
WARRIOR FOUNDATION FREEDOM STATION
FINANCIAL STATEMENTS
DECEMBER 31, 2020



WARRIOR FOUNDATION FREEDOM STATION

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 1 – 2

FINANCIAL STATEMENTS:

 Statement of Financial Position..... 3

 Statement of Activities and Changes in Net Assets 4

 Statement of Functional Expenses 5

 Statement of Cash Flows 6

 Notes to Financial Statements 7

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, 2020, 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, 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.

San Diego, California
July 30, 2021

PKF San Diego, LLP

PKF San Diego, LLP

WARRIOR FOUNDATION FREEDOM STATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS:		
Cash and cash equivalents	\$ 516,591	\$ 1,742,727
Donations receivable	278,610	134,137
Investments	6,923,311	4,850,293
Other assets	1,650	1,750
Property and equipment, net	6,409,398	5,542,820
 TOTAL ASSETS	 \$ 14,129,560	 \$ 12,271,727
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 21,991	\$ 20,065
Accrued expenses and other	16,396	9,296
Notes payable	918,765	905,741
 Total liabilities	 957,152	 935,102
 Contingencies (Note 7)		
NET ASSETS:		
Unrestricted:		
Undesignated	12,269,117	10,425,750
Board designated	902,291	909,875
	13,171,408	11,335,625
Restricted	1,000	1,000
 Total net assets	 13,172,408	 11,336,625
 TOTAL LIABILITIES AND NET ASSETS	 \$ 14,129,560	 \$ 12,271,727

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, 2020
(With Comparative Totals for 2019)

	2020			2019
	Unrestricted	Restricted	Total	Total
REVENUES:				
Public support and other revenue:				
Contributions and grants	\$ 3,043,088	\$ 239,447	\$ 3,282,535	\$ 3,593,107
Donated services	108,000	-	108,000	108,000
Events	106,887	-	106,887	120,503
Interest and dividend income	177,417	-	177,417	194,626
Net realized/unrealized gains on investments, net	46,858	-	46,858	268,694
Rental income	134,155	-	134,155	80,000
Other income	1,000	-	1,000	-
Net assets released from use restrictions	239,447	(239,447)	-	-
	<u>3,856,852</u>	<u>-</u>	<u>3,856,852</u>	<u>4,364,930</u>
EXPENSES:				
Program services	1,583,205	-	1,583,205	1,758,853
Management and general	292,569	-	292,569	217,169
Fundraising and development	145,295	-	145,295	86,304
	<u>2,021,069</u>	<u>-</u>	<u>2,021,069</u>	<u>2,062,326</u>
Change in net assets	1,835,783	-	1,835,783	2,302,604
Net assets, beginning of year	<u>11,335,625</u>	<u>1,000</u>	<u>11,336,625</u>	<u>9,034,021</u>
Net assets, end of year	<u>\$ 13,171,408</u>	<u>\$ 1,000</u>	<u>\$ 13,172,408</u>	<u>\$ 11,336,625</u>

See accompanying notes to the financial statements.

WARRIOR FOUNDATION FREEDOM STATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for 2019)

