

AIR WARRIOR
COURAGE FOUNDATION
JUNE 30, 2022
FINANCIAL STATEMENTS



BARTLETT, PRINGLE & WOLF, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

AIR WARRIOR COURAGE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Air Warrior Courage Foundation:**

Opinion

We have audited the financial statements of Air Warrior Courage Foundation (the Foundation), which comprise the statement of financial position as of June 30, 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Air Warrior Courage Foundation as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with accounting standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Bartlett, Pringh + Wolf, LLP

Santa Barbara, California

October 21, 2022

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Assets:

Cash and cash equivalents	\$ 153,290
Investments	3,019,489
Investments - 529 college savings plans	157,830
Investments - Lorentzen Funds	1,492,876
Investments - restricted 529 college savings plans	331,545
Accounts receivable	27,723
Prepaid expenses	<u>1,336</u>
TOTAL ASSETS	<u><u>\$ 5,184,089</u></u>

NET ASSETS

Net Assets:

Without donor restrictions	\$ 4,731,863
With donor restrictions	<u>452,226</u>
TOTAL NET ASSETS	<u><u>\$ 5,184,089</u></u>

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT, REVENUE AND GAINS			
Support:			
Combined Federal Campaign (CFC) income	\$ 100,801	\$ -	\$ 100,801
Contributions	468,601	30,935	499,536
Net assets released from restrictions	32,561	(32,561)	-
Total Support	<u>601,963</u>	<u>(1,626)</u>	<u>600,337</u>
Revenue:			
Investment income	232,012		232,012
Realized and unrealized losses on investments	(869,588)	(43,815)	(913,403)
Other revenue	24,000	-	24,000
Total Revenue and Gains	<u>(613,576)</u>	<u>(43,815)</u>	<u>(657,391)</u>
TOTAL SUPPORT, REVENUE AND GAINS	<u>(11,613)</u>	<u>(45,441)</u>	<u>(57,054)</u>
EXPENSES			
Program services	563,956	-	563,956
Supporting services:		-	-
Management and general	10,292	-	10,292
Fundraising	16,956	-	16,956
TOTAL EXPENSES	<u>591,204</u>	<u>-</u>	<u>591,204</u>
CHANGE IN NET ASSETS	(602,817)	(45,441)	(648,258)
BEGINNING NET ASSETS	<u>5,334,680</u>	<u>497,667</u>	<u>5,832,347</u>
ENDING NET ASSETS	<u>\$ 4,731,863</u>	<u>\$ 452,226</u>	<u>\$ 5,184,089</u>

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising Expenses	
Grants	\$ 200,665	\$ -	\$ -	\$ 200,665
Troop support	175,491	-	-	175,491
529 program expenses	17,490	-	-	17,490
Other salaries and wages	115,493	9,507	-	125,000
Payroll taxes	9,795	-	-	9,795
CFC marketing fees	-	-	16,956	16,956
Other expenses	582	-	-	582
Office expenses	13,678	-	-	13,678
Occupancy	6,000	-	-	6,000
Travel	1,617	-	-	1,617
Insurance	3,994	358	-	4,352
Licenses and permits	476	239	-	715
Consulting and professional	18,675	188	-	18,863
TOTAL FUNCTIONAL EXPENSES	\$ 563,956	\$ 10,292	\$ 16,956	\$ 591,204

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (648,258)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized losses on investments	913,403
Increase (decrease) in:	
Accounts Receivable	(27,723)
Prepaid expenses	1,022
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>238,444</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(273,514)
Purchase of 529 college savings plans	<u>(27,940)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(301,454)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (63,011)

TOTAL CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 216,301

TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 153,290

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Nature of Activities

The Air Warrior Courage Foundation (the Foundation) is a California exempt corporation formed in 1998. The Foundation provides programs and activities to assist disabled and needy former members of the U.S. Armed Forces, their dependents, and widows and orphans of deceased veterans facing medical-incident related expenses beyond their means.

Note 2 - Summary of Significant Accounting Policies

A) Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for current support of Foundation activities and not subject to donor restrictions. These net assets may be used at the discretion of the Foundation's management and Board of Directors.

Net Assets With Donor Restrictions

Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

B) Income Taxes

The Foundation is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code except to the extent it has unrelated business income. As such, no provision for income taxes has been made in the financial statements. The Foundation has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code.

AIR WARRIOR COURAGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

C) Cash and Cash Equivalents

For financial statement purposes, the Foundation considers all cash in banks, and cash in money market accounts to be cash and cash equivalents. All other highly liquid debt instruments with an original maturity of three months or less are also included as cash equivalents on the statement of financial position.

