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Semper Fi Fund

Annual Financial Report

For the Fiscal Years Ended June 30, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Semper Fi Fund
Camp Pendleton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Semper Fi Fund (SFF), which comprises the statements of financial position as of June 30, 2014 and 2013, and 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.

Auditor's 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SFF as of June 30, 2014 and 2013, 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

Charles Z. Fedak & Company CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPA's - An Accountancy Corporation
Cypress, California
September 30, 2014

Financial Statements

Semper Fi Fund
Statements of Financial Position
June 30, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents	\$ 1,857,070	1,991,778
Accrued interest receivable	34,666	32,658
Accounts receivable – other	-	4,240
Prepaid expenses and other items	287,050	325,820
Total current assets	2,178,786	2,354,496
Non-current assets:		
Investments (note 2)	10,752,164	9,721,511
Property and equipment, net (note 4)	55,850	212,300
Total non-current assets	10,808,014	9,933,811
Total assets	\$ 12,986,800	12,288,307
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 119,044	183,745
Accrued vacation payable	78,596	51,813
Total current liabilities	197,640	235,558
Total liabilities	197,640	235,558
Net assets:		
Unrestricted	9,974,229	8,663,035
Temporarily restricted (note 5)	2,614,931	3,389,714
Permanently restricted (note 6)	200,000	-
Total net assets	12,789,160	12,052,749
Total liabilities and net assets	\$ 12,986,800	12,288,307

See accompanying notes to the financial statements

Semper Fi Fund
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Support and other revenue:				
Contributions and gifts	\$ 15,245,908	4,785,540	200,000	20,231,448
In-kind contributions	112,238	-	-	112,238
Investment earnings(loss), net (note 2)	1,193,536	-	-	1,193,536
Total support and other revenue	<u>16,551,682</u>	<u>4,785,540</u>	<u>200,000</u>	<u>21,537,222</u>
Net assets released from restrictions (note 5)	<u>5,560,323</u>	<u>(5,560,323)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>22,112,005</u>	<u>(774,783)</u>	<u>200,000</u>	<u>21,537,222</u>
Program services:				
Grants and support provided	<u>19,440,482</u>	<u>-</u>	<u>-</u>	<u>19,440,482</u>
Supporting services:				
Management and general	795,025	-	-	795,025
Fundraising	<u>565,304</u>	<u>-</u>	<u>-</u>	<u>565,304</u>
Total supporting services	<u>1,360,329</u>	<u>-</u>	<u>-</u>	<u>1,360,329</u>
Total expenses	<u>20,800,811</u>	<u>-</u>	<u>-</u>	<u>20,800,811</u>
Change in net assets	1,311,194	(774,783)	200,000	736,411
Net assets, beginning of year	<u>8,663,035</u>	<u>3,389,714</u>	<u>-</u>	<u>12,052,749</u>
Net assets, end of year	<u>\$ 9,974,229</u>	<u>2,614,931</u>	<u>200,000</u>	<u>12,789,160</u>

See accompanying notes to the financial statements

Semper Fi Fund
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Support and other revenue:				
Contributions and gifts	\$ 14,204,339	4,998,298	-	19,202,637
In-kind contributions	129,008	201,500	-	330,508
Investment earnings(loss), net (note 2)	732,355	-	-	732,355
Total support and other revenue	<u>15,065,702</u>	<u>5,199,798</u>	<u>-</u>	<u>20,265,500</u>
Net assets released from restrictions (note 5)	<u>2,412,043</u>	<u>(2,412,043)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>17,477,745</u>	<u>2,787,755</u>	<u>-</u>	<u>20,265,500</u>
Program services:				
Grants and support provided	<u>17,940,998</u>	<u>-</u>	<u>-</u>	<u>17,940,998</u>
Supporting services:				
Management and general	784,836	-	-	784,836
Fundraising	<u>345,240</u>	<u>-</u>	<u>-</u>	<u>345,240</u>
Total supporting services	<u>1,130,076</u>	<u>-</u>	<u>-</u>	<u>1,130,076</u>
Total expenses	<u>19,071,074</u>	<u>-</u>	<u>-</u>	<u>19,071,074</u>
Change in net assets	(1,593,329)	2,787,755	-	1,194,426
Net assets, beginning of year	<u>10,256,364</u>	<u>601,959</u>	<u>-</u>	<u>10,858,323</u>
Net assets, end of year	<u>\$ 8,663,035</u>	<u>3,389,714</u>	<u>-</u>	<u>12,052,749</u>

