

# **The Intrepid Fallen Heroes Fund**

Financial Statements

April 30, 2019

## **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, 2019, 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, 2019, 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.

***Change in Accounting Principle***

As discussed in note 2 to the financial statements, during the year ended April 30, 2019, The Intrepid Fallen Heroes Fund adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited The Intrepid Fallen Heroes Fund's April 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

October 3, 2019

## The Intrepid Fallen Heroes Fund

Statement of Financial Position  
April 30, 2019  
(with comparative amounts at April 30, 2018)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 11,952,054	\$ 5,526,485
Certificate of deposit	275,000	275,000
Pledges and contributions receivable, net	32,332	58,166
Prepaid expenses and other assets	1,198	5,261
Construction in progress	<u>711,421</u>	<u>14,766</u>
	<u>\$ 12,972,005</u>	<u>\$ 5,879,678</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued liabilities	\$ 107,890	\$ 115,964
Construction costs payable	<u>106,577</u>	<u>747,551</u>
Total Liabilities	<u>214,467</u>	<u>863,515</u>
Net Assets		
Without donor restrictions	11,825,235	4,576,663
With donor restrictions	<u>932,303</u>	<u>439,500</u>
Total Net Assets	<u>12,757,538</u>	<u>5,016,163</u>
	<u>\$ 12,972,005</u>	<u>\$ 5,879,678</u>

See notes to financial statements

## The Intrepid Fallen Heroes Fund

Statement of Activities  
For the Year Ended April 30, 2019  
(with summarized totals for the year ended April 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 8,015,216	\$ 1,197,500	\$ 9,212,716	\$ 8,914,928
In-kind contributions	97,075	-	97,075	98,293
Special event revenue, net of costs with direct benefit to donor of \$73,685 and \$10,836	187,035	-	187,035	247,724
Gain (loss) on sale of assets	(279)	-	(279)	8,471
Interest and dividends	137,372	-	137,372	45,254
Net assets released from restrictions	704,697	(704,697)	-	-
Total Support and Revenue	9,141,116	492,803	9,633,919	9,314,670
<b>EXPENSES</b>				
Program	987,837	-	987,837	23,029,532
Supporting Services				
Management and general	433,022	-	433,022	600,273
Fundraising	471,685	-	471,685	572,508
Total Expenses	1,892,544	-	1,892,544	24,202,313
Change in Net Assets	7,248,572	492,803	7,741,375	(14,887,643)
<b>NET ASSETS</b>				
Beginning of year	4,576,663	439,500	5,016,163	19,903,806
End of year	\$ 11,825,235	\$ 932,303	\$ 12,757,538	\$ 5,016,163

See notes to financial statements

## The Intrepid Fallen Heroes Fund

Statement of Functional Expenses  
For the Year Ended April 30, 2019  
(with summarized totals for the year ended April 30, 2018)

	Program	Management and General	Fundraising	2019 Total	2018 Total
Payroll and related expenses	\$ 177,876	\$ 179,071	\$ 345,864	\$ 702,811	\$ 597,678
Occupancy	-	17,230	-	17,230	23,505
Contracted services	-	58,719	40,172	98,891	66,330
Contributions and grants	803,588	-	-	803,588	22,904,818
Postage and delivery	-	1,428	4,522	5,950	4,742
Office expenses	-	31,196	-	31,196	20,769
Marketing	-	-	12,334	12,334	273,962
Advertising	-	628	1,989	2,617	3,704
Design and printing	-	1,600	7,371	8,971	2,930
Event expenses	-	-	29,708	29,708	10,836
Public relations	-	11,520	37,980	49,500	48,000
Travel	-	2,326	7,366	9,692	10,845
Telephone and internet	-	1,252	3,965	5,217	4,439
Utilities	-	2,620	4,156	6,776	10,135
Insurance	-	37,511	-	37,511	39,683
Professional fees	-	71,191	22,105	93,296	121,141
Regulatory fees	6,373	-	-	6,373	7,114
Service charges	-	5,294	27,324	32,618	36,143
Provision for uncollectible pledges	-	6,933	-	6,933	24,275
Other expenses	-	4,503	514	5,017	2,100
Total Expenses	987,837	433,022	545,370	1,966,229	24,213,149
Less costs with direct benefit to donors	-	-	(73,685)	(73,685)	(10,836)
Total Expenses Reported by Function on the Statement of Activities	\$ 987,837	\$ 433,022	\$ 471,685	\$ 1,892,544	\$24,202,313

