



Injured Marine Semper Fi Fund

Financial Statements

Years Ended June 30, 2019 and 2018



INJURED MARINE SEMPER FI FUND

Financial Statements

Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Injured Marine Semper Fi Fund

We have audited the accompanying financial statements of Injured Marine Semper Fi Fund (a nonprofit organization), which are comprised of the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 Injured Marine Semper Fi Fund as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 1 to the financial statements, Injured Marine Semper Fi Fund adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements for Not-for-Profit Entities* for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Aldrich CPAs + Advisors LLP

San Diego, California
November 25, 2019

INJURED MARINE SEMPER FI FUND

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 1,061,197	\$ 828,788
Accounts receivable	110,167	124,507
Investments	23,039,675	20,250,944
Unconditional promises to give	6,850,000	7,350,000
Prepaid expenses	1,810,560	880,041
Property and equipment, net of accumulated depreciation	<u>258,870</u>	<u>364,661</u>
Total Assets	<u>\$ 33,130,469</u>	<u>\$ 29,798,941</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 414,794	\$ 106,496
Accrued expenses	<u>755,081</u>	<u>870,590</u>
Total Liabilities	1,169,875	977,086
Net Assets:		
Without donor restrictions:	18,986,745	16,239,094
With donor restrictions:		
Purpose-restricted	5,700,158	5,309,070
Time-restricted	4,000,000	4,000,000
Perpetual in nature	<u>3,273,691</u>	<u>3,273,691</u>
Total With Donor Restrictions	<u>12,973,849</u>	<u>12,582,761</u>
Total Net Assets	<u>31,960,594</u>	<u>28,821,855</u>
Total Liabilities and Net Assets	<u>\$ 33,130,469</u>	<u>\$ 29,798,941</u>

INJURED MARINE SEMPER FI FUND

Statement of Activities

Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
Support and Other Revenue:			
Contributions	\$ 20,440,732	\$ 17,401,327	\$ 37,842,059
Special events:			
Revenue	894,315	-	894,315
Expense	(277,404)	-	(277,404)
Special Events, net	616,911	-	616,911
Investment income, net	857,896	228,495	1,086,391
In-kind contributions	42,823	400	43,223
Net assets released from restrictions-time	9,000,000	(9,000,000)	-
Net assets released from restrictions-purpose	8,239,134	(8,239,134)	-
Total Support and Other Revenue	39,197,496	391,088	39,588,584
Expenses:			
Program services:			
Family support	23,839,063	-	23,839,063
Transition	4,267,401	-	4,267,401
Integrative wellness	5,154,414	-	5,154,414
Total Program Services	33,260,878	-	33,260,878
Supporting services:			
Management and general	2,304,853	-	2,304,853
Fundraising	884,114	-	884,114
Total Expenses	36,449,845	-	36,449,845
Increase in Net Assets	2,747,651	391,088	3,138,739
Net Assets, beginning	16,239,094	12,582,761	28,821,855
Net Assets, ending	\$ 18,986,745	\$ 12,973,849	\$ 31,960,594

INJURED MARINE SEMPER FI FUND

Statement of Activities

Year Ended June 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
Support and Other Revenue:			
Contributions	\$ 19,043,606	\$ 20,162,215	\$ 39,205,821
Special events:			
Revenue	975,680	-	975,680
Expense	<u>(307,670)</u>	<u>-</u>	<u>(307,670)</u>
Special Events, net	668,010	-	668,010
Investment income, net	331,882	298,268	630,150
In-kind contributions	128,268	4,900	133,168
Net assets released from restrictions-time	10,000,000	(10,000,000)	-
Net assets released from restrictions-purpose	<u>5,917,656</u>	<u>(5,917,656)</u>	<u>-</u>
Total Support and Other Revenue	36,089,422	4,547,727	40,637,149
Expenses:			
Program services:			
Family support	21,098,090	-	21,098,090
Transition	4,761,296	-	4,761,296
Integrative wellness	<u>5,586,225</u>	<u>-</u>	<u>5,586,225</u>
Total Program Services	31,445,611	-	31,445,611
Supporting services:			
Management and general	2,017,270	-	2,017,270
Fundraising	<u>853,727</u>	<u>-</u>	<u>853,727</u>
Total Expenses	<u>34,316,608</u>	<u>-</u>	<u>34,316,608</u>
Increase in Net Assets	1,772,814	4,547,727	6,320,541
Net Assets, beginning	<u>14,466,280</u>	<u>8,035,034</u>	<u>22,501,314</u>
Net Assets, ending	<u>\$ 16,239,094</u>	<u>\$ 12,582,761</u>	<u>\$ 28,821,855</u>

See accompanying notes to financial statements.

