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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, 2017, 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, 2017, 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
June 28, 2018

PKF, LLP
**ASSETS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,569,145</td>
<td>$1,816,797</td>
</tr>
<tr>
<td>Donations receivable</td>
<td>$50,573</td>
<td>$16,957</td>
</tr>
<tr>
<td>Investments</td>
<td>$4,107,336</td>
<td>$3,379,276</td>
</tr>
<tr>
<td>Other assets</td>
<td>$52,688</td>
<td>$63,189</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$1,989,358</td>
<td>$1,926,028</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$8,769,100</strong></td>
<td><strong>$7,202,247</strong></td>
</tr>
</tbody>
</table>

**LIABILITIES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$12,829</td>
<td>$24,166</td>
</tr>
<tr>
<td>Accrued expenses and other</td>
<td>$9,689</td>
<td>$12,941</td>
</tr>
<tr>
<td>Mortgage note payable</td>
<td>$1,010,501</td>
<td>$1,060,124</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$1,033,019</td>
<td>$1,097,231</td>
</tr>
</tbody>
</table>

Contingencies (Note 7)

**NET ASSETS:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>$6,580,659</td>
<td>$4,966,651</td>
</tr>
<tr>
<td>Board designated</td>
<td>$1,014,386</td>
<td>$1,063,365</td>
</tr>
<tr>
<td><strong>Temporarily restricted</strong></td>
<td><strong>7,595,045</strong></td>
<td><strong>6,030,016</strong></td>
</tr>
<tr>
<td>Total net assets</td>
<td>$141,036</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND NET ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$8,769,100</strong></td>
<td><strong>$7,202,247</strong></td>
</tr>
</tbody>
</table>

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, 2017
(With Comparative Totals for 2016)

See accompanying notes to the financial statements.

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### WARRIOR FOUNDATION FREEDOM STATION
### STATEMENT OF FUNCTIONAL EXPENSES
### FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

See accompanying notes to the financial statements.

- 5 -
WARRIOR FOUNDATION FREEDOM STATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Comparative Totals for 2016)

See accompanying notes to the financial statements.

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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 of any form to its Board of Directors, Officers, or volunteers in 2017. 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”).

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.

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation (continued)

Temporarily 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.

Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Foundation had no permanently restricted net assets at December 31, 2017.

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 Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 320, Investments Debt and Equity Securities, 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 permanently restricted investments is reported as unrestricted income unless restricted for a specific purpose, in which case, it is recognized as temporarily or permanently 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.
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, temporarily restricted, or permanently 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, temporarily 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 $108,000 were donated during the year ended December 31, 2017. 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.
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*. 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, 2017, 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, 2017, 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.

**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, 2017, the Foundation incurred advertising, promotion and public relations costs of $10,895.

**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.
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, Fair Value Measurements and Disclosure. 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.
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 year end December 31, 2016 from which the summarized information was derived.

2. INVESTMENTS

The Foundation's investments that are classified as available-for-sale at December 31, 2017 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$ 33,640</td>
<td>$ 33,640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mutual funds</td>
<td>4,073,696</td>
<td>4,073,696</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total investments</td>
<td>$ 4,107,336</td>
<td>$ 4,107,336</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The Foundation's investments expenses for the year ended December 31, 2017 were $18,677, and are included in realized/unrealized gains on investments, net on the accompanying statement of activities.
3. PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment, net at December 31, 2017:

Property and equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 875,000</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,237,919</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>163,844</td>
</tr>
<tr>
<td><strong>Total property and equipment</strong></td>
<td><strong>2,276,763</strong></td>
</tr>
</tbody>
</table>

Less: accumulated depreciation  

(287,405)  

Total property and equipment, net  

$ 1,989,358

For the year ended December 31, 2017, depreciation was $74,679.

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. Interest expense incurred for 2017 was $37,190 and is included in program services. As of December 31, 2017, the Foundation was in compliance with all financial covenants. The balance of the mortgage note payable at December 31, 2017 was $1,010,501.

Future maturities of the mortgage note payable is as follows:

<table>
<thead>
<tr>
<th>Year ending December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 51,423</td>
</tr>
<tr>
<td>2019</td>
<td>52,873</td>
</tr>
<tr>
<td>2020</td>
<td>906,205</td>
</tr>
</tbody>
</table>

Total future principal payments  

$ 1,010,501
5. BOARD DESIGNATED NET ASSETS

The Foundation’s Board of Directors designated an operating reserve of $1,014,386, which is allocated from net assets as of December 31, 2017. 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, 2017.

6. TEMPORARILY RESTRICTED NET ASSETS

During 2017, the Foundation received various temporarily restricted donations totaling $223,842. The Foundation used $157,806 of total restricted donations in accordance with the applicable restrictions and released these funds from restriction leaving a remaining temporarily restricted balance of $141,036.

The restriction on net assets at December 31, 2017 is related to the funds contributed by the Doyle Foundation. The grant is to be used for expenses associated with holiday flights for injured or ill warriors. As a result, the donated assets were separately accounted for as temporarily restricted assets in accordance with GAAP with the release of these assets reflecting their use in accordance with the donor’s intended purpose.

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.

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, 2017, the Foundation had uninsured cash balances of approximately $2,067,174. 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.
10. **SUBSEQUENT EVENTS**

In February 9, 2018, the Foundation purchased a property located in San Diego for total purchase price of $2,545,000.

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 June 28, 2018.