

The Intrepid Fallen Heroes Fund

Financial Statements

April 30, 2023

Independent Auditors' Report

Board of Directors The Intrepid Fallen Heroes Fund

Opinion

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, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IFHF as of April 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IFHF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IFHF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 IFHF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IFHF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited IFHF's April 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

October 3, 2023

The Intrepid Fallen Heroes Fund

Statement of Financial Position
April 30, 2023
(with comparative amounts at April 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 7,906,080	\$ 10,324,066
Certificate of deposit	2,017,484	275,169
Investments	-	88,866
Pledges and contributions receivable, net	26,636	35,492
Prepaid expenses and other assets	119	31,482
Construction in progress	<u>2,777,883</u>	<u>11,814,693</u>
	<u>\$ 12,728,202</u>	<u>\$ 22,569,768</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 135,526	\$ 160,248
Construction costs payable	<u>558,832</u>	<u>1,468,068</u>
Total Liabilities	<u>694,358</u>	<u>1,628,316</u>
Net Assets		
Without donor restrictions	10,183,397	19,459,818
With donor restrictions	<u>1,850,447</u>	<u>1,481,634</u>
Total Net Assets	<u>12,033,844</u>	<u>20,941,452</u>
	<u>\$ 12,728,202</u>	<u>\$ 22,569,768</u>

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Activities
For the Year Ended April 30, 2023
(with summarized totals for the year ended April 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 4,591,396	\$ 453,200	\$ 5,044,596	\$ 6,767,358
Contributed nonfinancial assets	148,680	-	148,680	125,471
(Loss) gain on sale of investments	(243)	-	(243)	1,870
Interest and dividends	132,125	-	132,125	47,046
Net assets released from restrictions	84,387	(84,387)	-	-
Total Support and Revenue	4,956,345	368,813	5,325,158	6,941,745
EXPENSES				
Program	13,353,699	-	13,353,699	372,859
Supporting Services				
Management and general	643,101	-	643,101	526,490
Fundraising	235,966	-	235,966	373,976
Total Expenses	14,232,766	-	14,232,766	1,273,325
Change in Net Assets	(9,276,421)	368,813	(8,907,608)	5,668,420
NET ASSETS				
Beginning of year	19,459,818	1,481,634	20,941,452	15,273,032
End of year	\$ 10,183,397	\$ 1,850,447	\$ 12,033,844	\$ 20,941,452

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Functional Expenses
For the Year Ended April 30, 2023
(with summarized totals for the year ended April 30, 2022)

	Program	Management and General	Fundraising	2023 Total	2022 Total
Payroll and related expenses	\$ 244,055	\$ 370,783	\$ 105,657	\$ 720,495	\$ 770,709
Occupancy in-kind	-	17,230	-	17,230	17,230
Contracted services in-kind	-	60,295	-	60,295	42,120
Utilities in-kind	-	7,173	11,377	18,550	8,180
Interest in-kind	-	13,814	-	13,814	14,746
Office expenses in-kind	-	22,604	-	22,604	19,022
Insurance in-kind	-	16,187	-	16,187	24,173
Contributions and grants	13,103,107	-	-	13,103,107	137,967
Postage and delivery	-	411	3,140	3,551	6,414
Office expenses	-	18,178	-	18,178	5,654
Marketing	-	-	25,615	25,615	21,847
Design and printing	-	321	1,016	1,337	3,305
Public relations	-	5,760	18,240	24,000	20,000
Travel	-	677	2,144	2,821	1,018
Telephone and internet	-	524	4,948	5,472	5,639
Insurance	-	35,772	-	35,772	34,674
Professional fees	-	62,115	37,116	99,231	95,723
Regulatory fees	6,537	-	-	6,537	7,315
Service charges	-	2,849	22,622	25,471	27,153
Provision for uncollectible pledges	-	6,308	-	6,308	6,073
Other expenses	-	2,100	4,091	6,191	4,363
Total Expenses Reported by Function on the Statement of Activities	\$13,353,699	\$ 643,101	\$ 235,966	\$14,232,766	\$ 1,273,325

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Cash Flows
For the Year Ended April 30, 2023
(with comparative amounts for the year ended April 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (8,907,608)	\$ 5,668,420
Adjustments to reconcile change in net assets to net cash from operating activities		
Provision for uncollectible pledges	6,308	6,073
Donation of marketable securities	-	(150,518)
Loss (gain) on sale of investments	243	(1,870)
Intrepid Spirit Centers proffered to the United States Air Force	13,008,719	-
Changes in Operating Assets and Liabilities		
Pledges and contributions receivable	2,548	808,386
Prepaid expenses and other assets	31,363	3,507
Accounts payable and accrued liabilities	(24,722)	92,188
Net Cash from Operating Activities	4,116,851	6,426,186
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	88,866	60,361
Purchases of certificates of deposit	(1,742,558)	-
Payments for construction in progress, net	(4,881,145)	(9,853,788)
Net Cash from Investing Activities	(6,534,837)	(9,793,427)
Net Change in Cash	(2,417,986)	(3,367,241)
CASH		
Beginning of year	10,324,066	13,691,307
End of year	\$ 7,906,080	\$ 10,324,066

See notes to financial statements

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2023

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 \$110 million plus campaign underway to raise funds for the construction of the Intrepid Spirit Centers.

Since fiscal 2014, nine 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; Camp Pendleton, California; and Elgin Air Force Base, Florida. In fiscal 2020, architectural designs and planning began for the start of construction at the Intrepid Spirit Center at Fort Carson, Colorado (ninth Intrepid Spirit Center). As of April 30, 2023, construction at this center has been completed and the facility was transferred to the United States Department of Defense. IFHF has commenced construction on the tenth center at Fort Bliss, Texas.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2023

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).