INJURED MARINE SEMPER FI FUND

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Supporting Services		
	Family Support	Transition	Integrative Wellness	Total Program	Management and General	Fundraising	Total
Grants:							
Family support	\$ 7,615,171	\$ -	\$ -	\$ 7,615,171	\$ -	\$ -	\$ 7,615,171
Housing	6,640,770	-	-	6,640,770	-	-	6,640,770
Recovery through sports	-	-	1,903,634	1,903,634	-	-	1,903,634
Military to civilian transition	-	1,798,964	-	1,798,964	-	-	1,798,964
Transportation	1,781,471	-	-	1,781,471	-	-	1,781,471
PTSD, TBI and medical	-	-	1,617,254	1,617,254	-	-	1,617,254
Education and career	-	1,294,905	-	1,294,905	-	-	1,294,905
Adaptive equipment	1,245,924	-	-	1,245,924	-	-	1,245,924
Jinx McCain horsemanship	-	-	216,066	216,066	-	-	216,066
Total Grants	17,283,336	3,093,869	3,736,954	24,114,159	-	-	24,114,159
Wages, taxes, and benefits	5,060,255	905,830	1,094,114	7,060,199	1,698,280	545,270	9,303,749
Travel, conferences and meetings	506,844	90,730	109,588	707,162	37,208	17,580	761,950
Postage and delivery	231,994	41,529	50,161	323,684	33,515	34,208	391,407
Education and promotional	175,956	31,498	38,045	245,499	-	134,133	379,632
Professional and consulting services	167,826	30,042	36,287	234,155	76,576	64,291	375,022
Donation processing	-	-	-	-	287,245	34,811	322,056
Other operating expenses	94,795	16,969	20,496	132,260	91,602	24,672	248,534
Office rent and expenses	143,772	25,736	31,086	200,594	28,359	13,667	242,620
Communications	93,399	16,719	20,194	130,312	24,729	5,584	160,625
Depreciation	80,886	14,479	17,489	112,854	27,339	9,898	150,091
	<u>6,555,727</u>	<u>1,173,532</u>	<u>1,417,460</u>	<u>9,146,719</u>	<u>2,304,853</u>	<u>884,114</u>	<u>12,335,686</u>
Total Expenses	23,839,063	4,267,401	5,154,414	33,260,878	2,304,853	884,114	36,449,845
Special Events Expenses	-	-	-	-	-	277,404	277,404
Total Functional Expenses	\$ <u>23,839,063</u>	\$ <u>4,267,401</u>	\$ <u>5,154,414</u>	\$ <u>33,260,878</u>	\$ <u>2,304,853</u>	\$ <u>1,161,518</u>	\$ <u>36,727,249</u>

See accompanying notes to financial statements.

