
WARRIOR FOUNDATION FREEDOM STATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018



WARRIOR FOUNDATION FREEDOM STATION

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Accountants and
business advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Warrior Foundation Freedom Station
San Diego, CA

Report on the Financial Statements

We have audited the accompanying financial statements of the Warrior Foundation Freedom Station (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, 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.

Auditor's 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 from 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 auditor's 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 Warrior Foundation Freedom Station as of December 31, 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.

San Diego, California
August 5, 2019

PKF, LLP

PKF, LLP

WARRIOR FOUNDATION FREEDOM STATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018	2017
<u>ASSETS</u>		
ASSETS:		
Cash and cash equivalents	\$ 1,599,831	\$ 2,569,145
Donations receivable	112,755	50,573
Investments	3,535,267	4,107,336
Other assets	52,886	52,688
Property and equipment, net	4,879,015	1,989,358
 TOTAL ASSETS	 \$ 10,179,754	 \$ 8,769,100
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 175,639	\$ 12,829
Accrued expenses and other	11,032	9,689
Mortgage note payable	959,062	1,010,501
 Total liabilities	 1,145,733	 1,033,019
 Contingencies (Note 7)		
NET ASSETS:		
Unrestricted:		
Undesignated	8,072,027	6,580,659
Board designated	961,994	1,014,386
	9,034,021	7,595,045
Restricted	-	141,036
 Total net assets	 9,034,021	 7,736,081
 TOTAL LIABILITIES AND NET ASSETS	 \$ 10,179,754	 \$ 8,769,100

See accompanying notes to the financial statements.

WARRIOR FOUNDATION FREEDOM STATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018			2017
	Unrestricted	Restricted	Total	Total
REVENUES:				
Public support and other revenue:				
Fundraising special events	\$ 118,662	\$ -	\$ 118,662	\$ 218,626
Costs of fundraising events	(33,617)		(33,617)	(58,279)
Net support from special events	85,045	-	85,045	160,347
Contributions and grants	2,094,265	322,730	2,416,995	2,157,794
Donated services	109,500	-	109,500	108,000
Interest and dividend income	133,072	-	133,072	119,552
Net realized/unrealized (losses) gains on investments, net	(202,404)	-	(202,404)	54,132
Rental income	98,351	-	98,351	96,900
Other income	-	-	-	15,035
Net assets released from use restrictions	463,766	(463,766)	-	-
Total revenues	<u>2,781,595</u>	<u>(141,036)</u>	<u>2,640,559</u>	<u>2,711,760</u>
EXPENSES:				
Program services	1,139,210	-	1,139,210	919,895
Management and general	151,170	-	151,170	117,369
Fundraising and development	52,239	-	52,239	43,431
Total expenses	<u>1,342,619</u>	<u>-</u>	<u>1,342,619</u>	<u>1,080,695</u>
Change in net assets	1,438,976	(141,036)	1,297,940	1,631,065
Net assets, beginning of year	<u>7,595,045</u>	<u>141,036</u>	<u>7,736,081</u>	<u>6,105,016</u>
Net assets, end of year	<u>\$ 9,034,021</u>	<u>\$ -</u>	<u>\$ 9,034,021</u>	<u>\$ 7,736,081</u>

See accompanying notes to the financial statements.

WARRIOR FOUNDATION FREEDOM STATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