See accompanying notes to the financial statements

Semper Fi Fund
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2014

<u>Description</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2014 Total</u>
Grants and support provided:				
Family support	\$ 4,590,982	-	-	4,590,982
Housing assistance	2,433,105	-	-	2,433,105
Transportation assistance	1,428,711	-	-	1,428,711
Specialized adaptive equipment	1,658,507	-	-	1,658,507
Transition assistance	1,525,700	-	-	1,525,700
Medical, PTS and TBI support	1,587,816	-	-	1,587,816
Sports and competitions	1,465,476	-	-	1,465,476
Therapeutic arts	69,803	-	-	69,803
USMC wounded warrior regiment	723,371	-	-	723,371
Boston Marathon survivors assistance	158,688	-	-	158,688
Total grants and support provided	<u>15,642,159</u>	<u>-</u>	<u>-</u>	<u>15,642,159</u>
Salaries and wages	2,173,135	450,595	195,481	2,819,211
Employee benefits	119	9,015	593	9,727
Payroll taxes	181,264	38,290	16,477	236,031
Total employee costs	<u>2,354,518</u>	<u>497,900</u>	<u>212,551</u>	<u>3,064,969</u>
Conferences and meetings	16,058	5,910	472	22,440
Educational, promotional and developmental	374,276	11,131	191,136	576,543
Insurance	19,572	4,198	1,760	25,530
Occupancy and storage	33,931	3,979	1,907	39,817
Postage and shipping	123,044	17,516	12,285	152,845
Professional services	218,416	188,013	121,568	527,997
Supplies and other expenses	94,957	27,934	5,202	128,093
Telecommunications	100,741	18,844	4,347	123,932
Travel	294,444	14,627	10,935	320,006
Depreciation	168,366	4,973	3,141	176,480
Total other expenses	<u>1,443,805</u>	<u>297,125</u>	<u>352,753</u>	<u>2,093,683</u>
Total expenses	<u>\$ 19,440,482</u>	<u>795,025</u>	<u>565,304</u>	<u>20,800,811</u>

Semper Fi Fund
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2013

Description	Program Services	Management and General	Fundraising	2013 Total
Grants and support provided:				
Family support	\$ 4,556,744	-	-	4,556,744
Housing assistance	2,017,052	-	-	2,017,052
Transportation assistance	1,611,680	-	-	1,611,680
Specialized adaptive equipment	1,205,071	-	-	1,205,071
Transition assistance	1,804,178	-	-	1,804,178
Medical, PTS and TBI support	1,495,307	-	-	1,495,307
Sports and competitions	1,382,251	-	-	1,382,251
Therapeutic arts	81,263	-	-	81,263
USMC wounded warrior regiment	355,040	-	-	355,040
Boston Marathon survivors assistance	51,206	-	-	51,206
Total grants and support provided	14,559,792	-	-	14,559,792
Salaries and wages	1,808,628	325,618	63,317	2,197,563
Employee benefits	-	-	-	-
Payroll taxes	151,670	27,719	5,620	185,009
Total employee costs	1,960,298	353,337	68,937	2,382,572
Conferences and meetings	8,028	5,674	324	14,026
Educational, promotional and developmental	526,252	26,690	214,639	767,581
Insurance	18,415	5,322	-	23,737
Occupancy and storage	12,937	27,220	310	40,467
Postage and shipping	102,808	12,514	11,798	127,120
Professional services	162,376	286,774	16,878	466,028
Supplies and other expenses	59,986	28,903	4,248	93,137
Telecommunications	73,103	14,298	3,103	90,504
Travel	266,063	17,448	21,450	304,961
Depreciation	190,940	6,656	3,553	201,149
Total other expenses	1,420,908	431,499	276,303	2,128,710
Total expenses	\$ 17,940,998	784,836	345,240	19,071,074