INJURED MARINE SEMPER FI FUND

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services				Supporting Services		
	Family Support	Transition	Integrative Wellness	Total Program	Management and General	Fundraising	Total
Grants:							
Family support	\$ 6,873,432	\$ -	\$ -	\$ 6,873,432	\$ -	\$ -	\$ 6,873,432
Housing	5,766,055	-	-	5,766,055	-	-	5,766,055
Recovery through sports	-	-	2,132,917	2,132,917	-	-	2,132,917
Military to civilian transition	-	1,864,627	-	1,864,627	-	-	1,864,627
Transportation	1,415,988	-	-	1,415,988	-	-	1,415,988
PTSD, TBI and medical	-	-	1,651,659	1,651,659	-	-	1,651,659
Education and career	-	1,605,519	-	1,605,519	-	-	1,605,519
Adaptive equipment	1,321,314	-	-	1,321,314	-	-	1,321,314
Jinx McCain horsemanship	-	-	286,798	286,798	-	-	286,798
Total Grants	15,376,789	3,470,146	4,071,374	22,918,309	-	-	22,918,309
Wages, taxes, and benefits	4,137,636	933,758	1,095,538	6,166,932	1,392,724	436,406	7,996,062
Travel, conferences and meetings	480,539	108,446	127,235	716,220	33,008	19,915	769,143
Postage and delivery	238,875	53,908	63,248	356,031	31,729	45,574	433,334
Education and promotional	212,349	47,921	56,224	316,494	-	167,324	483,818
Professional and consulting services	284,115	64,117	75,226	423,458	96,666	91,428	611,552
Donation processing	-	-	-	-	302,446	36,593	339,039
Other operating expenses	89,580	20,216	23,718	133,514	81,173	25,294	239,981
Office rent and expenses	130,044	29,348	34,432	193,824	27,038	12,312	233,174
Communications	90,911	20,516	24,071	135,498	25,703	5,804	167,005
Depreciation	57,252	12,920	15,159	85,331	26,783	13,077	125,191
	<u>5,721,301</u>	<u>1,291,150</u>	<u>1,514,851</u>	<u>8,527,302</u>	<u>2,017,270</u>	<u>853,727</u>	<u>11,398,299</u>
Total Expenses	21,098,090	4,761,296	5,586,225	31,445,611	2,017,270	853,727	34,316,608
Special Events Expenses	-	-	-	-	-	307,670	307,670
Total Functional Expenses	\$ <u>21,098,090</u>	\$ <u>4,761,296</u>	\$ <u>5,586,225</u>	\$ <u>31,445,611</u>	\$ <u>2,017,270</u>	\$ <u>1,161,397</u>	\$ <u>34,624,278</u>

See accompanying notes to financial statements.

INJURED MARINE SEMPER FI FUND

Statements of Cash Flows

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from donors and others	\$ 25,608,437	\$ 22,364,660
Payments received on unconditional promises to give	12,850,000	13,450,000
Cash received from investment earnings, net	511,521	402,299
Cash paid to employees and vendors	(13,065,494)	(10,980,300)
Cash paid for grants	<u>(23,626,267)</u>	<u>(22,717,763)</u>
Net Cash Provided by Operating Activities	2,278,197	2,518,896
Cash Flows from Investing Activities:		
Purchases of investments	(9,372,379)	(10,989,890)
Proceeds on sales of investments	7,370,891	8,579,168
Purchases of property and equipment	<u>(44,300)</u>	<u>(325,102)</u>
Net Cash Used by Investing Activities	(2,045,788)	(2,735,824)
Cash Flows Provided by Financing Activities:		
Cash contributions restricted for endowment	<u>-</u>	<u>25,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	232,409	(191,928)
Cash and Cash Equivalents, beginning	<u>828,788</u>	<u>1,020,716</u>
Cash and Cash Equivalents, ending	<u>\$ 1,061,197</u>	<u>\$ 828,788</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 3,138,739	\$ 6,320,541
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gains on investments	(574,870)	(228,692)
Donated investments	(212,373)	(343,600)
Contributions restricted to long-term purposes	-	(25,000)
Other in-kind donations of assets	(302,500)	(320,695)
Assets distributed as grants	402,600	244,545
Depreciation and amortization	150,091	125,191
Changes in operating assets and liabilities:		
Accounts receivable	14,340	(19,035)
Unconditional promises to give	500,000	(3,350,000)
Prepaid expenses	(1,030,619)	2,010
Accounts payable	308,298	(105,592)
Accrued expenses	<u>(115,509)</u>	<u>219,223</u>
Net Cash Provided by Operating Activities	<u>\$ 2,278,197</u>	<u>\$ 2,518,896</u>

See accompanying notes to financial statements.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

The Injured Marine Semper Fi Fund (Organization) is a tax-exempt organization incorporated in the State of California in 2004. Semper Fi Fund is dedicated to providing immediate financial assistance and lifetime support to combat wounded, critically ill and catastrophically injured service members and veterans of all branches of the U.S. Armed Forces and their families. We deliver the resources they need during recovery and transition back to their communities, working to ensure no one is left behind. The primary source of income is from donor contributions. Since its inception in 2004, the Organization has assisted 23,000 service members, veterans and their families with \$200,000,000 in grants.

