EOD WARRIOR FOUNDATION

Bluemont, Virginia

FINANCIAL STATEMENTS

DECEMBER 31, 2017

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
EOD Warrior Foundation
Bluemont, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of EOD Warrior Foundation (the Foundation), which comprise the statement of financial position as of December 31, 2017, the related statements of activities 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 EOD Warrior Foundation 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
April 4, 2018

EOD WARRIOR FOUNDATION

Statement of Financial Position

December 31, 2017

Assets		
Current Assets		
Cash and cash equivalents	$	409,142
Pledges receivable, current portion		5,000
Prepaid expenses and other assets		32,227
Total current assets	$	446,369
Property and Equipment		
Equipment	$	15,955
Website		58,501
	$	74,456
Less accumulated depreciation		60,119
Total property and equipment, net	$	14,337
Other Assets		
Long-term pledges receivable, net of discount of $19,436	$	60,564
Investments		4,035,427
Total other assets	$	4,095,991
Total assets	$	4,556,697
Liabilities and Net Assets		
Current Liabilities, accounts payable and accrued expenses	$	21,445
Net Assets		
Unrestricted	$	4,439,688
Temporarily restricted net assets		95,564
Total net assets	$	4,535,252
Total liabilities and net assets	$	4,556,697

See Notes to Financial Statements.

EOD WARRIOR FOUNDATION

Statement of Activities

For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions	$ 685,117	$ 32,238	$ 717,355
Fundraising activities, net of direct expenses, of $233,535	630,112	- -	630,112
Royalty income	6,362	- -	6,362
Realized and unrealized gains (losses)	293,738	- -	293,738
Dividend income	80,186	- -	80,186
Interest income	103	- -	103
Net assets released from restrictions	10,000	(10,000)	- -
Total revenues, gains and other support	$ 1,705,618	$ 22,238	$ 1,727,856
Expenses			
Program services	$ 1,056,704	$ - -	$ 1,056,704
Management and general	110,323	- -	110,323
Fundraising	211,905	- -	211,905
Total expenses	$ 1,378,932	$ - -	$ 1,378,932
Change in net assets	$ 326,686	$ 22,238	$ 348,924
Net assets, beginning of year	4,113,002	73,326	4,186,328
Net assets, ending of year	$ 4,439,688	$ 95,564	$ 4,535,252

See Notes to Financial Statements.

EOD WARRIOR FOUNDATION

Statement of Cash Flows

For the Year Ended December 31, 2017

Cash Flows from Operating Activities		
Change in net assets	$	348,924
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation expense		12,186
Realized and unrealized investment gains		(293,738)
Decrease in pledge receivables		2,762
Decrease in prepaid expenses and other assets		34,684
Increase in accounts payable and accrued expenses		1,303
Net cash provided by operating activities	$	106,121
Cash Flows from Investing Activities,		
Purchase of property and equipment	$	(8,335)
Proceeds from sale of investments		417,319
Purchase of investments		(481,987)
Net cash (used in) investing activities	$	(73,003)
Increase in cash and cash equivalents	$	33,118
Cash and Cash Equivalents		
Beginning		376,024
Ending	$	409,142

See Notes to Financial Statements.

Note 1. Description of the Organization

EOD Warrior Foundation (the "Foundation") is committed to providing funds and support to military service members, veterans, state and local government employees, and civilian employees wounded in the course of performing explosive ordinance disposal (EOD) activities. The Foundation serves the EOD community by providing financial assistance and support to active duty and veteran wounded, injured, or ill EOD warriors, families of the wounded and fallen EOD warriors, and by maintaining the EOD memorial. The Foundation is supported primarily by fundraisers and the generosity of donors.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the net assets, revenues, and expenses of the Foundation are classified and reported as follows:

Unrestricted net assets – Unrestricted net assets are not subject to donor imposed restrictions and generally result from revenues derived from providing services, receiving unrestricted contributions, realized gains and losses, and receiving dividends and interest from investing in income-producing assets, less expenses incurred in providing services, raising contributions, and performing administrative functions.

Temporarily restricted net assets – Temporarily restricted net assets generally result from contributions whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be satisfied by actions of the Foundation pursuant to those stipulations.

Permanently restricted – Permanently restricted net assets are subject to donor-imposed restrictions and must be maintained by the Foundation in perpetuity. The Foundation had no permanently restricted net assets at December 31, 2017.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Balances in these accounts may, at times, exceed federally insured limits. The Foundation has not experienced any loss in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Pledges Receivable

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied anticipated cash flow. Amortization of the resultant discount is recognized as contribution revenue. The need for an allowance of uncollectible pledges receivable is determined based on an evaluation of collectability of individual promises. All pledges are considered fully collectible at December 31, 2017. Accordingly, no allowance for doubtful pledges receivable was recorded.