See notes to financial statements

## The Intrepid Fallen Heroes Fund

Statement of Cash Flows  
For the Year Ended April 30, 2019  
(with comparative amounts for the year ended April 30, 2018)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,741,375	\$(14,887,643)
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for uncollectible pledges	6,933	24,275
Donation of marketable securities	(6,227)	(53,966)
Intrepid Spirit Centers turned over to the United States Government	778,588	22,901,718
Changes in Operating Assets and Liabilities		
Pledges and contributions receivable	18,901	80,136
Prepaid expenses and other assets	4,063	19,655
Accounts payable and accrued liabilities	(8,074)	54,231
Net Cash from Operating Activities	8,535,559	8,138,406
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	6,227	53,966
Payments for construction in progress	(2,116,217)	(19,384,483)
Net Cash from Investing Activities	(2,109,990)	(19,330,517)
Net Change in Cash	6,425,569	(11,192,111)
<b>CASH</b>		
Beginning of year	5,526,485	16,718,596
End of year	\$ 11,952,054	\$ 5,526,485
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Non Cash Investing Activities		
Construction in progress costs payable included in construction costs payable	\$ 640,974	\$ 100,689

See notes to financial statements

## **The Intrepid Fallen Heroes Fund**

Notes to the Financial Statements  
April 30, 2019

### **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. In fiscal year 2019, construction was begun on the Intrepid Spirit Center at Eglin Air Force Base, Florida. IFHF continues fundraising for two additional centers to be constructed at Fort Carson, Colorado and Fort Bliss, Texas.

## The Intrepid Fallen Heroes Fund

Notes to the Financial Statements  
April 30, 2019

### 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 other 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).

#### ***Change in Accounting Principle***

On May 1, 2018, IFHF adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires IFHF to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restriction and without donor restrictions. In addition, the new guidance requires IFHF to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted net assets were reclassified as net assets with donor restrictions.

#### ***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.

## The Intrepid Fallen Heroes Fund

Notes to the Financial Statements  
April 30, 2019

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

#### ***Net Asset Presentation***

The financial statements report net assets separately by class of net assets. Net assets without donor restrictions are those that are not subject to donor-imposed or time restriction stipulations. Net assets with donor restrictions represent contributions whose use is limited by donors with a specific time period or purpose and may include net assets to be held in perpetuity. At April 30, 2019 and 2018, there were no net assets to be held in perpetuity. When a stipulated time restriction ends or a purpose restriction is accomplished, 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 restrictions.

#### ***Certificate of Deposit***

IFHF's certificate of deposit matures on July 29, 2021, and is recorded at cost and bears interest at an annual rate of 2%.

#### ***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 net assets without donor restrictions or net assets with donor restrictions 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.

## **The Intrepid Fallen Heroes Fund**

Notes to the Financial Statements  
April 30, 2019

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

#### ***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 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a time and effort methodology.

#### ***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, 2018.

#### ***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 2016.

## The Intrepid Fallen Heroes Fund

Notes to the Financial Statements  
April 30, 2019

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

#### ***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 October 3, 2019.

### 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, 2019 and 2018 are shown net of an allowance for doubtful accounts of \$16,696 and \$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. Additional costs of \$778,588 incurred in fiscal 2019 were recognized as contributions and grants expense and were reported in a similar manner for the year ended April 30, 2019.

Through April 30, 2019, IFHF incurred \$711,421 in construction costs related to the eighth Intrepid Spirit Center and preliminary design costs for the ninth and tenth 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, 2019 and 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 \$96,724 and \$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 \$24,325 and \$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, 2019

### 7. Liquidity and Availability of Financial Assets

IFHF's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows:

Financial assets at year end:	
Cash and cash equivalents	\$11,952,054
Certificates of deposit	275,000
Contributions receivable, within one year	<u>32,332</u>
Total financial assets	<u>12,259,386</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	932,303
Less net assets with purpose restrictions to be met in less than one year	<u>(362,173)</u>
	<u>570,130</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$11,689,256</u>

The goal of IFHF is to maintain financial assets to meet twelve months of operating expenses. As part of its liquidity plan, excess cash is invested in certificates of deposit.

### 8. Related Party Transactions

A member of IFHF's Board is an officer in a law firm which provides legal services to IFHF. IFHF paid \$18,000 and \$25,000 to the law firm in fiscal 2019 and fiscal 2018 for legal services. In fiscal 2018, the legal services were valued at \$27,698 and the difference of \$2,698 was 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 \$1,264,172 and \$340,000 in fiscal 2019 and fiscal 2018.

### 9. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of \$932,303 and \$439,500 in fiscal 2019 and fiscal 2018 and releases from restriction of \$704,697 and \$2,774,418 in fiscal 2019 and fiscal 2018 for Intrepid Spirit Centers sites facility costs.

### 10. Tax Sheltered Salary Reduction Plan

IFHF offers a tax-sheltered salary reduction plan sponsored by the Museum to its employees. In fiscal year 2019, IFHF began matching contributions to a maximum of \$2,500.

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