D) Donated Services and In-Kind Support

The Foundation may receive services, equipment and material without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenditures.

E) Fair Value of Financial Instruments

The estimated fair values of the Foundation's short term financial instruments, including cash, cash equivalents and accrued expenses arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between origination and expected realization.

F) Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

G) Donor Restrictions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires in the same year the gift is received, the gift is presented as unrestricted support on the financial statements.

The Foundation reports gifts of property and equipment (or other long-lived assets) as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

AIR WARRIOR COURAGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

H) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The statement of functional expenses provides details of these costs.

I) Recent Accounting Updates

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02) and has subsequently issued a number of amendments to ASU 2016-02. This ASU provides accounting guidance for both lessee and lessor accounting models. Among other things, lessees will recognize a right-of-use asset and a lease liability for leases with a duration of greater than one year. For income statement purposes, ASU 2016-02 will require leases to be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. The FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date for these standards. The provisions of Topic 842 are now effective for annual reporting periods beginning after December 15, 2021. The FASB issued ASU No. 2021-09, *Leases (Topic 842)*, which allows lessees to elect, as an accounting policy, to use a risk-free rate as the discount rate for all leases. The provisions of Topic 842 becomes effective for private companies and not-for-profit organizations that are not conduit bond obligors for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Management is currently in the process of evaluating the impact of this guidance on its financial position, results of operations, and cash flows.

AIR WARRIOR COURAGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consist of the following at June 30, 2022:

Cash and cash equivalents	\$ 153,290
Accounts Receivable	27,723
Prepaid Expenses	1,336
Total	\$ 182,349

As part of the Foundation's liquidity management procedures, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 4 - Investments

Investments consist of the following at June 30, 2022:

	Cost	Fair Value (Level 1)	Fair Value (Level 2)	Cumulative Unrealized Gains (Losses)
Cash and money market	\$ 3,378	\$ 3,378	\$ -	\$ -
Mutual funds:				
U.S. equities	1,167,574	1,218,180	-	50,606
International equities	494,292	526,709	-	32,418
Taxable fixed income	249,528	224,563	-	(24,966)
Tax exempt income	428,629	386,492	-	(42,137)
L series fixed and variable	555,000	-	660,167	105,167
	\$ 2,898,401	\$ 2,359,322	\$ 660,167	\$ 121,088

	Cost	Fair Value (Level 1)	Fair Value (Level 2)	Cumulative Unrealized Gains (Losses)
529 plans	\$ 443,581	\$ 489,375	\$ -	\$ 45,794
Lorentzen funds	1,515,070	1,492,876	\$ -	(22,194)

AIR WARRIOR COURAGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 5 - Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

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 inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- 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.

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

Cash and cash equivalents: The carrying amount approximates fair value because of the short maturity of those investments.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

AIR WARRIOR COURAGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022:

Christmas Hope	\$	119,306
Chatterton		375
Lorentzen Endowment		1,000
American Funds 529 college plans		331,545
	\$	<u>452,226</u>

The Foundation invests in 529 College Savings Plans for the benefit of qualified recipients. Accounts are managed by the Foundation until the recipient's family requests an appropriate action to have the funds distributed or ownership transferred to the recipient's family.

Note 7 - Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. The following net assets with donor restrictions were released during the year ended June 30, 2022:

Christmas Hope	\$	7,300
American Funds 529 college plans		20,261
Spangdahlem Families		5,000
	\$	<u>32,561</u>

Note 8 - Concentration of Major Donors

The Foundation received 28% of its revenue from Combined Federal Campaign (CFC) and Give Direct during the year ended June 30, 2022.

AIR WARRIOR COURAGE FOUNDATION
NOTES TO FINANCIAL STATEMENTS

Note 9 - Income Tax Matters

The Foundation has adopted the provisions of Financial Accounting Standards Board ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. This provision clarified the accounting for uncertainty in income taxes recognized in the Foundation's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Management of the Foundation analyzed tax positions in all jurisdictions where the Foundation is required to file an income tax return and concluded that the Foundation had taken no uncertain tax positions that require adjustment to or disclosure in the financial statements.

Note 10 - Business Risks

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Foundation operates. While it is unknown how long these conditions will last and what, if any, the financial effect will be to the Foundation, the Foundation is experiencing significant fluctuations in the fair value of its investment holdings as the economy recovers and could be impacted by declining revenue if economic conditions worsen.

Note 11 - Subsequent Events

Subsequent events have been evaluated through October 21, 2022, the date that the financial statements were available to be issued. There were no subsequent events noted that required disclosures.