The Organization achieves this through three inter-related programs that address the many challenges faced by service members, veterans and their families from initial injury to recovery to transition back to their communities. And for those most catastrophically injured, the Organization's mission is to be by their side for a lifetime.

Family Support Program

The Family Support Program provides direct financial assistance and vital programming during hospitalization and recovery. This assistance covers: daily living expenses so the family can focus on recovery rather than on financial burdens; support once they return home, including critical items such as adaptive homes, adaptive cars and specialized wheelchairs; and support, including caregiver retreats and kids programs, providing services to the entire family in their journey to recovery.

Transition Program

The Transition Program makes it easier for service members and veterans to thrive beyond injury to recovery. Educational and career assistance provides them with the tools and skills to successfully reconnect with their communities and build new, productive lives. Transition assistance includes peer mentoring and unit reunions to connect them with fellow service members and veterans and provide the resources needed to succeed in the next phase of their life.

Integrative Wellness Program

The Integrative Wellness Program provides tools to improve body, mind, and spirit. The program applies a holistic approach to wellness. Through innovative technologies such as neurofeedback and specialized equipment, Post Traumatic Growth videos, 'Recovery Through Sport' adaptive sports program, Jinx McCain Horsemanship program, and Therapeutic Arts, we foster healing in a powerful and sustaining way for overall health and wellbeing.

New Accounting Pronouncement

The Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include presentation of two classes of net assets versus the previously required three. It also includes enhanced disclosures for board designation amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their nature and functional classification. The Organization has adjusted the presentation of these statements accordingly.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

Fair Value of Financial Instruments

The Organization's financial instruments, none of which are held for trading purposes, include cash, investments, receivables, and accounts payable. The Organization estimates that the fair value of all of these nonderivative financial instruments at June 30, 2019 and 2018 approximates the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at estimated net realizable value. Receivables are written off when the Organization determines an account is uncollectible. There were no write-offs in the fiscal years ended June 30, 2019 and 2018. Past due status is determined based on a review of the amounts recorded and the expected collection of these amounts. No allowance for doubtful accounts is deemed necessary as of June 30, 2019 and 2018 as management has determined that all amounts are deemed collectible.

Investments

Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions until they are appropriated for use in accordance with the agreements.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Unconditional Promises to Give

When a donor has unconditionally promised to contribute funds to the Organization in future periods, the Organization recognizes an unconditional promise to give. Promises to give expected to be collected within one year are recorded as support and a receivable at net realizable value. Promises to give expected to be collected in future years are recorded as support and a receivable at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

An allowance for uncollectible pledges receivable, if any, is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity. No allowance for doubtful promises to give is deemed necessary as of June 30, 2019 and 2018 as management has determined all amounts are deemed collectible.

Prepaid Expenses

Prepaid expenses include items such as insurance, promotional and educational materials, event costs and other items to be used in future periods. Purchased items are valued at the lower of cost (first-in, first-out method) or market. Prepaid expenses also include gift cards and computer equipment that are purchased or donated for distribution as grants to service members. Donated items are recorded at the estimated fair market value at the date of the gift.

Property and Equipment

The Organization capitalizes all expenditures for property, equipment, software, and website design equal to or in excess of \$1,000. Equipment and improvements are recorded at cost or at estimated fair value at date of gift if donated. Expenditures for maintenance and repairs are charged against operations. Depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the assets of two to five years.

Revenue Recognition

Contributions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-kind contributions – In-kind contributions consist of donated use of facilities, donated assets, donated supplies and donated services. Donated services are recognized in the statements of activities if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses are allocated on a reasonable basis that is consistently applied, as follows. Employee wages, benefits and taxes are allocated based on each person's job duties. Office rent and expenses and communication systems are allocated using the overall employee allocation. Travel, professional services, postage and delivery, other business costs, and educational and promotional are allocated based on the purpose of each expenditure. Donation processing is allocated to Management and General except for costs for peer-to-peer fundraising websites that are allocated to fundraising. Depreciation is allocated based on the purpose and usage of each asset.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 - Organization and Summary of Significant Accounting Policies, continued

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income tax under section 23701(d) of the Revenue and Taxation code. The Organization is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Organization's tax-exempt purpose. The Organization had no unrelated income as of June 30, 2019 and 2018.

