Other Support</b>			
Contributions	\$ 1,143,385	\$ 20,841	\$ 1,164,226
Special events:			
Contribution portion of special events	632,959	--	632,959
Exchange portion of special events	231,710	--	231,710
Less: direct benefit to donors	(288,577)	--	(288,577)
Special events, net	\$ 576,092	\$ --	\$ 576,092
Royalty income	5,703	--	5,703
Investment return, net	(37,394)	--	(37,394)
Net assets released from restrictions	55,000	(55,000)	--
Total revenues, gains (losses) and other support	\$ 1,742,786	\$ (34,159)	\$ 1,708,627
<b>Expenses</b>			
Program services	\$ 1,695,092	\$ --	\$ 1,695,092
Management and general	103,613	--	103,613
Fundraising	305,011	--	305,011
Total expenses	\$ 2,103,716	\$ --	\$ 2,103,716
Change in net assets	\$ (360,930)	\$ (34,159)	\$ (395,089)
<b>Net assets, beginning of year</b>	4,439,688	95,564	4,535,252
<b>Net assets, ending of year</b>	\$ 4,078,758	\$ 61,405	\$ 4,140,163

See Notes to Financial Statements.

## EOD WARRIOR FOUNDATION

### Statement of Functional Expenses For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Financial relief	\$ 211,383	\$ --	\$ --	\$ 211,383
Scholarships	225,787	--	--	225,787
Memorial	14,639	--	--	14,639
Hope and wellness	412,783	--	--	412,783
Payroll expenses	343,709	5,386	96,491	445,586
Payroll processing fees	2,475	39	695	3,209
Office supplies	4,358	68	46,147	50,573
Postage	3,068	2,217	9,127	14,412
Internet and telephone	8,381	61	1,090	9,532
Donor database	--	--	31,025	31,025
Bank service fees	--	1,023	20,668	21,691
Registration fees	--	35	2,045	2,080
Professional fees	--	54,146	8,444	62,590
Travel	10,268	5,657	8,184	24,109
Rent	21,571	338	6,056	27,965
Training	--	22,000	--	22,000
Insurance	33,206	520	9,322	43,048
401(k) fees and matching	8,033	126	2,255	10,414
Depreciation	214	3	60	277
Fundraising event costs	--	--	37,055	37,055
Other	--	4,332	--	4,332
Total	<u>\$ 1,299,875</u>	<u>\$ 95,951</u>	<u>\$ 278,664</u>	<u>\$ 1,674,490</u>

See Notes to Financial Statements.



## EOD WARRIOR FOUNDATION

### Statement of Functional Expenses

For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Financial relief	\$ 390,405	\$ --	\$ --	\$ 390,405
Scholarships	229,305	--	--	229,305
Memorial	32,388	--	--	32,388
Hope and wellness	513,221	--	--	513,221
Payroll expenses	408,814	7,260	110,096	526,170
Payroll processing fees	2,523	45	679	3,247
Office supplies	3,387	60	71,818	75,265
Postage	4,383	3,689	421	8,493
Internet and telephone	7,797	59	888	8,744
Donor database	--	--	22,696	22,696
Bank service fees	--	948	19,784	20,732
Registration fees	--	25	1,686	1,711
Professional fees	--	66,338	8,146	74,484
Travel	33,781	6,772	5,550	46,103
Rent	21,728	386	5,851	27,965
Training	--	12,830	--	12,830
Insurance	36,664	651	9,874	47,189
401(k) fees and matching	5,888	105	1,586	7,579
Depreciation	4,808	85	1,295	6,188
Fundraising event costs	--	--	44,641	44,641
Other	--	4,360	--	4,360
Total	<u>\$ 1,695,092</u>	<u>\$ 103,613</u>	<u>\$ 305,011</u>	<u>\$ 2,103,716</u>

See Notes to Financial Statements.

