

The Intrepid Fallen Heroes Fund

Financial Statements

April 30, 2009



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Audit Committee The Intrepid Fallen Heroes Fund

We have audited the accompanying statement of financial position of The Intrepid Fallen Heroes Fund (the "Fund") as of April 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of the Fund as of April 30, 2008, which were audited by other auditors whose report dated August 25, 2008 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Intrepid Fallen Heroes Fund as of April 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
September 11, 2009

The Intrepid Fallen Heroes Fund

Statement of Financial Position

April 30, 2009

(with comparative amounts at April 30, 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 32,602,597	\$ 15,398,951
Investments	-	4,875
Pledges receivable	10,364,184	511,031
Contributions receivable	55,748	523,367
Other receivables	367	346
Prepaid expenses	7,257	8,793
Due from affiliate	179,552	173,054
Handbooks, net	-	224,233
Furniture and equipment, net	2,862	5,458
Construction-in-progress	<u>6,328,618</u>	<u>600,210</u>
	<u>\$ 49,541,185</u>	<u>\$ 17,450,318</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 228,746	\$ 69,740
Grants payable	-	1,038,625
Construction costs payable	<u>1,279,371</u>	<u>250,702</u>
Total Liabilities	<u>1,508,117</u>	<u>1,359,067</u>
Net Assets		
Unrestricted	31,349,166	14,659,618
Temporarily restricted	<u>16,683,902</u>	<u>1,431,633</u>
Total Net Assets	<u>48,033,068</u>	<u>16,091,251</u>
	<u>\$ 49,541,185</u>	<u>\$ 17,450,318</u>

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Activities

Year Ended April 30, 2009
(with summarized totals for the year ended April 30, 2008)

	Unrestricted	Temporarily Restricted	2009 Total	2008 Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 10,500,873	\$ 21,300,000	\$ 31,800,873	\$ 6,658,542
In-kind contributions	698,928	-	698,928	840,506
Special event revenue, (net of costs of direct benefits to donors of \$40,895 in 2008)	-	-	-	45,162
Grant recoveries	1,038,625	-	1,038,625	-
Interest and dividends	598,421	-	598,421	480,370
Net realized (loss) gain on sale of investments	(694)	-	(694)	28
Net assets released from restrictions	6,047,731	(6,047,731)	-	-
Total Support and Revenue	18,883,884	15,252,269	34,136,153	8,024,608
EXPENSES				
Program services	1,027,005	-	1,027,005	1,739,333
Supporting services				
General and administrative	661,379	-	661,379	469,579
Fundraising	505,952	-	505,952	268,128
Total Operating Expenses	2,194,336	-	2,194,336	2,477,040
Change in Net Assets	16,689,548	15,252,269	31,941,817	5,547,568
NET ASSETS				
Beginning of year	14,659,618	1,431,633	16,091,251	10,543,683
End of year	\$ 31,349,166	\$ 16,683,902	\$ 48,033,068	\$ 16,091,251

The Intrepid Fallen Heroes Fund

Statements of Functional Expenses

Year Ended April 30, 2009
(with summarized totals for the year ended April 30, 2008)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2009 Total</u>	<u>2008 Total</u>
Payroll and related expenses	\$ 352,685	\$ 495,153	\$ 235,733	\$ 1,083,571	\$ 700,897
Contracted services	-	7,732	2,441	10,173	13,760
Contributions and grants	329,836	-	2,500	332,336	1,311,918
Postage and delivery	-	748	2,369	3,117	5,800
Office expenses	-	3,194	1,710	4,904	5,964
Marketing expenses	29,564	-	24,897	54,461	75
Design and printing	-	605	34,364	34,969	3,683
Advertising	-	817	2,586	3,403	-
Public relations	-	8,442	26,735	35,177	18,000
Travel	-	9,632	30,503	40,135	21,470
Entertainment	-	6,780	22,822	29,602	17,445
Telephone and internet	-	1,060	3,354	4,414	2,175
Insurance	-	17,590	-	17,590	14,560
Rent	-	5,422	1,712	7,134	14,269
Professional fees	-	97,934	44,306	142,240	103,315
Regulatory fees	-	-	4,090	4,090	4,175
Service charges	-	3,484	65,699	69,183	35,180
Other expenses	-	190	131	321	675
Handbooks	314,920	-	-	314,920	-
Depreciation expense	-	2,596	-	2,596	203,679
	<u>\$ 1,027,005</u>	<u>\$ 661,379</u>	<u>\$ 505,952</u>	<u>\$ 2,194,336</u>	<u>\$ 2,477,040</u>