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Organization has no uncertain tax positions at June 30, 2019 and 2018 and therefore, no amounts have been accrued.

Reclassifications

The reporting of net assets as of June 30, 2018 has been reclassified to align with the current year presentation due to the implementation of ASU 2016-14 as noted above. There was no impact on ending net assets or changes in net assets from these reclassifications. There was also a reclassification of expenses as of June 30, 2018 to agree to the presentation for the year ended June 30, 2019. There was no change to total expenses as a result of this reclassification.

Subsequent Events

The Organization has evaluated subsequent events through November 25, 2019, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

The Organization maintains a Liquidity Management Plan and also an Investment Policy that strive to balance the goals of (1) making sufficient funds available to meet near-term expenses, while (2) investing in securities with diversified risk, reasonable return and high marketability.

Funds for near-term expenses are maintained in a combination of cash and short-term, highly rated fixed income securities. The remaining funds are invested in a combination of longer-term fixed income securities and equities with the goal of providing a higher rate of return as compared to the near-term investments.

The Organization's board establishes investment policy guidelines. Implementation of these guidelines and the resultant investing of funds is performed by a professional, outside investment manager. As part of the annual budget process, the board reviews management's estimates of projected revenues and expenses, cash flow, and financial assets for the coming fiscal year to determine near-term and longer-term funding requirements. An important consideration in the review process is the highly seasonal nature of the Organization's donations, which causes the Organization to need highly liquid funds available for much of the year.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restriction within one year of the balance sheet date. Amounts already appropriated from the donor-restricted endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 2 - Liquidity and Availability, continued

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,061,197	\$ 828,788
Accounts receivable	110,167	124,507
Investments	23,039,675	20,250,944
Unconditional promises to give	<u>6,850,000</u>	<u>7,350,000</u>
Total Financial Assets	31,061,039	28,554,239
Less amounts not available to be used within one year:		
Donor restricted endowment funds held in perpetuity	(3,273,691)	(3,273,691)
Unconditional promise to give payable in future years	-	(500,000)
Endowment earnings unavailable due to spending limits	<u>(14,742)</u>	<u>(1,003)</u>
Financial Assets Available for General Expenditures Within One Year	<u>\$ 27,772,606</u>	<u>\$ 24,779,545</u>

Note 3 - Fair Value and Investments

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.

Level 3 inputs are unobservable inputs for the investment.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Cash and equivalents: Reported at cost plus earned interest, which approximates market prices.

Equity and bond mutual funds and exchange traded funds (ETF): Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics, as provided by a third party using computerized valuation formula. If quoted market prices are not available, then fair market values are estimated using the most recent bid prices in the over-the-counter market in which the individual securities are traded and adjusted for other factors, such as interest rates, credit, etc., as determined by the broker and/or custodian.

Certificates of deposit: Reported at cost plus earned interest, which approximates market prices.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 3 - Fair Value and Investments, continued

The fair market value of investments is categorized as follows:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,551,606	\$ -	\$ -	\$ 1,551,606
Equity Mutual Funds and ETFs:				
Large blend	1,401,443	-	-	1,401,443
Large blend ETF	1,286,556	-	-	1,286,556
Large value ETF	870,648	-	-	870,648
Mid-cap blend ETF	528,070	-	-	528,070
Foreign large value	524,044	-	-	524,044
Large growth	453,903	-	-	453,903
Small blend	333,491	-	-	333,491
Large value	318,690	-	-	318,690
Real estate	298,281	-	-	298,281
Small value	277,403	-	-	277,403
Diversified emerging markets	275,310	-	-	275,310
Utilities ETF	273,239	-	-	273,239
Other	266,957	-	-	266,957
Foreign large blend	256,619	-	-	256,619
Foreign small value	240,943	-	-	240,943
Small blend ETF	214,458	-	-	214,458
Global real estate	199,573	-	-	199,573
Certificates of deposit	-	338,624	-	338,624
Corporate bonds	-	5,244	-	5,244
Bond Mutual Funds and ETFs:				
Short-term bond	6,579,679	-	-	6,579,679
Intermediate term bond	2,643,624	-	-	2,643,624
World bond	1,930,907	-	-	1,930,907
Inflation protected bond	1,305,290	-	-	1,305,290
Emerging market ETF bond	665,073	-	-	665,073
	<u>\$ 22,695,807</u>	<u>\$ 343,868</u>	<u>\$ -</u>	<u>\$ 23,039,675</u>

