

# **The Intrepid Fallen Heroes Fund**

Financial Statements

April 30, 2018

## Independent Auditors' Report

### **Board of Directors** **The Intrepid Fallen Heroes Fund**

We have audited the accompanying financial statements of The Intrepid Fallen Heroes Fund ("IFHF"), which comprise the statement of financial position as of April 30, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

September 14, 2018

## The Intrepid Fallen Heroes Fund

Statement of Financial Position  
April 30, 2018  
(with comparative amounts at April 30, 2017)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash	\$ 5,526,485	\$ 16,718,596
Certificate of deposit	275,000	275,000
Pledges and contributions receivable, net	58,166	162,577
Prepaid expenses and other assets	5,261	24,916
Construction in progress	<u>14,766</u>	<u>3,632,690</u>
	<u>\$ 5,879,678</u>	<u>\$ 20,813,779</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 115,964	\$ 61,733
Construction costs payable	<u>747,551</u>	<u>848,240</u>
Total Liabilities	<u>863,515</u>	<u>909,973</u>
Net Assets		
Unrestricted	4,576,663	18,203,388
Temporarily restricted	<u>439,500</u>	<u>1,700,418</u>
Total Net Assets	<u>5,016,163</u>	<u>19,903,806</u>
	<u>\$ 5,879,678</u>	<u>\$ 20,813,779</u>

See notes to financial statements

## The Intrepid Fallen Heroes Fund

Statement of Activities  
For the Year Ended April 30, 2018  
(with summarized totals for the year ended April 30, 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 7,401,428	\$ 1,513,500	\$ 8,914,928	\$ 8,500,759
In-kind contributions	98,293	-	98,293	169,850
Special event revenue, net of costs with direct benefit to donor of \$10,836 and \$81,345	247,724	-	247,724	444,223
Gain on sale of assets	8,471	-	8,471	-
Interest and dividends	45,254	-	45,254	71,810
Net assets released from restrictions	<u>2,774,418</u>	<u>(2,774,418)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>10,575,588</u>	<u>(1,260,918)</u>	<u>9,314,670</u>	<u>9,186,642</u>
<b>EXPENSES</b>				
Program	23,029,532	-	23,029,532	318,276
Supporting Services				
Management and general	600,273	-	600,273	549,996
Fundraising	<u>572,508</u>	<u>-</u>	<u>572,508</u>	<u>551,441</u>
Total Expenses	<u>24,202,313</u>	<u>-</u>	<u>24,202,313</u>	<u>1,419,713</u>
Change in Net Assets	(13,626,725)	(1,260,918)	(14,887,643)	7,766,929
<b>NET ASSETS</b>				
Beginning of year	<u>18,203,388</u>	<u>1,700,418</u>	<u>19,903,806</u>	<u>12,136,877</u>
End of year	<u>\$ 4,576,663</u>	<u>\$ 439,500</u>	<u>\$ 5,016,163</u>	<u>\$ 19,903,806</u>

See notes to financial statements

## The Intrepid Fallen Heroes Fund

Statement of Functional Expenses  
For the Year Ended April 30, 2018  
(with summarized totals for the year ended April 30, 2017)

	Program	Management and General	Fundraising	2018 Total	2017 Total
Payroll and related expenses	\$ 117,700	\$ 274,363	\$ 205,615	\$ 597,678	\$ 594,346
Occupancy	-	23,505	-	23,505	15,670
Contracted services	-	66,330	-	66,330	64,504
Contributions and grants	22,904,718	100	-	22,904,818	223,919
Postage and delivery	-	1,138	3,604	4,742	5,186
Office expenses	-	20,769	-	20,769	17,640
Marketing	-	-	273,962	273,962	201,838
Advertising	-	889	2,815	3,704	250
Design and printing	-	703	2,227	2,930	5,510
Public relations	-	11,520	36,480	48,000	48,000
Travel	-	2,603	8,242	10,845	10,632
Telephone and internet	-	1,065	3,374	4,439	6,265
Utilities	-	3,919	6,216	10,135	6,757
Insurance	-	39,683	-	39,683	37,821
Professional fees	-	121,141	-	121,141	124,566
Regulatory fees	7,114	-	-	7,114	5,179
Service charges	-	6,821	29,322	36,143	40,046
Provision for uncollectible pledges	-	24,275	-	24,275	5,288
Other expenses	-	1,449	651	2,100	6,296
	<u>\$23,029,532</u>	<u>\$ 600,273</u>	<u>\$ 572,508</u>	<u>\$24,202,313</u>	<u>\$ 1,419,713</u>