The Intrepid Fallen Heroes Fund

Statements of Cash Flows

Year Ended April 30, 2009

(with comparative amounts for year ended April 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 31,941,817	\$ 5,547,568
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,596	203,679
Net realized loss (gain) on sale of securities	694	(28)
Donation of marketable securities	(124,131)	(132,757)
Donation of handbooks	(90,687)	(269,079)
Donated medical equipment	-	(72,348)
Donation of equipment and costs to the Center	229,836	1,278,648
Changes in operating assets and liabilities		
Pledges receivable	(9,853,153)	172,823
Grants receivable	-	625,000
Contributions receivable	467,619	(408,126)
Other receivables	(21)	15,412
Prepaid expenses	1,536	(4,914)
Handbooks	314,920	-
Accounts payable and accrued expenses	159,006	(98,817)
Grants payable	(1,038,625)	135,500
Net Cash from Operating Activities	22,011,407	6,992,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Due from affiliate	(6,498)	(82,548)
Proceeds from sale of investments	128,312	135,948
Payments for construction-in-progress	(4,749,247)	(349,508)
Deposit on equipment for Center	-	100,000
Payments for construction costs	(180,328)	(4,873,065)
Net Cash from Investing Activities	(4,807,761)	(5,069,173)
Net Change in Cash and Cash Equivalents	17,203,646	1,923,388
CASH AND CASH EQUIVALENTS		
Beginning of year	15,398,951	13,475,563
End of year	\$ 32,602,597	\$ 15,398,951
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non cash investing activities:		
Construction-in-progress costs payable to contractors	\$ 1,279,371	\$ 250,702

See notes to financial statements

The Intrepid Fallen Heroes Fund

Notes to Financial Statements

1. Organization and Tax Status

The Intrepid Fallen Heroes Fund (the "Fund") was formed on October 30, 2003 as not-for-profit Corporation organized under the laws of the State of New York.

The Fund is currently engaged in constructing the National Intrepid Center of Excellence ("NICoE"), a facility dedicated to research, diagnosis and treatment of traumatic brain injury. Traumatic brain injury afflicts as many as several hundred thousand veterans of the Iraq and Afghanistan conflicts. The Fund is constructing and equipping the center, which is located at the National Naval Medical center in Bethesda, MD. Upon completion of construction, NICoE will be turned over to the Department of Defense for staffing and operation. At this point the Fund's interest in NICoE will end.

Through May 12, 2005, the Fund provided support for dependent family members of military personnel who had given their lives in defense of the United States of America. Specifically, the Fund provided unrestricted grants and scholarships to dependent family members of U.S. or U.K. military personnel who have given their lives in operations in Iraq and Afghanistan ("Beneficiaries"). With the May 12, 2005 signing of a new federal law, the United States Government significantly increased the support provided to families of military personnel lost in Iraq and Afghanistan. Accordingly, effective May 31, 2005 and with the approval of the Board of Trustees ("Board"), the Fund embarked on a new mission and directed its efforts to the construction of the Center for the Intrepid (the "Center"), a world-class, state-of-the-art national rehabilitation facility at Brooke Army Medical Center in San Antonio, Texas. The Center serves military personnel who have been catastrophically disabled in operations in Iraq and Afghanistan, as well as military personnel severely injured in the normal performance of the duties. Upon completion of the Center in January 2007, the Center was donated to the United States Army ("Army"), which now assumes responsibility for its operations and maintenance.

The Fund is supported by public contributions which are used exclusively to make unrestricted grants and scholarships to Beneficiaries, to pay for construction and upkeep of the CFI and NICoE centers and any other mission-related costs. During the years ended April 30, 2009 and 2008, the Fund incurred construction and related costs totaling \$5,958,244 and \$1,878,858. Administrative and fund-raising costs are predominantly funded using contributions made by members of the Board of Trustees and/or their affiliates and interest earned on savings and checking accounts.

The Fund has been determined by the Internal Revenue Service to be a charitable organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as a publicly supported organization and not as a private foundation under Section 509(a)(1) of the IRC, and qualifies for the maximum charitable contribution deduction by donors.

The Intrepid Fallen Heroes Fund

Notes to Financial Statements

2. Summary of Significant Accounting Policies

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 contingencies, if any, at the date of the financial statements, and the reported amounts of revenue and other support and expenses during the period then ended. Actual results could differ from those estimates.

Basis of Presentation

The financial statements report net assets separately by class of net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets represent contributions with donor imposed restrictions that have not yet been satisfied. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets are those which are established by donor gifts to provide a permanent endowment.

Cash and Cash Equivalents

The Fund considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities are recorded at fair value.

Pledges Receivable

The Fund recognizes unconditional pledges at the present value of their estimated future cash flows. The discounts on these amounts are computed using interest rates applicable in the years in which the pledge was received. Amortization of discounts is included in contribution revenue, when applicable. Management has determined that no allowance for uncollectability is necessary based on historical experience.

Furniture and Equipment

Office furniture and equipment are carried at cost. Depreciation is computed on a straight-line basis over the assets' estimated useful lives of five years. Depreciation expense amounted to \$2,596 and \$2,201 for the years ended April 30, 2009 and 2008. The Fund follows the practice of charging repairs and maintenance to expense as incurred.

