AIR WARRIOR

COURAGE FOUNDATION

JUNE 30, 2020

FINANCIAL STATEMENTS

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

AIR WARRIOR COURAGE FOUNDATION

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Air Warrior Courage Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of Air Warrior Courage Foundation (the Foundation) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Air Warrior Courage Foundation as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bartlett, Pringle & Wolf, LLP

Santa Barbara, California
October 1, 2020

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

Assets:		
Cash and cash equivalents	$	123,198
Investments		2,787,039
Investments - 529 college savings plans		153,893
Investments - Lorentzen Funds		1,365,344
Investments - restricted 529 college savings plans		244,540
Prepaid expenses		2,421
TOTAL ASSETS	$	4,676,435

NET ASSETS

Net Assets:		
Without donor restrictions	$	4,191,164
With donor restrictions		485,271
TOTAL NET ASSETS	$	4,676,435

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND GAINS			
Support:			
Combined Federal Campaign (CFC) income	$ 128,091	$ -	$ 128,091
Contributions	368,030	16,825	384,855
Net assets released from restrictions	45,700	(45,700)	-
Total Support	541,821	(28,875)	512,946
Revenue:			
Investment income	154,283	-	154,283
Realized and unrealized losses on investments	(42,116)	23,024	(19,092)
Other income	13,030	-	13,030
Total Revenue and Gains	125,197	23,024	148,221
TOTAL SUPPORT, REVENUE AND GAINS	667,018	(5,851)	661,167
EXPENSES			
Program services	610,922	-	610,922
Supporting services:			
Management and general	699	-	699
Fundraising	18,068	-	18,068
TOTAL EXPENSES	629,689	-	629,689
CHANGE IN NET ASSETS	37,329	(5,851)	31,478
BEGINNING NET ASSETS	4,153,835	491,122	4,644,957
ENDING NET ASSETS	$ 4,191,164	$ 485,271	$ 4,676,435

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services	Supporting Services: Management & General	Supporting Services: Fundraising Expenses	Total Expenses
Grants	$ 204,049	$ -	$ -	$ 204,049
Troop support	209,994			209,994
529 program expenses	15,831			15,831
Other salaries and wages	121,000	-	-	121,000
Payroll taxes	9,506	-	-	9,506
Fees and services:				
Accounting	19,035	192	-	19,227
CFC marketing	-	-	18,068	18,068
Website expenses	3,485	-	-	3,485
Office expenses	7,377	-	-	7,377
Occupancy	7,500	-	-	7,500
Travel	7,267	-	-	7,267
Insurance	951	19	-	970
Licenses and permits	1,462	488	-	1,950
Consulting and professional	3,465	-	-	3,465
TOTAL FUNCTIONAL EXPENSES	$ 610,922	$ 699	$ 18,068	$ 629,689

See accompanying notes

AIR WARRIOR COURAGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 31,478
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Realized and unrealized losses on investments	19,092
Increase (decrease) in:	
Prepaid expenses	(2,421)
NET CASH PROVIDED BY OPERATING ACTIVITIES	48,149
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale investments	1,895,468
Purchase of investments	(1,918,500)
Purchase of 529 College Savings Plans	(61,349)
NET CASH USED BY INVESTING ACTIVITIES	(84,381)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,232)
TOTAL CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	159,430
TOTAL CASH & CASH EQUIVALENTS AT END OF YEAR	$ 123,198

See accompanying notes

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 statements 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.

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.

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 June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). This ASU clarifies and improves guidance concerning 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution is conditional or unconditional. The Foundation adopted ASU 2018-08 during the year ended June 30, 2020 on a modified prospective basis. There was no significant impact to the financial statements or related disclosures.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09) and has subsequently issued a number of amendments to ASU 2014-09. The new standard, as amended, supersedes nearly all existing revenue recognition guidance, including industry specific guidance and requires revenue to be recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. 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 606 are now effective for annual reporting periods beginning after December 15, 2019. Management is currently in the process of evaluating the impact of this guidance on its financial position, results of operations, and cash flows.

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. Early adoption is permitted. Management is currently in the process of evaluating the impact of this guidance on its financial position, results of operations, and cash flows.

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:

	2020
Cash and cash equivalents	$ 123,198

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, 2020:

	Cost	Fair Value (Level 1)	Fair Value (Level 2)	Cumulative Unrealized Gains (Losses)
Cash & Money Market	$ 14,000	$ 14,000	$ -	$ -
US Equities	1,031,399	995,120	-	(36,279)
International Equities	511,626	509,328	-	(2,298)
Taxable Fixed Income	234,124	250,043	-	15,919
Tax Exempt Income	407,146	404,499	-	(2,647)
L Series Fixed and Variable	555,000	-	614,049	59,049
	$ 2,753,295	$ 2,172,990	$ 614,049	$ 33,744

	Cost	Fair Value (Level 1)	Fair Value (Level 2)	Cumulative Unrealized Gains (Losses)
529 Plans	$ 375,406	$ 398,433	$ -	$ 23,027
Lorentzen Funds	1,377,292	1,365,344	$ -	(11,948)

Note 5 - <u>Fair Value of Financial Instruments</u>

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.

Equity securities: Equity securities are valued based on quoted market prices, when available or market prices provided by recognized broker dealers.

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.

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020:

Christmas Hope	$	237,503
Russell Project		1,753
Chatterton		375
Hurrican Harvey		100
Lorentzen Endowment		1,000
American Funds 529 College Plans		244,540
	$	485,271

The Foundation invests in 529 College Savings Plan 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 temporarily restricted net assets were released during the year ended June 30, 2020:

Christmas Hope	$	32,900
American Funds 529 College Plans		9,957
Russell Project		2,843
	$	45,700

Note 8 - Concentration of Major Donors

The Foundation received 19% of its revenue from Combined Federal Campaign (CFC) and Give Direct during the year ended June 30, 2020.

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 changes in the fair value of its investment holdings and could be impacted by declining revenue if economic conditions worsen.

Note 11 - Subsequent Events

Subsequent events have been evaluated through October 1, 2020, the date that the financial statements were available to be issued. There were no subsequent events noted that required disclosures.

AIR WARRIOR COURAGE FOUNDATION