See accompanying notes to the financial statements

Semper Fi Fund
Statements of Cash Flows
For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from contributors and others	\$ 20,123,450	18,979,889
Cash received from investment earnings, net	866,451	686,748
Cash paid to employees and vendors	(4,777,695)	(3,895,966)
Cash paid for grants	<u>(15,621,308)</u>	<u>(14,567,271)</u>
Net cash provided by operating activities	<u>590,898</u>	<u>1,203,400</u>
Cash flows from investing activities		
Purchases and sales of investments, net	(705,576)	(1,418,540)
Purchases of property and equipment	<u>(20,030)</u>	<u>(62,828)</u>
Net cash used in investing activities	<u>(725,606)</u>	<u>(1,481,368)</u>
Net increase(decrease) in cash and cash equivalents	(134,708)	(277,968)
Cash and cash equivalents, beginning of year	<u>1,991,778</u>	<u>2,269,746</u>
Cash and cash equivalents, end of year	<u>\$ 1,857,070</u>	<u>1,991,778</u>
 Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ <u>736,411</u>	<u>1,194,426</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Fair market value (gain)loss on investments, net	(325,077)	(60,676)
In-kind contributions received – to be distributed as grants	(22,180)	(193,453)
Other in-kind contributions received	(90,058)	(137,055)
In-kind contributions distributed as grants	20,851	5,500
In-kind contributions expensed	90,058	131,555
Depreciation	176,480	201,149
Changes in assets and liabilities:		
(Increase)Decrease in assets:		
Accrued interest receivable	(2,008)	15,069
Contributions receivable	-	105,847
Accounts receivable – other	4,240	1,913
Prepaid expenses and other items	40,099	(36,486)
Increase(Decrease) in liabilities:		
Accounts payable and accrued expenses	(64,701)	(33,768)
Accrued vacation payable	<u>26,783</u>	<u>9,379</u>
Total adjustments	<u>(145,513)</u>	<u>8,974</u>
Net cash provided by operating activities	<u>\$ 590,898</u>	<u>1,203,400</u>

See accompanying notes to the financial statements

Semper Fi Fund
Notes to the Financial Statements
June 30, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Semper Fi Fund (SFF) was organized and incorporated in the State of California in May 2004 as a not-for-profit tax-exempt organization to be operated exclusively for charitable purposes. The SFF's primary goal is to provide financial grants and other assistance to members of all branches of the United States Armed Forces, including active duty, veterans, guard and reserve, and their families, who have been injured in the line of duty or face critical illness. The primary source of income to the SFF is from donor contributions and gifts.

B. Basis of Accounting, Financial Reporting and Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The SFF follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. This standard requires the SFF to report information regarding its financial position and change in net assets into the following three classes of net assets:

- ***Unrestricted Net Assets*** – which are not restricted by donors or the donor-imposed restrictions have expired.
- ***Temporarily Restricted Net Assets*** – which contain donor-imposed restrictions that permit the SFF to use or expend the assets only as specified. These restrictions are satisfied either by the passage of time or by the SFF's expenditure for the specified purpose.
- ***Permanently Restricted Net Assets*** – which contain donor-imposed restrictions and stipulate that the resources be maintained permanently but permit the SFF to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. There were no permanently restricted net assets at June 30, 2013.

Functional Allocation of Expenses

The costs of providing the SFF's programs and administration have been summarized on a functional basis in the Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

Temporarily and Permanently Restricted Contributions

The SFF records all revenues earned from donor-restricted contributions as temporarily or permanently restricted contributions.