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 3 - Fair Value and Investments, continued

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,762,875	\$ -	\$ -	\$ 1,762,875
Equity Mutual Funds and ETFs:				
Large blend	1,222,860	-	-	1,222,860
Large blend ETF	1,177,716	-	-	1,177,716
Large value ETF	801,589	-	-	801,589
Foreign large value	515,848	-	-	515,848
Mid-cap blend ETF	515,634	-	-	515,634
Large growth	376,584	-	-	376,584
Small blend	323,007	-	-	323,007
Small value	279,740	-	-	279,740
Large value	274,353	-	-	274,353
Real estate	273,030	-	-	273,030
Europe ETF	259,673	-	-	259,673
Diversified emerging markets	209,425	-	-	209,425
Small blend ETF	172,019	-	-	172,019
Foreign large blend	167,105	-	-	167,105
Global real estate	164,010	-	-	164,010
Foreign small value	152,623	-	-	152,623
Other	244,896	-	-	244,896
Certificates of deposit	-	204,888	-	204,888
Corporate bonds	-	122,232	-	122,232
Bond Mutual Funds and ETFs:				
Short-term bond	5,191,867	-	-	5,191,867
Intermediate term bond	2,201,471	-	-	2,201,471
World bond	1,638,427	-	-	1,638,427
Inflation protected bond	1,101,705	-	-	1,101,705
Emerging market ETF bond	558,350	-	-	558,350
Corporate ETF bond	339,017	-	-	339,017
	<u>\$ 19,923,824</u>	<u>\$ 327,120</u>	<u>\$ -</u>	<u>\$ 20,250,944</u>

Note 4 - Unconditional Promises to Give

Unconditional promises to give consist of the following at June 30:

	2019	2018
Due within one year	\$ 6,850,000	\$ 6,850,000
Due in one to five years	-	500,000
	<u>\$ 6,850,000</u>	<u>\$ 7,350,000</u>

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30:

	2019	2018
Software	\$ 74,141	\$ 64,141
Office furniture and equipment	162,744	359,481
Website development	408,969	295,389
	<u>645,854</u>	<u>719,011</u>
Less accumulated depreciation	(386,984)	(433,409)
	258,870	285,602
Construction in progress	-	79,059
	<u>\$ 258,870</u>	<u>\$ 364,661</u>

Depreciation expense was \$150,091 and \$125,191 for the years ended June 30, 2019 and 2018, respectively.

Note 6 - Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods:

	2019	2018
Subject to expenditure for specific purposes:		
Housing	\$ 1,957,383	\$ 1,883,864
Transition Assistance	1,092,453	1,922,352
Family Support	886,536	695,784
Visiting Nurses	479,731	-
Service Branch	457,803	255,535
All other	403,385	313,842
Vietnam Veterans	247,756	100,000
Adaptive Equipment	137,012	130,552
Geographic	32,988	500
Boston Marathon Bombing Survivors	5,111	6,641
	<u>5,700,158</u>	<u>5,309,070</u>
Subject to the passage of time:		
Unconditional Promise to Give	4,000,000	4,000,000
Perpetual in nature:		
Endowment - Grants Only, Branch Specific	3,064,691	3,064,691
General Endowment	209,000	209,000
	<u>3,273,691</u>	<u>3,273,691</u>
Net Assets with Donor Restrictions	<u>\$ 12,973,849</u>	<u>\$ 12,582,761</u>