The Intrepid Fallen Heroes Fund

Notes to Financial Statements

2. Summary of Significant Accounting Policies (*continued*)

Handbooks

In September 2007, an additional donor, in conjunction with the Fund and the Wounded Warrior Project, provided other handbooks for the use of injured service members and their families. The donor's costs of \$269,079 incurred in producing the handbooks were reported as in-kind contributions to the Fund in fiscal 2008 and amortized on the straight-line basis over the handbooks' estimated useful life of three years. The donor had conducted additional work on the handbooks during fiscal 2009 and incurred costs of \$90,687. This amount was reported as in-kind contributions and handbooks expense on the statement of activities in fiscal 2009.

All remaining handbooks have been distributed during fiscal 2009 and fully amortized in that year.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are classified as unrestricted, temporarily restricted, or permanently restricted support. If donor restrictions are met within the same reporting period as when the contribution was made, those contributions are recorded as unrestricted support.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$3,403 in 2009. There was no advertising expense in 2008.

Affiliate

For purposes of these financial statements, "affiliate" refers to an entity under common control and/or common ownership. Certain directors of the Fund are also directors of the Intrepid. An intercorporate agreement between the Fund and the Intrepid provides for the exchange of certain services, including payroll, between the two organizations.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's audited financial statements for the year ended April 30, 2008.

The Intrepid Fallen Heroes Fund

Notes to Financial Statements

2. Summary of Significant Accounting Policies (*continued*)

Accounting for Uncertainty in Income Taxes

The Fund's current accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax.

3. Concentrations of Credit Risk

The Fund maintains its cash in accounts which, at times, may exceed federal insured limits. The Fund has not experienced any losses in such accounts.

4. Pledges Receivable

Pledges and contributions receivable include unconditional promises to give and are all due in less than one year.

5. Due from Affiliate

At April 30, 2009 and 2008, \$179,552 and \$173,054, are due on demand from The Intrepid Museum Foundation ("Intrepid"). These amounts represent certain payments made by the Fund on behalf of Intrepid.

6. Construction-in-Progress

Through April 30, 2009 and 2008, the Fund has spent \$6,328,618 and \$600,210 for construction costs related to its NICoE Project.

7. Investment Income

Pursuant to the spending policy adopted by the Board of Trustees, all interest or other investment income earned is available for operating costs, unless otherwise restricted by the donor.

8. Related Party Transactions

During the year ended April 30, 2009 costs totaling \$209,403 were paid to Plaza Construction Corp. ("Plaza"), an affiliate of a certain Board member, to perform construction management services with respect to the building of the National Intrepid Center of Excellence (NICoE).

A member of the Fund's Board is an attorney in a law firm which provides legal services to the Fund. During the year ended April 30, 2009, fees totaling \$40,000 were paid to the law firm.

The Intrepid Fallen Heroes Fund

Notes to Financial Statements

8. Related Party Transactions *(continued)*

During the years ended April 30, 2009 and 2008, certain members of the Board of Trustees and their affiliates made contributions to the Fund amounting to approximately \$1,450,000 and \$655,000.

During the years ended April 30, 2009 and 2008, Intrepid provided management, general and administrative services, and fund-raising support to the Fund, free of charge. These costs in the amounts of \$608,077 and \$476,913, have been included in contributions in-kind and are allocated among program, general and administrative, and fund-raising expenses.

During the years ended April 30, 2009 and 2008, the Fund provided personnel to support the Intrepid on an as-needed basis, free of charge. The costs relating to these services amounted to \$117,190 and \$81,572, and are included in general and administrative expenses.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes as of April 30:

	<u>2009</u>	<u>2008</u>
Scholarships to beneficiaries	\$ -	\$ 11,819
NICoE Center	15,571,592	-
Upkeep and upgrades to the Center for the Intrepid	1,112,310	1,342,146
Operating expenses	<u>-</u>	<u>77,668</u>
	<u>\$ 16,683,902</u>	<u>\$ 1,431,633</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the following purposes during the years ended April 30:

	<u>2009</u>	<u>2008</u>
Scholarships to beneficiaries	\$ 11,819	\$ 8,750
NICoE Center	5,728,408	-
Upkeep and upgrades to the Center for the Intrepid	229,836	320,471
Operating expenses	<u>77,668</u>	<u>-</u>
	<u>\$ 6,047,731</u>	<u>\$ 329,221</u>

The Intrepid Fallen Heroes Fund

Notes to Financial Statements

10. Program Services

For the year ended April 30, 2009, costs totaling \$816,893 were incurred by the Fund for the NICoE Center program.

11. Tax Sheltered Salary Reduction Plan

The Fund is a participant in a tax-sheltered salary reduction plan sponsored by Intrepid, which is qualified under Section 403(b) of the IRC. The plan provides for all participating employees to accept a reduction in salary or to forego an increase and have such amounts applied by the Fund for the purchase of an annuity for the benefit of the participating employee. The Fund makes no contribution to the plan.