EXPENSES:	2020			2019	
	Program services	Management and general	Fundraising and development	Total	Total
Financial assistance to warriors and families	\$ 302,865	\$ -	\$ -	\$ 302,865	\$ 366,403
Donated services	81,750	20,000	6,250	108,000	108,000
Wolf Pack basketball	335,657	-	-	335,657	324,132
PTS study / mental health program	97,169	-	-	97,169	330,703
Outdoor therapy program	157,559	-	-	157,559	1,571
Adaptive sports program	-	-	-	-	7,405
Transitional housing program	63,716	-	-	63,716	12,845
Quality of life program	131,581	-	-	131,581	116,914
Wheel chairs	-	-	-	-	18,244
Cycling program	-	-	-	-	74,405
Paralympics	46,367	-	-	46,367	27,100
Depreciation	91,998	-	-	91,998	60,422
Mortgage interest	34,205	-	-	34,205	33,508
Real estate taxes (refunded) paid	(50,402)	-	-	(50,402)	42,495
Warehouse rent	38,400	-	-	38,400	32,100
Promotional items and marketing	46,746	11,686	58,433	116,865	51,789
Volunteer recognition	-	-	11,394	11,394	-
Professional services	-	30,625	-	30,625	23,810
Repairs and maintenance	20,759	-	-	20,759	23,867
Utilities	-	5,136	-	5,136	4,623
Events for warriors	-	-	-	-	108,180
Bank fees and merchant charges	-	71,809	-	71,809	59,587
Rent	9,000	-	-	9,000	9,700
Travel	-	-	3,674	3,674	3,592
Office supplies	-	4,718	10,424	15,142	15,374
Payroll	65,205	64,442	32,602	162,249	91,900
Logistics management	58,479	-	-	58,479	42,542
Computer	32,032	32,032	16,016	80,080	27,737
Website	-	75	-	75	18,407
Insurance	-	34,296	-	34,296	7,173
Operational expenses	-	17,344	-	17,344	11,128
Postage and shipping	-	-	6,502	6,502	3,990
Licenses and permits	-	40	-	40	1,488
Merchandise	11,696	-	-	11,696	-
Reimbursable expenses	8,423	-	-	8,423	-
Catering	-	366	-	366	1,192
Total expenses	\$ 1,583,205	\$ 292,569	\$ 145,295	\$ 2,021,069	\$ 2,062,326

See accompanying notes to the financial statements.

WARRIOR FOUNDATION FREEDOM STATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,835,783	\$ 2,302,604
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	91,998	60,422
Net realized and unrealized gains on investments	(46,858)	(268,694)
(Increase) decrease in operating assets:		
Donations receivable	(144,473)	(21,382)
Other assets	100	51,136
Increase (decrease) in operating liabilities:		
Accounts payable	1,926	(155,574)
Accrued expenses and other	7,100	(1,736)
	<u>1,745,576</u>	<u>1,966,776</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	2,957,406	860,930
Payments for the purchase of investments	(4,983,566)	(1,907,262)
Purchases of property and equipment	(958,576)	(724,227)
	<u>(2,984,736)</u>	<u>(1,770,559)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	38,529	-
Payments on note payable	(25,505)	(53,321)
	<u>13,024</u>	<u>(53,321)</u>
Net cash provided by (used in) financing activities		
Net (decrease) increase in cash and cash equivalents	(1,226,136)	142,896
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,742,727</u>	<u>1,599,831</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 516,591</u>	<u>\$ 1,742,727</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Non-cash financing activity: Note payable re-finance	<u>\$ 905,741</u>	<u>\$ -</u>
Cash paid during the year for interest	<u>\$ 28,184</u>	<u>\$ 33,508</u>

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 “WFFS”) is a 501(c)(3) non-profit organization. WFFS is incorporated in the State of California and is an independent corporation with its own independent Board of Directors, Officers, and volunteer base. WFFS did not pay compensation in any form to its Board of Directors, Chief Executive Officer, or volunteers, however, compensation is paid to the President. WFFS 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 I and II – unique recovery transition centers and housing facilities that provide 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”).

Liquidity

The Foundation has \$7,718,512 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, and mortgage note payable principal and interest payments of approximately \$61,000. Financial assets available of \$7,718,512 consist of cash and cash equivalents of \$516,591, donations receivable of \$278,610, and investments of \$6,923,311. Financial assets totaling \$1,000 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. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

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

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. It is at least reasonably possible that a change in the estimate will occur in the near term.

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 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 donor restricted investments is reported as unrestricted income unless restricted for a specific purpose, in which case, it is recognized as donor restricted income.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

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

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.

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 \$108,000 were donated during the year ended December 31, 2020. These amounts consisted of services donated to the Foundation and have been recorded as revenues from contributions and as expenses.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

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

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.

The Foundation recognizes and measures its uncertain tax positions in accordance with FASB ASC 740, *Income Taxes* ("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 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.

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, 2020, 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, 2020, 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 and the purpose of the expense.

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, 2020, the Foundation incurred advertising, promotion and public relations costs of \$116,865.

Rental Income

The Foundation rents apartments and bungalow style homes at its Freedom Station facilities 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)**

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, 2019 from which the summarized information was derived.