EXPENSES:	2018			2017	
	Program	Management and general	Fundraising and development	Total	Total
Financial assistance to warriors and families	\$ 474,693	\$ -	\$ -	\$ 474,693	\$ 384,414
Donated services	60,750	17,250	31,500	109,500	108,000
Wolf Pack basketball	173,879	-	-	173,879	96,411
PTS study	7,496	-	-	7,496	21,964
Wheel chairs	25,827	-	-	25,827	30,583
Cycling program	100,549	-	-	100,549	3,802
Paralympics	27,157	-	-	27,157	7,750
Depreciation	68,586	-	-	68,586	74,679
Mortgage interest	35,369	-	-	35,369	37,190
Real estate taxes	14,736	-	-	14,736	1,115
Warehouse rent	30,000	-	-	30,000	30,000
Promotional items and marketing	-	-	16,373	16,373	10,895
Professional services	-	24,000	-	24,000	21,609
Repairs and maintenance	16,994	-	-	16,994	75,868
Utilities	10,692	8,066	-	18,758	16,196
Events for warriors	56,332	-	-	56,332	63,029
Bank fees and merchant charges	-	47,656	-	47,656	33,933
Rent	6,900	-	-	6,900	16,673
Travel	-	2,850	-	2,850	1,879
Office supplies	-	12,412	-	12,412	7,558
Replacements	-	-	-	-	6,408
Logistics management	29,250	-	-	29,250	-
Computer	-	644	-	644	853
Website	-	18,046	-	18,046	16,639
Insurance	-	19,433	-	19,433	5,560
Printing and copying	-	436	-	436	1,618
Postage and shipping	-	-	2,429	2,429	1,036
Licenses and permits	-	325	1,937	2,262	170
Catering	-	52	-	52	4,863
Total expenses	<u>\$ 1,139,210</u>	<u>\$ 151,170</u>	<u>\$ 52,239</u>	<u>\$ 1,342,619</u>	<u>\$ 1,080,695</u>

See accompanying notes to the financial statements.

WARRIOR FOUNDATION FREEDOM STATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With Comparative Totals for 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,297,940	\$ 1,631,065
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,586	74,679
Net realized and unrealized losses (gains) on investments	202,404	(54,132)
Donated investments	-	(6,095)
(Increase) decrease in operating assets:		
Donations receivable	(62,182)	(33,616)
Other assets	(198)	10,501
Increase (decrease) in operating liabilities:		
Accounts payable	162,810	(11,337)
Accrued expenses and other	1,343	(3,252)
	1,670,703	1,607,813
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	1,209,892	168,791
Payments for the purchase of investments	(840,227)	(836,624)
Purchases of property and equipment	(2,958,243)	(138,009)
	(2,588,578)	(805,842)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on mortgage note payable	(51,439)	(49,623)
	(51,439)	(49,623)
Net (decrease) increase in cash and cash equivalents	(969,314)	752,348
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,569,145	1,816,797
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,599,831	\$ 2,569,145
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 35,212	\$ 37,038
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Donated investments	\$ -	\$ 6,095

See accompanying notes to the financial statements.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Warrior Foundation Freedom Station (the “Foundation” or “WF-FS”) is a 501(c)(3) non-profit organization. WF-FS is incorporated in the State of California and is an independent corporation with its own independent Board of Directors, Officers, and volunteer base. WF-FS did not pay compensation in any form to its Board of Directors, Officers, or volunteers in 2018. WF-FS provides financial and transitional assistance to wounded military warriors in a variety of ways, providing quality-of-life items and numerous support services designed to assist them and their families during recovery. The Foundation supports four main groups of warriors: 1) The seriously injured returning home from war; 2) those suffering from post-traumatic stress (“PTS”) or traumatic brain injury (“TBI”); 3) those undergoing physical or occupational therapy; and 4) warriors who have been medically retired and remain in our community. To further serve these groups, the Foundation pioneered a new approach and opened Freedom Station – a unique recovery transition center and housing facility that provides injured warriors with the acclimation, time, guidance, and resources to successfully make the transition from military service to civilian life. The Foundation is headquartered in San Diego, California.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred, in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

New Accounting Standard

Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities*, amended requirements for financial statement disclosures as follows:

1. Present on the face of the statement of financial position amounts for two classes of net assets rather than three classes. The Foundation now reports amounts for net assets with donor restrictions and net assets without donor restrictions.
2. Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item 1) rather than that of the previously required three classes.
3. Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
4. Provide the following enhanced disclosures about:
 - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
 - b. Composition of net assets with donor restrictions at the end of the year and how the restrictions affect the use of resources. Qualitative information that communicates how the Foundation manages its liquid resources available to meet cash needs for general expenditures within one year of the financial statement date.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

