

The Intrepid Fallen Heroes Fund

Financial Statements

April 30, 2017

Independent Auditors' Report

Board of Trustees The Intrepid Fallen Heroes Fund

We have audited the accompanying financial statements of The Intrepid Fallen Heroes Fund (the "Fund"), which comprise the statement of financial position as of April 30, 2017, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 The Intrepid Fallen Heroes Fund as of April 30, 2017, and the changes in its net assets and its cash flows for the year 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 Intrepid Fallen Heroes Fund's April 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

September 7, 2017

The Intrepid Fallen Heroes Fund

Statement of Financial Position
April 30, 2017
(with comparative amounts at April 30, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$16,718,596	\$11,839,124
Certificate of deposit	275,000	275,000
Pledges and contributions receivable, net	162,577	1,247,151
Prepaid expenses and other assets	24,916	35,617
Construction in progress	<u>3,632,690</u>	<u>284,487</u>
	<u>\$20,813,779</u>	<u>\$13,681,379</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 61,733	\$ 106,992
Refundable advances	-	10,000
Construction costs payable	<u>848,240</u>	<u>1,427,510</u>
Total Liabilities	<u>909,973</u>	<u>1,544,502</u>
Net Assets		
Unrestricted	18,203,388	11,586,877
Temporarily restricted	<u>1,700,418</u>	<u>550,000</u>
Total Net Assets	<u>19,903,806</u>	<u>12,136,877</u>
	<u>\$20,813,779</u>	<u>\$13,681,379</u>

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Activities
For the Year Ended April 30, 2017
(with summarized totals for the year ended April 30, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 6,858,259	\$ 1,642,500	\$ 8,500,759	\$ 8,893,818
In-kind contributions	169,850	-	169,850	164,897
Special event revenue, net of costs with direct benefit to donor of \$81,345 and \$387,349	444,223	-	444,223	632,872
Interest and dividends	71,810	-	71,810	73,591
Net assets released from restrictions	<u>492,082</u>	<u>(492,082)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>8,036,224</u>	<u>1,150,418</u>	<u>9,186,642</u>	<u>9,765,178</u>
EXPENSES				
Program	318,276	-	318,276	19,201,694
Supporting Services				
Management and general	549,996	-	549,996	615,636
Fundraising	<u>551,441</u>	<u>-</u>	<u>551,441</u>	<u>558,110</u>
Total Expenses	<u>1,419,713</u>	<u>-</u>	<u>1,419,713</u>	<u>20,375,440</u>
Change in Net Assets	6,616,511	1,150,418	7,766,929	(10,610,262)
NET ASSETS				
Beginning of year	<u>11,586,877</u>	<u>550,000</u>	<u>12,136,877</u>	<u>22,747,139</u>
End of year	<u>\$ 18,203,388</u>	<u>\$ 1,700,418</u>	<u>\$ 19,903,806</u>	<u>\$ 12,136,877</u>

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Functional Expenses For the Year Ended April 30, 2017 (with summarized totals for the year ended April 30, 2016)

	Program	Management and General	Fundraising	2017 Total	2016 Total
Payroll and related expenses	\$ 89,178	\$ 275,775	\$ 229,393	\$ 594,346	\$ 645,709
Occupancy	-	15,670	-	15,670	15,691
Contracted services	-	64,504	-	64,504	8,431
Contributions and grants	223,919	-	-	223,919	19,124,880
Postage and delivery	-	1,245	3,941	5,186	16,077
Office expenses	-	17,640	-	17,640	5,363
Marketing	-	-	201,838	201,838	133,145
Advertising	-	60	190	250	49,796
Design and printing	-	1,322	4,188	5,510	5,490
Public relations	-	11,520	36,480	48,000	48,000
Travel	-	2,552	8,080	10,632	7,267
Telephone and internet	-	1,503	4,762	6,265	6,805
Utilities	-	2,613	4,144	6,757	10,024
Insurance	-	37,821	-	37,821	36,217
Professional fees	-	103,220	21,346	124,566	153,673
Regulatory fees	5,179	-	-	5,179	7,383
Service charges	-	5,024	35,022	40,046	54,041
Provision for uncollectible pledges	-	5,288	-	5,288	11,359
Other expenses	-	4,239	2,057	6,296	36,089
	<u>\$ 318,276</u>	<u>\$ 549,996</u>	<u>\$ 551,441</u>	<u>\$ 1,419,713</u>	<u>\$ 20,375,440</u>

