

The Intrepid Fallen Heroes Fund

Financial Statements

April 30, 2020

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, 2020, 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.

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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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

September 25, 2020

The Intrepid Fallen Heroes Fund

Statement of Financial Position
April 30, 2020
(with comparative amounts at April 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 8,759,829	\$ 11,952,054
Certificate of deposit	275,000	275,000
Pledges and contributions receivable, net	1,569,572	32,143
Due from affiliates	31,965	189
Prepaid expenses and other assets	12,530	1,198
Construction in progress	<u>10,732,464</u>	<u>711,421</u>
	<u>\$ 21,381,360</u>	<u>\$ 12,972,005</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 128,874	\$ 107,890
Construction costs payable	<u>1,591,693</u>	<u>106,577</u>
Total Liabilities	<u>1,720,567</u>	<u>214,467</u>
Net Assets		
Without donor restrictions	18,157,113	11,825,235
With donor restrictions	<u>1,503,680</u>	<u>932,303</u>
Total Net Assets	<u>19,660,793</u>	<u>12,757,538</u>
	<u>\$ 21,381,360</u>	<u>\$ 12,972,005</u>

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Activities
For the Year Ended April 30, 2020
(with summarized totals for the year ended April 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 6,783,880	\$ 1,077,500	\$ 7,861,380	\$ 9,212,716
In-kind contributions	70,469	-	70,469	97,075
Special event revenue, net of costs with direct benefit to donors of \$0 and \$73,685	-	-	-	187,035
Gain (loss) on sale of assets	390	-	390	(279)
Interest and dividends	199,100	-	199,100	137,372
Net assets released from restrictions	506,123	(506,123)	-	-
Total Support and Revenue	7,559,962	571,377	8,131,339	9,633,919
EXPENSES				
Program	305,648	-	305,648	987,837
Supporting Services				
Management and general	553,832	-	553,832	433,022
Fundraising	368,604	-	368,604	471,685
Total Expenses	1,228,084	-	1,228,084	1,892,544
Change in Net Assets	6,331,878	571,377	6,903,255	7,741,375
NET ASSETS				
Beginning of year	11,825,235	932,303	12,757,538	5,016,163
End of year	\$ 18,157,113	\$ 1,503,680	\$ 19,660,793	\$ 12,757,538

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Functional Expenses
For the Year Ended April 30, 2020
(with summarized totals for the year ended April 30, 2019)

	Program	Management and General	Fundraising	2020 Total	2019 Total
Payroll and related expenses	\$ 174,984	\$ 301,495	\$ 238,691	\$ 715,170	\$ 702,811
Occupancy	-	17,230	-	17,230	17,230
Contracted services	-	61,795	-	61,795	98,891
Contributions and grants	123,852	-	-	123,852	803,588
Postage and delivery	-	2,145	6,793	8,938	5,950
Office expenses	-	17,044	-	17,044	31,196
Marketing	-	-	17,982	17,982	12,334
Advertising	-	-	-	-	2,617
Design and printing	-	4,465	14,140	18,605	8,971
Event expenses	-	-	-	-	29,708
Public relations	-	8,709	27,580	36,289	49,500
Travel	-	1,535	4,862	6,397	9,692
Telephone and internet	-	1,030	3,263	4,293	5,217
Utilities	-	2,028	3,216	5,244	6,776
Insurance	-	37,820	-	37,820	37,511
Professional fees	-	78,332	23,345	101,677	93,296
Regulatory fees	6,812	-	-	6,812	6,373
Service charges	-	9,033	26,139	35,172	32,618
Provision for uncollectible pledges	-	9,237	-	9,237	6,933
Other expenses	-	1,934	2,593	4,527	5,017
Total Expenses	305,648	553,832	368,604	1,228,084	1,966,229
Less costs with direct benefit to donors	-	-	-	-	(73,685)
Total Expenses Reported by Function on the Statement of Activities	\$ 305,648	\$ 553,832	\$ 368,604	\$ 1,228,084	\$ 1,892,544

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Cash Flows
For the Year Ended April 30, 2020
(with comparative amounts for the year ended April 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,903,255	\$ 7,741,375
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for uncollectible pledges	9,237	6,933
Donation of marketable securities	(21,930)	(6,227)
(Gain) loss on sale of assets	(390)	279
Intrepid Spirit Centers turned over to the United States Government	-	778,588
Changes in Operating Assets and Liabilities		
Pledges and contributions receivable	(1,546,666)	18,812
Due from affiliates	(31,776)	89
Prepaid expenses and other assets	(11,332)	4,063
Accounts payable and accrued liabilities	20,984	(8,074)
Net Cash from Operating Activities	5,321,382	8,535,838
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	22,320	5,948
Payments for construction in progress	(8,535,927)	(2,116,217)
Net Cash from Investing Activities	(8,513,607)	(2,110,269)
Net Change in Cash	(3,192,225)	6,425,569
CASH		
Beginning of year	11,952,054	5,526,485
End of year	\$ 8,759,829	\$ 11,952,054
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non Cash Investing Activities		
Construction in progress costs payable included in construction costs payable	\$ 1,485,116	\$ 640,974

See notes to financial statements

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2020

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 begun on the Intrepid Spirit Center at Eglin Air Force Base, Florida (eighth Intrepid Spirit Center). Construction at Eglin Air Force Base was completed in June 2020, and the facility opened in July 2020. In fiscal year 2020, planning began for the start of construction at the Intrepid Spirit Center at Fort Carson, Colorado (ninth Intrepid Spirit Center). IFHF continues fundraising for an additional center to be constructed at Fort Bliss, Texas (tenth Intrepid Spirit Center).