New Accounting Standard (continued)

- c. Quantitative information that communicates the availability of the Fund's financial assets at year end to meet cash needs for general expenditures within one year of the date of the statement of financial position. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions.
 - d. Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location, which could be on the face of the statement of activities, as a separate statement, or in notes to financial statements.
 - e. Methods used to allocate costs among program and support functions.
 - f. Underwater endowment funds.
5. Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.
 6. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

Liquidity

The Foundation has \$5,247,853 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures and the renovation of the new Freedom Station building expected to total approximately \$829,000. Financial assets available of \$5,247,853 consist of cash and cash equivalents of \$1,599,831, donations receivable of \$112,755, and investments of \$3,535,267. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The donations receivable are subject to implied time restrictions but are expected to be collected within one year. The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet normal operating expenses and renovation of the new building. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates include management's estimate of the allocation of certain functional expenses based on the percentage of the expense class and donated services. Actual results could differ from those estimates.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and donor restricted net assets.

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

Donor restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments with original maturity dates of three months or less when purchased.

Investments

The Foundation accounts for its investments in accordance with FASB Accounting Standards Codification ("ASC") 320, *Investments Debt and Equity Securities* ("FASB ASC 320"), which requires investments to be classified into the following three categories: held-to-maturity, trading, or available-for-sale. Held-to-maturity securities are presented at amortized cost. Both trading securities and available-for-sale securities are reported at fair value. Unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses on available-for-sale securities are reported in the statement of activities. Realized gains and losses are computed on a specific identification basis.

Investments consist primarily of equity securities valued at fair market value at the date of contribution and thereafter. Investment income from donor restricted investments is reported as unrestricted income unless restricted for a specific purpose, in which case, it is recognized as donor restricted income.

Property and Equipment, Net

It is the Foundation's policy to capitalize property and equipment over \$1,500. Lesser amounts are expensed. Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the three to thirty-nine year estimated useful lives of the related assets.

Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is recorded to the accompanying statement of activities and changes in net assets. The Foundation expenses general repairs and maintenance costs as incurred.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Revenue Recognition

The Foundation recognizes revenues and public support on the accrual basis of accounting. Contributions are recorded when a donor makes a promise to give to the Foundation, that is, in substance, unconditional. The Foundation's sources of revenue are primarily donations from corporations, organizations, and individuals, and fundraising activities.

Contributions and Grants

Contributions received are recorded as unrestricted or donor restricted public support depending on the existence and/or nature of any donor restrictions. Public support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the public support is recognized. When a restriction expires, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grant revenues are recorded based on the terms and conditions of the individual grants, but in no case are they recorded to unrestricted revenue before specified services are performed or reimbursable costs are incurred.

Donated Goods and Services

The Foundation records the donation of materials and services when an objective basis is available to measure the fair value of those donations, and when the materials and services would be purchased if they were not donated.

Further, donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills and are performed by people with those skills. Services amounting to \$109,500 were donated during the year ended December 31, 2018. These amounts consisted of services donated to the Foundation and have been recorded as revenues from contributions and as expenses.

Income Tax Status

The Foundation is a California non-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 2370 1(d) of the California Revenue and Taxation Code and generally is not subject to income taxes. The Foundation files its forms 990 in the U.S. federal jurisdiction and the State of California. The Foundation's forms 990 are subject to examination by the Internal Revenue Service for three years after they were filed.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Income Tax Status (continued)

The Foundation recognizes and measures its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes* ("FASB ASC 740") This addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FASB ASC 740, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement.

FASB ASC 740 also provides guidance on the de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. As of December 31, 2018, the Foundation does not have a liability for unrecognized tax uncertainties. The Foundation's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of December 31, 2018, the Foundation has no accrued interest or penalties related to uncertain tax positions.

The Foundation is subject to routine audits by taxing jurisdictions. However, currently no audits for any tax periods are in progress.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets, and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an estimate of time spent.

Advertising Costs

It is the Foundation's policy to expense advertising, promotion and public relations costs as they are incurred. For the year ended December 31, 2018, the Foundation incurred advertising, promotion and public relations costs of \$14,607.