Semper Fi Fund
Notes to the Financial Statements, continued
June 30, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Assets

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in the SFF's net assets during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

For the purpose of reporting cash flows, the SFF considers all highly liquid financial instruments, including money market funds, to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term nature of these financial instruments.

3. Certificates of Deposit

Certificates of deposit are recorded at cost plus earned interest, which approximates market value.

4. Investments

Investments are carried at market value, with changes in market prices being recorded as gains or losses, as appropriate, in the period in which they occur. Interest and dividends are recorded as income when earned.

5. Prepaid Expenses and Other Items

Certain payments made to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items. Other items include prepaid materials and prepaid gift cards yet to be distributed as grants to service members.

6. Property and Equipment

Property and equipment are recorded at cost if purchased or at fair market value at date of donation. Depreciation is provided using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from three to seven years. Property and equipment is capitalized if the cost or donated fair market value of an asset is greater than, or equal to, \$1,000.

7. Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The SFF assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made full recovery of the asset's carrying value unlikely. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset or if the asset is deemed to be carried at an amount in excess of the future benefit. Should impairment exist, the loss would be measured based on the excess of the carrying amount of the asset over the asset's fair value. No impairment charges were recognized on long-lived assets during 2014 and 2013.

8. Contributions and Unconditional Promises to Give

Contributions and unconditional promises to give are recognized as revenue at the date of donation. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets and are released to unrestricted net assets when those restrictions are satisfied.

Semper Fi Fund
Notes to the Financial Statements, continued
June 30, 2014 and 2013

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Assets, continued

9. Donated Goods and Services

Donated goods and services are reflected as contributions at their estimated fair values at the date of donation.

10. Public Support and Donated Specialized Services – In-Kind Contributions

Volunteers from the community donate significant amounts of their time in the promotion of the SFF and its programs. No amounts have been reflected in the financial statements for the contributed services since no objective basis is available to measure the value of such services.

Specialized services donated to the SFF such as attorney fees and investment management fees have been recorded at the fair value of the services provided in the accompanying statement of activities.

11. Reclassifications

The SFF has reclassified certain prior year information to conform to current year presentation.

12. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

- The carrying values of cash equivalents and accounts receivable approximate the fair value of these financial instruments.
- Certificates-of-deposit are reported at cost plus earned interest, which approximates market prices.
- Investments are reported at fair value based on quoted market prices.
- The carrying amount of the current liability obligations approximates fair value because the obligations are recorded at the net present value of future payments.

13. Income Taxes

As a publicly supported not-for-profit organization, the SFF is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and the corresponding provisions of Section 23701d of the California Revenue and Taxation Code. The SFF is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the SFF's tax-exempt purpose. The SFF had no unrelated income as of June 30, 2014 and 2013, respectively. The SFF is not a private-foundation and qualifies for the charitable deduction under 170(b)(1)(A)(vi) of the Internal Revenue Code.

The SFF has considered the provisions of ASC Subtopic 740-10, *Income Taxes—Overall*, and determined that no uncertain tax positions exist for the SFF, as defined under the Subtopic, as of June 30, 2014 and 2013, respectively.

Semper Fi Fund
Notes to the Financial Statements, continued
June 30, 2014 and 2013

(2) Investments and Fair Value Measurements

Investments as of June 30, consist of the following:

<u>Description</u>	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Government sponsored entities securities	\$ 408,003	412,494	262,097	254,280
Corporate bonds, mutual funds and other	4,200,177	4,313,252	4,037,554	4,060,065
Certificates-of-deposit	420,714	425,892	1,037,622	1,054,014
Equity securities	4,817,966	5,600,526	3,943,853	4,353,152
Total investments	\$ 9,846,860	10,752,164	9,281,126	9,721,511

Interest and investment earnings, net was comprised of the following as of June 30th:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Interest and dividend earnings	\$ 291,382	285,648
Realized gains(losses), net	695,484	434,036
Unrealized gains(losses), net	325,077	60,676
Investment management fees	(118,407)	(48,005)
Interest and investment earnings(loss), net	\$ 1,193,536	732,355