## EOD WARRIOR FOUNDATION

### Statements of Cash Flows

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 313,443	\$ (395,089)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	277	6,188
Realized and unrealized investment (gain) loss	(278,941)	81,687
(Increase) decrease in pledges receivable	(128)	4,159
Decrease in prepaid expenses and other assets	3,148	12,266
(Decrease) in accounts payable and accrued expenses	(3,175)	(7,861)
Net cash provided by (used in) operating activities	<u>\$ 34,624</u>	<u>\$ (298,650)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	\$ 3,547,023	\$ 3,615,938
Purchase of investments	<u>(3,702,154)</u>	<u>(3,260,222)</u>
Net cash (used in) provided by investing activities	<u>\$ (155,131)</u>	<u>\$ 355,716</u>
(Decrease) increase in cash and cash equivalents	\$ (120,507)	\$ 57,066
<b>Cash and Cash Equivalents</b>		
Beginning	<u>466,208</u>	<u>409,142</u>
Ending	<u>\$ 345,701</u>	<u>\$ 466,208</u>

See Notes to Financial Statements.

# EOD WARRIOR FOUNDATION

## Notes to Financial Statements

### Note 1. Description of the Organization

EOD Warrior Foundation (the “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 ordinance 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 donors.

### Note 2. Summary of Significant Accounting Policies

#### 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:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Use of 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.

## Notes to Financial Statements

### Cash and Cash Equivalents

For financial statement purposes, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and 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.

### 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 anticipated cash flow. Amortization of the resultant discount is recognized as contribution revenue. The need for an allowance of uncollectible pledges receivable is determined based on an evaluation of collectability of individual promises. All pledges are considered fully collectible at December 31, 2019 and 2018, respectively. Accordingly, no allowance for doubtful pledges receivable has been recorded.

### Investments

Investments are recorded at fair market value in the statement of financial position. Any realized and unrealized gains and losses are reflected in the statement of activities.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the assets' useful lives as follows:

Equipment	3 - 30 years
Website	3 years

### Contributions

The Foundation records special events revenue equal to the cost of direct benefits to donors and contribution revenue for the difference. Contributions are recognized when the donor makes a promise to give to the Foundation. Gifts of cash and other assets received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a time or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Contributions with donor-imposed restrictions that are satisfied within the same reporting period as received are reported as net assets without donor restrictions.

## Notes to Financial Statements

### 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.

### Allocation Methodology for the Statement of Functional Expenses

The cost of providing the various programs and activities has been summarized in the statement of functional expenses. Certain costs have been allocated among program, management and general, and fundraising. Such allocations have been made by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method</u>
Financial relief	Direct costs
Scholarships	Direct costs
Memorial	Direct costs
Hope and wellness	Direct costs
Payroll expenses	Time and effort
Payroll processing fees	Time and effort
Office supplies	Direct costs and time and effort
Postage	Direct costs
Internet and telephone	Direct costs and time and effort
Donor database	Direct costs
Bank service fees	Direct costs
Registration fees	Direct costs
Professional fees	Direct costs
Travel	Direct costs
Rent	Time and effort
Training	Direct costs
Insurance	Time and effort
401(k) fees and matching	Time and effort
Depreciation	Time and effort
Fundraising costs	Direct costs
Other	Direct costs

## Notes to Financial Statements

### 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). The Foundation will only be taxed to the extent it has taxable trade or business income unrelated to its exempt purpose.

### New Accounting Pronouncements

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Foundation has implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The amendments have resulted in a reclassification of \$839,427 and \$632,959 from exchange portion of special events, net to contribution portion of special events on the statement of activities with no effect on net assets for the year ended December 31, 2019 and 2018, respectively.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Foundation for its year ending December 31, 2021. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

## Notes to Financial Statements

### Note 3. Liquidity and Availability

The Foundation has \$4,382,797 and \$4,069,232 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures as of December 31, 2019 and 2018, respectively. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

	<b>2019</b>	<b>2018</b>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 345,701	\$ 466,208
Pledges receivable	61,533	61,405
Investments	4,032,096	3,598,024
Total financial assets	\$ 4,439,330	\$ 4,125,637
Less amounts not available to be used within one year:		
Restricted by donors for time	\$ 56,533	\$ 56,405
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,382,797	\$ 4,069,232