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 6 - Net Assets, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	2019	2018
Subject to expenditure for specific purposes:		
Housing	\$ 2,123,339	\$ 1,752,759
Transition Assistance	976,569	1,134,715
Family Support	1,112,231	912,753
Visiting Nurses	20,269	-
Service Branch	127,759	385,394
All other	2,595,528	883,347
Vietnam Veterans	595,598	-
PTSD/TBI/Medical	285,156	452,529
Adaptive Equipment	247,883	136,405
Geographic	153,272	215,849
Boston Marathon Bombing Survivors	1,530	43,905
	<u>\$ 8,239,134</u>	<u>\$ 5,917,656</u>
Subject to the passage of time:		
Unconditional Promise to Give	<u>\$ 9,000,000</u>	<u>\$ 10,000,000</u>

Note 7 - Endowment Funds

The Organization's endowment consists of donor-restricted funds primarily established to support the Organization's operations and mission. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions. The Organization classifies as net assets that are perpetual in nature the original value of amounts donated to the endowment.

The Organization has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets that are perpetual in nature (1) the original value of gifts donated to the endowment (2) the original value of subsequent gifts donated to the endowment and (3) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA and the donor specified purposes.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 7 - Endowment Funds, continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization had no underwater endowments as of June 30, 2019 and 2018.

The Organization has adopted investment and spending policies for endowment funds that:

1. Preserve the capital: to seek to minimize the probability of loss of principal over the investment horizon of the portfolio relative to the market.
2. Long-term growth of capital: to seek long-term growth of principal.
3. Preservation of purchasing power: to seek returns in excess of the rate of inflation over the long-term investment horizon of the portfolio relative to the market.

The Organization's spending policy is to disburse funds available in accordance with donor restrictions to meet the current program needs of the Organization.

Endowment net assets composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donors	\$ -	\$ 3,273,691	\$ 3,273,691
Accumulated investment gains	-	497,630	497,630
	<u>\$ -</u>	<u>\$ 3,771,321</u>	<u>\$ 3,771,321</u>

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 7 - Endowment Funds, continued

Endowment net assets composition by type of fund as of June 30, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds:			
Original-donor restricted gift amount required to be maintained in perpetuity by donors	\$ -	\$ 3,273,691	\$ 3,273,691
Accumulated investment gains	-	280,436	280,436
	<u>\$ -</u>	<u>\$ 3,554,127</u>	<u>\$ 3,554,127</u>

Changes in endowment net assets is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, June 30, 2017	\$ -	\$ 3,295,859	\$ 3,295,859
Contributions	-	50,000	50,000
Investment earnings, net of fees	-	298,268	298,268
Amounts appropriated for expenditure	-	(90,000)	(90,000)
Endowment, June 30, 2018	-	3,554,127	3,554,127
Contributions	-	-	-
Investment earnings, net of fees	-	228,634	228,634
Amounts appropriated for expenditure	-	(11,440)	(11,440)
Endowment, June 30, 2019	<u>\$ -</u>	<u>\$ 3,771,321</u>	<u>\$ 3,771,321</u>

Note 8 - Allocation of Joint Costs

In fulfilling its mission, the Organization conducts various special events and prepares numerous educational materials. The costs associated with these activities sometimes include so-called "joint costs" or costs that include both program as well as fundraising or general and administrative elements. Management reviews each such activity to determine the appropriate accounting treatment based upon the purpose of the activity, the audience to which the activity is directed and the content of the materials utilized.

Joint costs were allocated as follows for the year ended June 30:

	2019	2018
Program services	\$ 141,775	\$ 192,699
Fundraising	81,604	84,679
	<u>\$ 223,379</u>	<u>\$ 277,378</u>

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2019 and 2018

Note 9 - Risks and Concentrations

The Organization maintains cash and cash equivalents in bank deposit and other financial institution accounts which exceed federally insured deposit limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents. The Organization had uninsured cash of \$2,508,868 and \$2,210,939 at June 30, 2019 and 2018, respectively.

The Organization invests in various types of investment securities, primarily mutual funds and exchange traded funds as discussed in footnote 2, which are exposed to normal investing risks, such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

One donor comprised 27% and two donors comprised 37% of contributions for the years ended June 30, 2019 and 2018, respectively. Three donors comprised 100% of the unconditional promises to give at June 30, 2019 and 2018, respectively.