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2020

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.

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).

New Accounting Pronouncements

Revenue from Contracts with Customers

Effective May 1, 2019, IFHF adopted accounting standards update ("ASU") 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no changes in the way IFHF recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires IFHF to not recognize revenue until it is probable of collection. Based on strong collection experience, IFHF has concluded that all revenue recognized is probable of collection.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2020

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

New Accounting Pronouncements (continued)

Recognition of Contributions

Effective May 1, 2019, IFHF adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as non-exchange transactions. Analysis of various other provisions of this standard resulted in no significant changes in the way IFHF recognizes grants and contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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. 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, 2020 and 2019, 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, is recorded at cost, which approximates fair value, 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. As of April 30, 2020, all pledges and contributions receivable are anticipated to be collected within one year.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2020

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

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.

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.

Advertising

Advertising costs are expensed as incurred and amounted to \$0 and \$2,617 for the years ended April 30, 2020 and 2019.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2020

2. Summary of Significant Accounting Policies (continued)

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, 2019.

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 2017.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2020 financial statement presentation. The reclassifications have had no effect on 2019 total assets, total liabilities, total net assets, or the change in net assets.

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.

As of April 30, 2020 and 2019, two and one donor(s) accounted for approximately 98% of gross pledges and contributions receivable.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2020

4. Pledges and Contributions Receivable

Pledges and contributions receivable at April 30, 2020 and 2019 are shown net of an allowance for doubtful accounts of \$13,710 and \$16,696. 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.

Through April 30, 2020, IFHF incurred \$10,732,464 in construction costs related to the eighth and ninth Intrepid Spirit Centers, and preliminary design costs for the tenth Intrepid Spirit Center (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 years ended April 30, 2020 and 2019, 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 \$70,469 and \$97,075, 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 \$52,764 and \$24,325, 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, 2020

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 are as follows:

Financial assets at year end:	2020	2019
Cash	\$ 8,759,829	\$ 11,952,054
Certificate of deposit	275,000	275,000
Pledges and contributions receivable, net	1,569,572	32,143
Due from affiliates	31,965	189
Total financial assets	<u>10,636,366</u>	<u>12,259,386</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,503,680	932,303
Less: net assets with purpose restrictions to be met in less than one year	<u>(1,052,615)</u>	<u>(362,173)</u>
	<u>451,065</u>	<u>570,130</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,185,301</u>	<u>\$ 11,689,256</u>

The goal of IFHF is to maintain financial assets to meet twelve months of operating expenses. IFHF receives cash flow from grants and contributions made from donors through its fundraising efforts.

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 \$25,000 and \$18,000 to the law firm for legal services in fiscal 2020 and fiscal 2019.

Revenue reflected in the accompanying statement of activities includes contributions from certain members of the Board and their affiliates totaling \$2,714,325 and \$1,264,172 in fiscal 2020 and fiscal 2019. \$1,519,232 and \$0 was receivable from the board members and their affiliated entities as of April 30, 2020 and 2019, and is included within pledges and contributions receivable in the accompanying statement of financial position.

IFHF occasionally incurs administrative expenses on behalf of an affiliated not-for-profit entity by virtue of common board membership. Additionally, during fiscal 2020, the affiliated entity pledged \$31,769 to IFHF, which is included within contributions and grants on the accompanying statement of activities. \$31,965 and \$189 were due to IFHF from the affiliated entity as of April 30, 2020 and 2019, and are shown as due from affiliates on the accompanying statement of financial position.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2020

9. Net Assets with Donor Restrictions

As of April 30, 2020 and 2019, net assets with donor restrictions totaled \$1,503,680 and \$932,303, and releases from restriction during the year totaled \$506,123 and \$704,697, in relation to Intrepid Spirit Centers sites facility costs.

10. Commitments

In connection with the development of Intrepid Spirit Centers eight and nine (see note 1), as of April 30, 2020, IFHF has committed contracted spending on material agreements totaling \$1,386,685.

11. 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 per employee, totaling \$11,341.

12. Subsequent Events

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 25, 2020. The following was identified:

COVID-19 (“Coronavirus”) Pandemic

The ongoing Coronavirus pandemic has resulted in substantial volatility to the global economy. The pandemic has had, and will have, an adverse effect on the results of operations. The extent to which the pandemic impacts IFHF’s results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the Coronavirus and actions taken to contain the pandemic and its impact, among others. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to IFHF’s future results of operations, cash flows, or financial condition.

Transfer of Eglin Air Force Base Spirit Center

On June 5, 2020, IFHF formally transferred the operation of the eighth Intrepid Spirit Center at Eglin Air Force Base, Florida to the United States Government. Included in construction in progress as of April 30, 2020 is \$10,422,920 of construction costs at Eglin Air Force Base which were subsequently transferred and expensed, and will be included within contributions and grant expenses in the fiscal year 2021 financial statements.

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