FASB ASC Topic 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principals and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

- **Level 1:** Quoted prices in active markets for identical assets and liabilities.
- **Level 2:** Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted below:

- **Market approach:** Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- **Cost approach:** Amount that would be required to replace the service capacity of an asset (replacement cost).
- **Income approach:** Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

Semper Fi Fund
Notes to the Financial Statements, continued
June 30, 2014 and 2013

(2) Investments and Fair Value Measurements, continued

Assets and liabilities measured at fair value on a recurring basis as of June 30, are as follows:

	Fair Value Measurements at Reporting Date Using			
	Balance as of June 30,	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets – June 30, 2014:				
Investments	\$ <u>10,752,164</u>	<u>10,752,164</u>	<u>-</u>	<u>-</u>
Assets – June 30, 2013:				
Investments	\$ <u>9,721,511</u>	<u>9,721,511</u>	<u>-</u>	<u>-</u>

(3) Concentrations of Credit and Other Risks

The SFF maintains cash balances at three banks. Bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 in the aggregate for each bank. The SFF's cash balances fluctuate throughout the year above and below the \$250,000 FDIC limit. Management believes the risk of loss to be minimal.

The SFF invests in various marketable securities through a third-party custodian and portfolio manager who operates under the overall guidance of the Board of Directors. Marketable securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain marketable securities, it is reasonably possible that changes in the values of marketable securities will occur in the near term and those changes could materially affect the amounts reported in the financial statements.

(4) Property and Equipment, net

At June 30, property and equipment, net included the following:

Description	2014	2013
Casework database software	\$ 7,339	337,080
Office furniture and equipment	124,778	118,501
Website development	<u>54,489</u>	<u>50,089</u>
Total property and equipment	<u>186,606</u>	<u>505,670</u>
Accumulated depreciation	<u>(130,756)</u>	<u>(293,369)</u>
Total property and equipment, net	<u>\$ 55,850</u>	<u>212,301</u>

Semper Fi Fund
Notes to the Financial Statements, continued
June 30, 2014 and 2013

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets rollforward for the year ended June 30, 2014, was as follows:

<u>Description</u>	<u>Balance 2013</u>	<u>Recognized Contributions</u>	<u>Allocations</u>	<u>Restrictions Released</u>	<u>Balance 2014</u>
America's Fund and other restrictions	\$ 1,819,493	2,758,046	(2,826,561)	-	1,750,978
Family support	223,963	509,777	806,017	(1,366,983)	172,774
Housing assistance	711,308	141,570	408,544	(1,179,142)	82,280
Transportation assistance	-	114,000	526,795	(640,795)	-
Specialized adaptive equipment	37,447	269,770	546,545	(840,644)	13,118
Transition assistance	94,643	74,190	227,010	(315,114)	80,729
Medical, PTS and TBI support	-	501,424	30,952	(319,112)	213,264
Sports and competitions	635	71,161	117,421	(139,217)	50,000
Therapeutic arts	-	1,271	7,442	(8,713)	-
USMC wounded warrior regiment	282,322	48,730	113,410	(315,807)	128,655
Boston Marathon survivors assistance	160,895	114,392	-	(158,688)	116,599
Organizational operating support	59,008	181,209	42,425	(276,108)	6,534
	<u>\$ 3,389,714</u>	<u>4,785,540</u>	<u>-</u>	<u>(5,560,323)</u>	<u>2,614,931</u>

Temporarily restricted net assets rollforward for the year ended June 30, 2013, was as follows:

<u>Description</u>	<u>Balance 2012</u>	<u>Recognized Contributions</u>	<u>Allocations</u>	<u>Restrictions Released</u>	<u>Balance 2013</u>
America's Fund and other restrictions	\$ 523,882	2,665,917	(1,370,306)	-	1,819,493
Family support	9,220	363,450	540,447	(689,154)	223,963
Housing assistance	-	855,025	179,524	(323,241)	711,308
Transportation assistance	30,000	26,122	269,869	(325,991)	-
Specialized adaptive equipment	30,000	115,155	133,965	(241,673)	37,447
Transition assistance	-	154,630	135,410	(195,397)	94,643
Medical, PTS and TBI support	-	41,048	16,693	(57,741)	-
Sports and competitions	-	143,814	3,592	(146,771)	635
Therapeutic arts	-	4,283	700	(4,983)	-
USMC wounded warrior regiment	-	353,410	-	(71,088)	282,322
Boston Marathon survivors assistance	-	212,101	-	(51,206)	160,895
Organizational operating support	8,857	264,843	90,106	(304,798)	59,008
	<u>\$ 601,959</u>	<u>5,199,798</u>	<u>-</u>	<u>(2,412,043)</u>	<u>3,389,714</u>

The amounts noted above in the – America’s Fund and other restrictions – line-item are donor restricted donations that cannot be identified at the time of receipt as to the specific grant program or operational cost where it will be utilized. These primarily include donations restricted to use for a specific branch of military service or a specific state. When these funds are expended for their intended specific purpose, the restriction is allocated into the specific grant program or operational cost and the restriction is released.

Semper Fi Fund
Notes to the Financial Statements, continued
June 30, 2014 and 2013

(6) Permanently Restricted Net Assets – Endowment Funds

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (State of California Senate Bill 1329 Chaptered September 30, 2008) and provides improved disclosures about an organization's endowment funds.

The SFF's endowment consists of donor-restricted funds primarily established to support the organizations operations and mission. As required by United States generally accepted accounting principals, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The SFF has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, the SFF classifies as permanently restricted net assets (a) the original value of amounts donated to the permanent endowment. In accordance with UPMIFA, the SFF considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the SFF and the donor-restricted endowment funds
- General economic conditions and the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the SFF
- The investment policies of the SFF

Return Objectives and Risk Parameters

The SFF has adopted investment and prudent spending policies for endowment assets that attempt to provide a predicable stream of funding to programs supported by its endowment investments while seeking to maintain the corpus of the endowed assets. These policies provide for the safety of principal when taking into consideration the current and expected market conditions.

Investment Strategy

Consistent with the investment and prudent spending policies stated above, the investment strategy of the SFF is as follows:

1. Preservation of 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.

Spending Policy

The SFF has a policy of budgeting that supports the organization's operations and mission each year. In establishing the SFF's annual budget, the SFF considers the amount of the annual investment portfolio returns and the total size of the endowment investment balance to appropriate so that the SFF's investment returns can be utilized for operations as well as the SFF's investment portfolio can continue to grow through new donations and investment returns.

Semper Fi Fund
Notes to the Financial Statements, continued
June 30, 2014 and 2013

(6) Permanently Restricted Net Assets – Endowment Funds, continued

Endowment net assets composition by type of fund as of June 30, 2014 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ 369	-	200,000	200,369

Changes in endowment net assets for the fiscal year ended June 30, 2014 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning-of-year	\$ -	-	-	-
Contributions and gifts	-	-	200,000	200,000
Investment earnings(loss), net	369	-	-	369
Net assets, end-of-year	\$ 369	-	200,000	200,369

(7) Allocation of Joint Costs

In fulfilling its mission, the SFF 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 \$292,788 and \$767,581 as of June 30, 2014 and 2013, respectively. The table below reflects the allocation of these costs for the years ending June 30:

At June 30, joint costs were allocated as follows:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Program services	\$ 199,103	526,252
Management and general	1,825	26,690
Fundraising	91,860	214,639
Total allocated joint costs	\$ 292,788	767,581

(8) Contingencies

Litigation

In the ordinary course of operations, the SFF is subject to claims and litigation from outside parties. After consultation with legal counsel, the SFF believes the ultimate outcome of any such matters will not materially affect its financial condition.

(9) Subsequent Events

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of September 30, 2014, which is the date the financial statements were available to be issued.