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Cash Flows
For the Year Ended April 30, 2017
(with comparative amounts for the year ended April 30, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,766,929	\$ (10,610,262)
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for uncollectible pledges	5,288	11,359
Donation of marketable securities	(106,143)	(67,499)
Intrepid Spirit facilities turned over to the United States Government	172,180	19,109,630
Changes in Operating Assets and Liabilities		
Pledges and contributions receivable	1,079,286	(1,033,942)
Prepaid expenses and other assets	10,701	27,841
Accounts payable and accrued liabilities	(45,259)	30,882
Refundable advances	(10,000)	(195,975)
Net Cash from Operating Activities	8,872,982	7,272,034
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	106,143	67,499
Payments for construction in progress	(4,099,653)	(14,565,052)
Net Cash from Investing Activities	(3,993,510)	(14,497,553)
Net Change in Cash	4,879,472	(7,225,519)
 CASH		
Beginning of year	11,839,124	19,064,643
End of year	\$ 16,718,596	\$ 11,839,124
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non Cash Investing Activities		
Construction in progress costs payable included in construction costs payable	\$ 579,270	\$ 176,610

See notes to financial statements

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2017

1. Organization and Tax Status

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

Through May 12, 2005, the Fund provided support for dependent family members of United States and British military personnel lost in performance of their duty, mostly in service in Iraq and Afghanistan. In 2005 federal legislation substantially increased the benefits granted to these families. The Fund therefore redirected its support toward severely injured military personnel.

In January 2007 the Fund completed construction of the Center for the Intrepid (the "Center"), a world-class state-of-the-art physical rehabilitation center 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, and elsewhere in the normal performance of their duties. Upon completion of construction, the Center was donated to the United States Army, which assumed responsibility for its operations and maintenance.

The Fund next embarked on the construction and equipping of the National Intrepid Center of Excellence ("NICoE"), a 72,000-square-foot facility, located at the Walter Reed National Military Medical Center in Bethesda, MD. NICoE is dedicated to research, diagnosis and treatment of traumatic brain injury (TBI), which afflicts thousands of military personnel and veterans, and other psychological health (PH) conditions. Upon completion of NICoE, the facility was officially turned over to the United States Department of the Navy on June 24, 2010, for staffing and operation.

The Fund then launched a new campaign to extend the care provided at NICoE to more service members and veterans suffering TBI and PH conditions. The Fund is building nine "Intrepid Spirit" centers at major military bases around the country. These centers act as satellites to the central NICoE facility and allow urgently needed care to be brought to more troops and closer to home. The Fund has a \$100 million campaign underway to raise funds for the construction of the Intrepid Spirit Centers.

Construction of the first two Intrepid Spirit Centers located at Fort Belvoir, Virginia and Camp Lejeune, North Carolina was completed during fiscal 2014. Construction of the third Intrepid Spirit Center, at Fort Campbell, Kentucky, was completed in fiscal 2015. The fourth and fifth Intrepid Spirit Centers, at Fort Bragg, North Carolina, and Fort Hood, Texas, were completed in fiscal 2016. The sixth Intrepid Spirit Center, at Joint Base Lewis-McCord, Seattle, Washington, began construction in fiscal 2016 and will be completed in fiscal 2018. The seventh Intrepid Spirit Center at Camp Pendleton, Oceanside, California began construction in fiscal 2017 and will also be completed in fiscal 2018.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2017

1. Organization and Tax Status (*continued*)

The Fund is supported by public contributions which are used specifically for construction of the Intrepid Spirit Centers and any other mission related costs. Administrative and fundraising costs are funded using contributions made by members of the Board and/or their affiliates, interest earned on savings and checking accounts, and unrestricted non-affiliated donor funds.

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.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Fund's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Fund's management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Net Asset 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 or time restriction 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 restricted net assets 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.

Certificate of Deposit

The Fund's certificate of deposit matures on July 29, 2021, and is recorded at cost plus accrued interest, which approximates fair value.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2017

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

Pledges and Contributions Receivable

Pledges and contributions receivable are stated net of an allowance for doubtful accounts. A provision for uncollectible pledges is provided for on the allowance method based on historical experience and management's estimation of collection losses on outstanding receivables. The Fund recognizes unconditional pledges at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable in the years in which the pledge was received. Amortization of discounts is included in contributions and grants revenue when applicable.