Investments

Investments are recorded at fair market value in the statement of financial position. Any realized and unrealized gains and losses are reflected in the statement of activities.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the assets' useful lives as follows:

Equipment	3 - 30 years
Website	3 years

Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation. Gifts of cash and other assets received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. When a time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions with donor-imposed restrictions that are satisfied within the same reporting period as received are reported as unrestricted support.

Donated Services

Donated services that create or enhance non-financial assets or that require specialized skills and would have been purchased if not provided by individuals possessing those skills are recorded in the statement of activities at their fair value. Other donated services received that do not meet these criteria are not recorded in the financial statements.

Functional Allocation of Expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the supplemental statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Foundation is exempt from federal and state income taxes under Internal Revenue Code 501(c)(3) and has been determined not to be a private foundation under Code Section 509(a) The Foundation will only be taxed to the extent it has taxable trade or business income unrelated to its exempt purpose.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for the Foundation for the year ending December 31, 2019. The Foundation is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Foundation for the year ending December 31, 2020. Early adoption is permitted. The Foundation is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Foundation for the year ending December 31, 2018. Early adoption is permitted. The Association is currently evaluating the impact that the adoption of ASU 2016-14 will have on its consolidated financial statements.

Note 3. Pledges Receivable

The outstanding pledges receivable are due as follows:

Within one year	$	5,000
One to five years		25,000
Over five years		55,000
	$	85,000
Less present value discount (2.76% - 3.52%)		(19,436)
	$	65,564

Note 4. Related Party Transactions

The Foundation receives contributions from members of the Board of Directors and certain businesses owned by and/or employing members of the Board of Directors. During 2015, Ken Falke, Chairman of the Board, made a pledge of $100,000, payable in $5,000 increments over the next 20 years. The final payment is expected to be paid in April 2034. The Foundation has a shared employee with related organizations of Boulder Crest Retreat Foundation and Shoulder2Shoulder, Inc. whereas Ken Falke, Founder and Chairman of the Foundation, is the Founder and Chairman and shareholder, respectively. Effective December 2017, he is no longer a shareholder of Shoulder2Shoulder, Inc.

Note 5. Investments

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes 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 are briefly described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair values of all of the marketable securities as of December 31, 2017 and 2016 are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs.)

The following table presents the balance of financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Cash	$ 6,384	$ - -	$ - -	$ 6,384
Mutual Funds	3,328,952	- -	- -	3,328,952
Equities	700,091	- -	- -	700,091
	$ 4,035,427	$ - -	$ - -	$ 4,035,427

Note 6. Operating Lease Commitment

In January 2016, the Foundation entered into a lease agreement for office space that calls for monthly payments of $2,330 through January 2019. Total rent expense during 2017 was $27,965. Future minimum lease payments as of December 31, 2017 are due in future years as follows:

Year	Amount
2018	$ 27,965
2019	2,330
	$ 30,295

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2017:

Scholarships	$ 30,000
Time restriction	65,564
	$ 95,564

Net assets were released from donor restrictions for the year ended December 31, 2017 by incurring expenses satisfying the purpose specified by the donor as follows:

Retreats	$ 5,000
Time restriction	5,000
	$ 10,000

Note 8. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 4, 2018, the date the financial statements were available to be issued. The Foundation has determined there are no subsequent events that require recognition or disclosure.

EOD WARRIOR FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Financial relief	$ 179,674	$ - -	$ - -	$ 179,674
Scholarships	216,016	- -	- -	216,016
Memorial	51,840	- -	- -	51,840
Hope and wellness	169,648	- -	- -	169,648
Payroll expenses	330,597	11,406	85,987	427,990
Payroll processing fees	2,373	82	617	3,072
Office supplies and expenses	5,314	183	50,477	55,974
Postage	4,733	66	1,290	6,089
Internet and telephone	7,640	108	809	8,557
Donor database	- -	11,348	11,348	22,696
Bank service fees	- -	933	3,841	4,774
Registration fees	- -	2,070	2,596	4,666
Professional fees	20,802	50,241	28,533	99,576
Travel	2,423	10,922	10,605	23,950
Rent	21,601	745	5,619	27,965
Utilities	1,042	36	271	1,349
Training	- -	3,197	- -	3,197
Insurance	24,162	834	6,284	31,280
401(k) fees and matching	4,536	157	1,180	5,873
Depreciation	9,413	325	2,448	12,186
Investment fees	- -	15,615	- -	15,615
Other	4,890	2,055	- -	6,945
Total	$ 1,056,704	$ 110,323	$ 211,905	$ 1,378,932