Rental Income

The Foundation rents apartments and bungalow style homes at its Freedom Station facility to wounded military warriors under month-to-month rental agreements.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fair Value Measurements

Investments are recorded at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants at the measurement date in accordance with FASB ASC 820. FASB ASC 820 provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access for assets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement inputs, which contain assumptions by the party valuing those assets. For level 3 inputs, there is no market data or correlations with market assumptions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds and money market funds are valued at the closing price reported on the active market on which the individual securities are traded.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

**1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fair Value Measurements (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in valuation techniques from prior year.

Comparative Financial Information

The 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 GAAP. Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2017 from which the summarized information was derived.

2. INVESTMENTS

The Foundation's investments that are classified as available-for-sale at December 31, 2018 consisted of the following:

Description	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 103,323	\$ 103,323	\$ -	\$ -
Mutual funds	3,431,944	3,431,944	-	-
Total investments	<u>\$ 3,535,267</u>	<u>\$ 3,535,267</u>	<u>\$ -</u>	<u>\$ -</u>

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment, net at December 31, 2018:

Property and equipment	
Land	\$ 2,990,147
Buildings	2,053,205
Furniture and fixtures	<u>191,654</u>
 Total property and equipment	 5,235,006
 Less: accumulated depreciation	 (355,991)
Total property and equipment, net	<u><u>\$ 4,879,015</u></u>

In February 9, 2018, the Foundation purchased a property located in San Diego for total purchase price of approximately \$2,545,000. For the year ended December 31, 2018, depreciation expense was \$68,586.

4. MORTGAGE NOTE PAYABLE

The Foundation has a mortgage note payable with a financial institution bearing interest at 3.55%, with the proceeds used to purchase the commercial real property known as Freedom Station. The mortgage note payable has monthly principal and interest payments of \$7,247 and the note requires a balloon payment due January 1, 2020 of \$906,205. The mortgage note payable is secured by land and buildings which had a net book value of approximately \$1.9 million at December 31, 2018. Interest expense incurred for 2018 was \$35,369 and is included in program services. As of December 31, 2018, the Foundation was in compliance with all financial covenants. The balance of the mortgage note payable at December 31, 2018 was \$959,062.

Future maturities of the mortgage note payable is as follows:

<u>Year ending December 31:</u>	
2019	\$ 52,857
2020	<u>906,205</u>
 Total future principal payments	 <u><u>\$ 959,062</u></u>

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

5. BOARD DESIGNATED NET ASSETS

The Foundation's Board of Directors designated an operating reserve of \$961,994, which is allocated from net assets as of December 31, 2018. The Board of Directors designated net assets operating reserve is intended to allocate those unrestricted net assets that would be required to pay off the mortgage note payable plus accrued interest at December 31, 2018.

6. DONOR RESTRICTED NET ASSETS

During 2018, the Foundation received various donor restricted donations totaling \$322,730. The Foundation used \$463,766 of total donations in accordance with the applicable restrictions and released these funds from restriction leaving a remaining temporarily restricted balance of \$0.

7. CONTINGENCIES

Litigation

The Foundation is occasionally involved in legal proceedings in the ordinary course of business, including arbitration claims and other claims. Management does not believe there are claims that would have a material effect on the financial statements of the Foundation.

Commitments

During 2018, the Foundation entered into construction contracts for the renovation of the building acquired in 2018. The Foundation has commitments under these contracts totaling \$156,000 as of December 31, 2018 which are expected to be paid during 2019.

8. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash deposits in bank accounts.

Accounts at the banks are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. As of December 31, 2018, the Foundation had uninsured cash balances of approximately \$577,000. Management performs periodic evaluations of the relative credit standing of these banks. The Foundation has not sustained any material credit losses from these institutions.

9. RISK AND UNCERTAINTIES

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

10. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events, as defined by FASB ASC 855, *Subsequent Events*, through the date that the financial statements were available to be issued on August 5, 2019.