

AIR WARRIOR
COURAGE FOUNDATION
JUNE 30, 2023
FINANCIAL STATEMENTS



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

AIR WARRIOR COURAGE FOUNDATION

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1 - 2 |
| 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 - 13 |

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2023

ASSETS

Assets:

| | |
|--|-----------|
| Cash and cash equivalents | \$ 93,498 |
| Investments | 3,190,482 |
| Investments - 529 college savings plans | 156,000 |
| Investments - Lorentzen Funds | 1,514,361 |
| Investments - restricted 529 college savings plans | 365,661 |
| Prepaid expenses | 2,286 |

TOTAL ASSETS \$ 5,322,288

NET ASSETS

Net Assets:

| | |
|----------------------------|--------------|
| Without donor restrictions | \$ 4,805,342 |
| With donor restrictions | 516,946 |

TOTAL NET ASSETS \$ 5,322,288

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|---------------------|
| SUPPORT, REVENUE AND GAINS | | | |
| Support: | | | |
| Combined Federal Campaign (CFC) income | \$ 88,978 | \$ - | \$ 88,978 |
| Contributions | 366,202 | 128,790 | 494,992 |
| Net assets released from restrictions | 106,585 | (106,585) | - |
| Total Support | <u>561,765</u> | <u>22,205</u> | <u>583,970</u> |
| Revenue and Gains: | | | |
| Investment income | 136,266 | - | 136,266 |
| Realized and unrealized gains on investments | 217,843 | 42,515 | 260,358 |
| Other revenue | 3,919 | - | 3,919 |
| Total Revenue and Gains | <u>358,028</u> | <u>42,515</u> | <u>400,543</u> |
| TOTAL SUPPORT, REVENUE AND GAINS | <u>919,793</u> | <u>64,720</u> | <u>984,513</u> |
| EXPENSES | | | |
| Program services | 822,580 | - | 822,580 |
| Supporting services: | | | |
| Management and general | 10,202 | - | 10,202 |
| Fundraising | 13,532 | - | 13,532 |
| TOTAL EXPENSES | <u>846,314</u> | <u>-</u> | <u>846,314</u> |
| CHANGE IN NET ASSETS | 73,479 | 64,720 | 138,199 |
| BEGINNING NET ASSETS | <u>4,731,863</u> | <u>452,226</u> | <u>5,184,089</u> |
| ENDING NET ASSETS | <u>\$ 4,805,342</u> | <u>\$ 516,946</u> | <u>\$ 5,322,288</u> |

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

| | Program Services | Supporting Services | | Total Expenses |
|----------------------------------|---------------------|-------------------------|-------------------------|-------------------|
| | | Management & General | Fundraising Expenses | |
| Grants | \$ 371,296 | \$ - | \$ - | \$ 371,296 |
| Troop support | 214,349 | - | - | 214,349 |
| 529 program expenses | 40,580 | - | - | 40,580 |
| Other salaries and wages | 130,493 | 9,507 | - | 140,000 |
| Payroll taxes | 11,025 | - | - | 11,025 |
| CFC marketing fees | - | - | 13,532 | 13,532 |
| Other expenses | 5,000 | - | - | 5,000 |
| Office expenses | 17,469 | - | - | 17,469 |
| Occupancy | 6,000 | - | - | 6,000 |
| Travel | 3,054 | - | - | 3,054 |
| Insurance | 2,066 | 358 | - | 2,424 |
| Licenses and permits | 516 | 149 | - | 665 |
| Consulting and professional | 20,732 | 188 | - | 20,920 |
| TOTAL FUNCTIONAL EXPENSES | \$ 822,580 | \$ 10,202 | \$ 13,532 | \$ 846,314 |

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|-----------------|
| Change in Net Assets | \$ 138,199 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | |
| Realized and unrealized gains on investments | (260,358) |
| Increase (decrease) in: | |
| Accounts receivable | 27,723 |
| Prepaid expenses | (950) |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(95,386)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------------------------|-----------------|
| Proceeds from sale of investments | 225,000 |
| Purchase of investments | (164,720) |
| Purchase of 529 college savings plans | <u>(24,686)</u> |

NET CASH PROVIDED BY INVESTING ACTIVITIES 35,594

NET DECREASE IN CASH AND CASH EQUIVALENTS (59,792)

TOTAL CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 153,290

TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 93,498

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, which are allocated on the basis of estimates of time and effort, as well as direct costs associated with the various functions. 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 became effective for the Foundation during the year ended June 30, 2023, but did not have a significant effect on the Foundation's financial position, results of operations, or 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, 2023:

| | |
|---------------------------|-------------------------|
| Cash and cash equivalents | \$ 93,498 |
| Prepaid Expenses | <u>2,286</u> |
| Total | <u><u>\$ 95,784</u></u> |

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, 2023:

| | Cost | Fair Value (Level 1) | Fair Value (Level 2) | Cumulative Unrealized Gains (Losses) |
|-----------------------------|---------------------|-------------------------|-------------------------|--|
| Cash and money market | \$ 870 | \$ 870 | \$ - | \$ - |
| Mutual funds: | | | | |
| U.S. equities | 873,305 | 981,161 | - | 107,856 |
| International equities | 369,560 | 399,842 | - | 30,282 |
| Taxable fixed income | 675,534 | 634,127 | - | (41,407) |
| Tax exempt income | 510,640 | 471,890 | - | (38,750) |
| L series fixed and variable | 555,000 | | 702,592 | 147,592 |
| | <u>\$ 2,984,909</u> | <u>\$ 2,487,890</u> | <u>\$ 702,592</u> | <u>\$ 205,573</u> |

| | Cost | Fair Value (Level 1) | Fair Value (Level 2) | Cumulative Unrealized Gains (Losses) |
|-----------------|------------|-------------------------|-------------------------|--|
| 529 plans | \$ 443,581 | \$ 521,661 | \$ - | \$ 78,080 |
| Lorentzen funds | 1,462,614 | 1,514,361 | \$ - | 51,747 |

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, 2023:

| | | |
|----------------------------------|----|----------------|
| Christmas Hope | \$ | 87,956 |
| Chatterton | | 375 |
| Lorentzen Endowment | | 62,954 |
| American Funds 529 college plans | | 365,661 |
| | \$ | <u>516,946</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, 2023:

| | | |
|----------------------------------|----|----------------|
| Christmas Hope | \$ | 33,500 |
| American Funds 529 college plans | | 23,085 |
| Guam Typhoon | | 50,000 |
| | \$ | <u>106,585</u> |

Note 8 - Concentration of Major Donors

The Foundation received 25.35% of its revenue from Combined Federal Campaign (CFC) and Give Direct during the year ended June 30, 2023.

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 - Subsequent Events

Subsequent events have been evaluated through November 17, 2023, the date that the financial statements were available to be issued. There were no subsequent events noted that required disclosures.