See notes to financial statements

## The Intrepid Fallen Heroes Fund

Statement of Cash Flows  
For the Year Ended April 30, 2018  
(with comparative amounts for the year ended April 30, 2017)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$(14,887,643)	\$ 7,766,929
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for uncollectible pledges	24,275	5,288
Donation of marketable securities	(53,966)	(106,143)
Intrepid Spirit Centers turned over to the United States Government	22,901,718	172,180
Changes in Operating Assets and Liabilities		
Pledges and contributions receivable	80,136	1,079,286
Prepaid expenses and other assets	19,655	10,701
Accounts payable and accrued liabilities	54,231	(45,259)
Refundable advances	-	(10,000)
Net Cash from Operating Activities	8,138,406	8,872,982
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	53,966	106,143
Payments for construction in progress	(19,384,483)	(4,099,653)
Net Cash from Investing Activities	(19,330,517)	(3,993,510)
Net Change in Cash	(11,192,111)	4,879,472
 <b>CASH</b>		
Beginning of year	16,718,596	11,839,124
End of year	\$ 5,526,485	\$ 16,718,596
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Non Cash Investing Activities		
Construction in progress costs payable included in construction costs payable	\$ 100,689	\$ 579,270

See notes to financial statements

## **The Intrepid Fallen Heroes Fund**

Notes to the Financial Statements  
April 30, 2018

### **1. Organization and Tax Status**

The Intrepid Fallen Heroes Fund (“IFHF”) 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, IFHF 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. IFHF therefore redirected its support toward severely injured military personnel.

In January 2007, IFHF 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.

IFHF next embarked on the construction and equipping of the National Intrepid Center of Excellence (“NICoE”), a 72,000-square-foot facility, located at Walter Reed National Military Medical Center in Bethesda, MD. NICoE is dedicated to research, diagnosis and treatment of traumatic brain injury (TBI) and post-traumatic stress (PTS), which afflicts hundreds of thousands of military personnel and veterans. 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.

IFHF then launched a new campaign to extend the care provided at NICoE to more service members suffering TBI and PTS. IFHF is building ten “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. IFHF has a \$100 million campaign underway to raise funds for the construction of the Intrepid Spirit Centers.

Since fiscal 2014, seven Intrepid Spirit Centers have been built: at Fort Belvoir, Virginia; Camp Lejeune, North Carolina; Fort Campbell, Kentucky; Fort Bragg, North Carolina; Fort Hood, Texas; Joint Base Lewis-McChord, Washington; and Camp Pendleton, California. IFHF continues fundraising for three more Intrepid Spirit Centers.

## The Intrepid Fallen Heroes Fund

Notes to the Financial Statements  
April 30, 2018

### 1. Organization and Tax Status (*continued*)

IFHF 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 of Directors and/or their affiliates, interest earned on savings and checking accounts, and unrestricted non-affiliated donor funds.

IFHF 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***

IFHF'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 IFHF'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***

IFHF's certificate of deposit matures on July 29, 2021, and is recorded at cost.

## **The Intrepid Fallen Heroes Fund**

Notes to the Financial Statements  
April 30, 2018

### **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. IFHF 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.

#### ***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.

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, 2018

### **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***

IFHF 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 IFHF'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 IFHF's audited financial statements as of and for the year ended April 30, 2017.

#### ***Accounting for Uncertainty in Income Taxes***

IFHF recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that IFHF had no uncertain tax positions that would require financial statement recognition or disclosure. IFHF is no longer subject to examinations by the applicable taxing jurisdictions for fiscal years prior to 2015.

#### ***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 14, 2018.

## **The Intrepid Fallen Heroes Fund**

Notes to the Financial Statements  
April 30, 2018

### **3. Concentrations of Credit Risk**

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

### **4. Pledges and Contributions Receivable**

Pledges and contributions receivable at April 30, 2018 are shown net of an allowance for doubtful accounts of \$27,625. The amounts receivable are all due in less than one year.

### **5. Construction in Progress**

During fiscal 2018, the sixth and seventh Intrepid Spirit Centers located at Joint Base Lewis-McChord, Washington, and Camp Pendleton, California were officially opened and granted to the United States Government. Construction in progress related to these centers at April 30, 2018 plus additional costs incurred in fiscal 2018 were recognized as contributions and grants expense of \$22,894,718 and have been reported as such in the statement of activities and functional expenses for the year ended April 30, 2018.

Through April 30, 2018, IFHF incurred \$8,061 in construction costs related to the eighth and ninth Intrepid Spirit Centers, (see note 1).

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

An agreement between IFHF and the Museum provides for the exchange of certain services, including payroll and space between the two organizations. During the year ended April 30, 2018, IFHF had transactions with the Museum as follows:

The Museum provided administrative and technical support to IFHF, free of charge. These costs, in the amount of \$95,595, have been reported as in-kind contributions and are allocated among program, management and general and fundraising expenses.

IFHF provides administrative support for the Museum, free of charge. The costs relating to these services amounted to \$43,661 and are included in payroll and related expenses under program, management and general and fundraising on the statement of functional expenses.

## **The Intrepid Fallen Heroes Fund**

Notes to the Financial Statements  
April 30, 2018

### **7. Related Party Transactions**

A member of IFHF's Board is an officer in a law firm which provides legal services to IFHF. IFHF paid \$25,000 to the law firm in fiscal 2018 for legal services which provided a value of \$27,698. The difference of \$2,698 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 \$340,000 in fiscal 2018.

### **8. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of \$439,500 and releases from restriction of \$2,774,418 for Intrepid Spirit Centers sites facility costs.

### **9. Tax Sheltered Salary Reduction Plan**

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

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