Construction in Progress

Construction in progress is stated at cost, which includes the cost of construction and other costs attributable to the construction of the Intrepid Spirit Centers. No provision for depreciation is made on construction in progress since such assets will be transferred to the U.S. Government upon completion.

Contributions

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

Donated securities are recorded at their fair value on the date of gift and are typically sold upon receipt. Realized gains and losses on the sale of donated securities are computed on the specific identification method.

In-kind Contributions

Contributed services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are reflected in the accompanying statement of activities at their fair value at the time the services are rendered.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2017

2. Summary of Significant Accounting Policies (continued)

In-kind Contributions (continued)

The free use of facilities, and goods donated as part of program services, fundraising activities, or management and general expenses are recorded in the accompanying financial statements at their fair value on date of use or receipt to the extent that such amounts can be reasonably estimated.

In addition, a number of volunteers have made significant contributions of their time. The value of such contributions does not meet the criteria for recognition of contributed services provided by U.S. GAAP and accordingly, is not reflected in the accompanying financial statements.

Functional Allocation of Expenses

The Fund reports its expenses by their functional classification, which is the reporting by major programs and supporting activities. Program services are the activities that result in services being provided to beneficiaries pursuant to the Fund's missions. Supporting activities are classified as management and general activities and include all management and administrative functions, such as oversight, and business management but exclude direct conduct of program services and fundraising activities. Fundraising activities include developing and maintaining relationships with major donors, foundations, and potential donors.

Prior Year Summarized Financial Information

The accompanying 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Fund's audited financial statements for the year ended April 30, 2016.

Accounting for Uncertainty in Income Taxes

The Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Fund had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund is no longer subject to audits by the applicable taxing jurisdictions for fiscal years prior to 2014.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 7, 2017.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2017

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Fund to significant concentrations of credit risk consist principally of cash including certificates of deposit. The Fund maintains its cash with two financial institutions which are in excess of federally insured limits. The Fund has not experienced any losses in such accounts.

4. Pledges and Contributions Receivable

Pledges and contributions receivable at April 30, 2017 are shown net of an allowance for doubtful accounts of \$37,811. The amounts receivable are all due in less than one year.

5. Construction in Progress

During fiscal 2016, the fourth and fifth Intrepid Spirit Centers located Fort Bragg, North Carolina, and Fort Hood, Texas were officially opened and granted to the United States Government. Construction in progress related to these centers at April 30, 2016 plus additional costs incurred in fiscal 2017 were recognized as contributions and grants expense of \$172,180 and have been reported as such in the statements of activities and functional expenses for the year ended April 30, 2017.

Through April 30, 2017, the Fund incurred \$2,856,121 and \$492,082 in construction costs related to the sixth and seventh Intrepid Spirit Centers, respectively (see note 1).

6. Transactions with Intrepid Museum Foundation (the "Museum")

An agreement between the Fund and the Museum provides for the exchange of certain services, including payroll and space between the two organizations. During the year ended April 30, 2017, the Fund had transactions with the Museum as follows:

The Museum provided management, general and administrative services, and fundraising support to the Fund, free of charge. These costs, in the amount of \$161,331, have been reported as in-kind contributions and are appropriately allocated among program, management and general and fundraising expenses.

The Fund periodically provides personnel to support the Museum, free of charge. The costs relating to these services amounted to \$135,464 and are included in payroll and related expenses under management and general on the statement of functional expenses.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2017

7. Related Party Transactions

A member of the Fund's Board is an officer in a law firm which provides legal services to the Fund. The Fund paid \$40,000 to the law firm in fiscal 2017 for legal services which provided a value of \$48,519. The difference of \$8,519 is reported as in-kind contributions on the statement of activities.

Revenue reflected in the accompanying statement of activities includes contributions from certain members of the Board and their affiliates in the amount of \$22,500 in fiscal 2017.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of \$1,700,418 and releases from restriction of \$492,082 for Intrepid Spirit Centers sites facility costs.

9. Tax Sheltered Salary Reduction Plan

The Fund offers a tax-sheltered salary reduction plan sponsored by the Museum to its employees. The Fund makes no contributions to the plan.

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