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, 2023 and 2022, 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.

Fair Value Measurements

IFHF follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2023

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

Investments

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Certificate of Deposit

IFHF's certificate of deposit matures on August 11, 2023. The certificate of deposit was recorded at cost, which approximates fair value, and bears interest at an annual rate of 4%. After year end, the certificate of deposit matured and was partially reinvested upon maturity.

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 based on the allowance method using historical experience and management's estimation of collection losses on outstanding receivables. As of April 30, 2023, all pledges and contributions receivable are anticipated to be collected within one year.

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.

Contributed Nonfinancial Assets

As of May 1, 2022, IFHF adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07 ("ASU 2020-07"), *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts in-kind. The standard does not change the accounting for gifts in-kind, however, provides matters related to presentation and disclosure.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2023

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

Contributed Nonfinancial Assets (continued)

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.

IFHF received donated contributions and services for the years ended April 30, as follows:

	<u>2023</u>	<u>2022</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Occupancy	\$ 17,230	\$ 17,230	Management and General	None	Estimated based on current rates of occupancy space.
Contracted services	60,295	42,120	Management and General	None	Estimated based on usual and customary rates of the vendor.
Utilities	18,550	8,180	Management and General, Fundraising	None	Estimated based on current rates for similar services.
Interest	13,814	14,746	Management and General	None	Estimated based on current interest rates.
Office expenses	22,604	19,022	Management and General	None	Estimated based on usual and customary rates of the vendor.
Insurance	<u>16,187</u>	<u>24,173</u>	Management and General	None	Estimated based on usual and customary rates of the vendor.
	<u>\$ 148,680</u>	<u>\$ 125,471</u>			

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 Costs

Advertising costs are expensed when incurred. Advertising costs amounted to \$25,615 and \$21,847 for the years ended April 30, 2023 and 2022.

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

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2023

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

Functional Allocation of Expenses (continued)

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. Allocated amounts include payroll and related expenses, public relations, and professional fees.

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, 2022.

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 2020.

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 at times, may be in excess of federally insured limits. As of April 30, 2023 and 2022, there was approximately \$8,423,564 and \$9,099,235 of cash and cash equivalents held by banks that exceed FDIC limits. IFHF has not experienced any losses on its cash deposits.

4. Investments

There were no investments at April 30, 2023. IFHF's investments consisted of mutual funds totaling \$75,708 and ETF's totaling \$13,158 at April 30, 2022. All investments were deemed to be Level 1.

Investment earnings consist of the following for the years ended April 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 132,125	\$ 47,046
Realized (loss) gain on sale of investments	<u>(243)</u>	<u>1,870</u>
	<u>\$ 131,882</u>	<u>\$ 48,916</u>

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2023

5. Pledges and Contributions Receivables

Pledges and contributions receivable at April 30, 2023 and 2022 are shown net of an allowance for doubtful accounts of \$15,760 and \$18,008. The amounts receivable are all due in less than one year.

6. Construction in Progress

As of April 30, 2023 and 2022, IFHF incurred \$2,777,883 and \$11,814,693 in construction costs related to the ninth Intrepid Spirit Center, as well as design and construction costs for the tenth Intrepid Spirit Center (see note 1).

7. 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, 2023 and 2022, the Museum provided administrative and technical support to IFHF, free of charge, these costs, in the amount of \$78,173 and \$125,471, have been reported as in-kind contributions and are allocated among program, management and general and fundraising expenses.

8. 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 at April 30:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash	\$ 7,906,080	\$ 10,324,066
Certificate of deposit	2,017,484	275,169
Investments	-	88,866
Pledges and contributions receivable, net	<u>26,636</u>	<u>35,492</u>
Total Financial Assets	<u>9,950,200</u>	<u>10,723,593</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,850,447	1,481,634
Less: net assets with purpose restrictions expected to be met in less than one year	<u>(453,200)</u>	<u>(1,315,000)</u>
	<u>1,397,247</u>	<u>166,634</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 8,552,953</u>	<u>\$ 10,556,959</u>

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

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2023

9. Related Party Transactions

Revenue reflected in the accompanying statement of activities includes contributions from certain members of the Board and their affiliates totaling \$1,273,571 and \$1,033,113 in fiscal 2023 and fiscal 2022. There were no receivables due from Board members and their affiliates as of April 30, 2023 or 2022.

IFHF occasionally incurs administrative expenses on behalf of an affiliated not-for-profit entity by virtue of common board membership. As of April 30, 2022 \$196 was due to IFHF from the affiliated entity and is included within prepaid expenses and other assets on the accompanying statement of financial position. There were no amounts due to IFHF from the affiliated entity as of April 30, 2023.

10. Net Assets with Donor Restrictions

As of April 30, 2023 and 2022, net assets with donor restrictions totaled \$1,850,447 and \$1,481,634. Releases from donor restrictions for Intrepid Spirit Centers sites' facility costs during fiscal 2023 and 2022 totaled \$84,387 and \$2,659,990.

11. Commitments

In connection with the construction of Intrepid Spirit Center ten (see note 1), as of April 30, 2023, IFHF has committed contracted spending on materials totaling \$13,908,415.

12. Tax Sheltered Salary Reduction Plan

IFHF offers a tax-sheltered salary reduction plan sponsored by the Museum to its employees. In fiscal year 2023 and 2022, IFHF made matching contributions up to a maximum of \$2,500 per employee, totaling \$6,743 and \$0.

13. 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 October 3, 2023.

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