### Note 4. Pledges Receivable

The outstanding pledges receivable are due as follows:

	<b>2019</b>	<b>2018</b>
Within one year	\$ 5,000	\$ 5,000
One to five years	25,000	25,000
Over five years	45,000	50,000
	\$ 75,000	\$ 80,000
Less present value discount (2.59% - 3.79%)	(13,467)	(18,595)
	\$ 61,533	\$ 61,405

### Note 5. Related Party Transactions

The Foundation receives contributions from members of the Board of Directors and certain businesses owned by and/or employing members of the Board of Directors. 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. The Foundation has a shared employee with related organization Boulder Crest Retreat Foundation whereas Ken Falke, Founder and Chairman of the Foundation, is the Founder and Chairman.

## Notes to Financial Statements

### Note 6. Investments

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes 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 are briefly described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair values of all of the marketable securities as of December 31, 2019 and 2018 are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs.)

The following table presents the balance of financial assets measured at fair value on a recurring basis as of December 31, 2019 and 2018:

		<b>2019</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets					
	Cash	\$ 95,307	\$ --	\$ --	\$ 95,307
	Fixed income	1,521,704	--	--	1,521,704
	Annuities	720,030	--	--	720,030
	Mutual funds	222,537	--	--	222,537
	Equities	1,472,518	--	--	1,472,518
		\$ 4,032,096	\$ --	\$ --	\$ 4,032,096
		<b>2018</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets					
	Cash	\$ 33,349	\$ --	\$ --	\$ 33,349
	Mutual funds	514,329	--	--	514,329
	Equities	3,050,346	--	--	3,050,346
		\$ 3,598,024	\$ --	\$ --	\$ 3,598,024



## Notes to Financial Statements

### Note 7. Investments

Investments as of December 31, 2019 and 2018, were as follows:

	<b>2019</b>		
	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Appreciation</b>
Cash	\$ 95,307	\$ 95,307	\$ --
Fixed income	1,482,172	1,521,704	39,532
Annuities	700,000	720,030	20,030
Mutual funds	219,181	222,537	3,356
Equities	1,261,459	1,472,518	211,059
Total	\$ 3,758,119	\$ 4,032,096	\$ 273,977
	<b>2018</b>		
	<b>Cost</b>	<b>Market Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
Cash	\$ 33,349	\$ 33,349	\$ --
Mutual funds	456,686	514,329	57,643
Equities	3,054,139	3,050,346	(3,793)
Total	\$ 3,544,174	\$ 3,598,024	\$ 53,850

### Note 8. Investment Return, Net

Investment return, net consisted of the following for the years ended December 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Interest and dividends	\$ 73,321	\$ 56,000
Net realized and unrealized gain (loss)	278,941	(81,687)
Investment fees	(18,185)	(11,707)
	\$ 334,077	\$ (37,394)

## Notes to Financial Statements

### Note 9. Operating Lease Commitment and Subsequent Event

In January 2016, the Foundation entered into a lease agreement for office space that calls for monthly payments of \$2,330 through January 2019. In December 2018, the lease was extended through January 2020. Total rent expense was \$27,965 for the years ended December 31, 2019 and 2018. Future minimum lease payments are \$2,330 in 2020.

Subsequent to year-end, the Foundation entered into a new lease agreement beginning February 1, 2020 for a period of five years through January 31, 2025. The lease allows for two successive additional periods of five years. The Foundation will be responsible for leasehold improvement expenses. The property owner is not charging rent during the lease term.

### Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018 were \$61,533 and \$61,405, respectively, and were restricted for time.

Net assets were released from donor restrictions for the years ended December 31, 2019 and 2018 by incurring expenses satisfying the purpose specified by the donor or through the passage of time as follows:

	<u>2019</u>	<u>2018</u>
Scholarships	\$        - -	\$     50,000
Time restriction	<u>          5,000</u>	<u>          5,000</u>
	<u>\$       5,000</u>	<u>\$     55,000</u>

### Note 11. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 3, 2020, the date the financial statements were available to be issued. The Foundation has determined there are no other subsequent events that require recognition or disclosure.