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 ASC 820, *Fair Value Measurement*. 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 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.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

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

Fair Value Measurements (Continued)

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

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

Money market funds are valued at \$1 per share and have no unfunded commitments, withdrawal restrictions, redemption notice requirements or other redemption restrictions. The funds may be redeemed daily.

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.

Recent Accounting Pronouncement

In August 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-13, Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”), which eliminates, modifies and adds certain disclosure requirements for fair value measurements. Under these amendments, non-public entities are no longer required to disclose the policy for timing of transfers between levels of the fair value hierarchy, the valuation processes for Level 3 fair value measurements, the changes in unrealized gains and losses included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period and a reconciliation of the opening balances to the closing balances of recurring Level 3 fair value measurements. The ASU is effective for fiscal years, and interim periods therein, beginning after December 15, 2019, with early adoption permitted. As of December 31, 2020, the Foundation adopted ASU 2018-13. Adoption did not have an impact on the Foundation’s financial condition or results of its operations.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

The Foundation's investments that are measured at fair value at December 31, 2020 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	\$ 1,742,521	\$ 1,742,521	\$ -	\$ -
Equity securities	15,972	15,972	-	-
Mutual funds	5,164,818	5,164,818	-	-
Total Investments at fair value	<u>\$ 6,923,311</u>	<u>\$ 6,923,311</u>	<u>\$ -</u>	<u>\$ -</u>

3. PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment, net at December 31, 2020:

Property and equipment	
Land	\$ 2,990,147
Buildings	3,699,301
Furniture and fixtures	<u>228,361</u>
Total property and equipment	6,917,809
Less: accumulated depreciation	<u>(508,411)</u>
Total property and equipment, net	<u>\$ 6,409,398</u>

For the year ended December 31, 2020, depreciation expense was \$91,998.

4. NOTES PAYABLE

In March 2020, the Company re-financed a loan for Freedom Station I secured by the building and land totaling \$925,000 and paid off its existing loan on the building. The loan requires monthly payments of principal and interest of approximately \$5,046, including interest at 2.77%. Interest expense incurred for 2020 was \$28,184 and loan fees were \$6,021 and are included in program services. Accrued interest at December 31, 2020 was \$2,796. All unpaid principal and accrued and unpaid interest is due in March 2030. The balance of the mortgage note payable at December 31, 2020 was \$899,495.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

4. NOTES PAYABLE (continued)

On April 9, 2020, the Company was granted a loan (the “PPP Loan”) from the Company’s bank in the aggregate amount of \$19,270, pursuant to the Paycheck Protection Program (the “PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the 24 week period. The unforgiven portion of the PPP Loan is payable over two years at an interest rate of .98%, with a deferral of payments for the first six months. As of December 31, 2020, the Company had not received notification of its loan forgiveness submission to the U.S. Small Business Administration (“SBA”), and therefore, per AICPA guidelines, the PPP Loan has been shown as a liability on the Company’s balance sheet as of December 31, 2020, and no forgiveness gain has been recognized in 2020. (See Note 10)

Aggregate contractual maturities for the Company’s notes payable as of December 31, 2020 are as follows:

Year ending December 31:

2021	\$ 36,118
2022	37,132
2023	38,173
2024	39,243
2025	40,345
Thereafter	<u>708,484</u>
Total future principal payments	899,495
PPP loan - forgiven in 2021	<u>19,270</u>
Total notes payable	<u><u>\$ 918,765</u></u>

5. BOARD DESIGNATED NET ASSETS

The Foundation’s Board of Directors designated an operating reserve of \$902,291, which is allocated from net assets as of December 31, 2020. 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, 2020.

WARRIOR FOUNDATION FREEDOM STATION
NOTES TO FINANCIAL STATEMENTS

6. DONOR RESTRICTED NET ASSETS

During 2020, the Foundation received various donor restricted donations totaling \$239,447. The Foundation used \$239,477 of total donations in accordance with the applicable restrictions and released these funds from restriction leaving \$1,000, which was the remaining restricted balance at December 31, 2020.

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, 2020, the Foundation had uninsured cash balances of approximately \$207,000. 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.

10. SUBSEQUENT EVENTS

In April 2021, the PPP Loan was forgiven in full by the SBA.

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 July 30, 2021.