



SEMPER FI
FUND

INJURED MARINE SEMPER FI FUND

Financial Statements

Years Ended June 30, 2016 and 2015



AKT

CPAs AND BUSINESS CONSULTANTS

INJURED MARINE SEMPER FI FUND

Financial Statements

Years Ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Injured Marine Semper Fi Fund

We have audited the accompanying financial statements of Injured Marine Semper Fi Fund (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 controls 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 controls. 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 Injured Marine Semper Fi Fund as of June 30, 2016 and 2015, 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.

AKT LLP

San Diego, California
December 9, 2016

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INJURED MARINE SEMPER FI FUND

Statements of Financial Position

June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 2,511,177	\$ 2,212,082
Interest receivable	16,092	34,421
Accounts receivable - other	89,243	90,647
Investments	9,683,827	12,599,816
Unconditional promises to give	5,450,676	1,000,000
Prepaid expenses	833,364	613,452
Property and Equipment, net of accumulated depreciation	99,262	30,892
Other assets	62,854	83,051
Total Assets	<u>\$ 18,746,495</u>	<u>\$ 16,664,361</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 68,040	\$ 277,953
Accrued expenses	584,078	537,161
Total Liabilities	<u>652,118</u>	<u>815,114</u>
Net Assets:		
Unrestricted	11,240,220	12,621,082
Temporarily restricted	6,645,157	3,028,165
Permanently restricted	209,000	200,000
Total Net Assets	<u>18,094,377</u>	<u>15,849,247</u>
Total Liabilities and Net Assets	<u>\$ 18,746,495</u>	<u>\$ 16,664,361</u>

INJURED MARINE SEMPER FI FUND

Statement of Activities

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Other Revenue:				
Contributions and gifts	\$ 20,324,413	\$ 9,553,183	\$ 9,000	\$ 29,886,596
In-kind contributions	344,461	396,111	-	740,572
Investment loss, net	(107,798)	-	-	(107,798)
Net assets released from restrictions	<u>6,332,302</u>	<u>(6,332,302)</u>	<u>-</u>	<u>-</u>
Total Support and Other Revenue	26,893,378	3,616,992	9,000	30,519,370
Expenses:				
Program services:				
Grants and support provided	25,939,851	-	-	25,939,851
Supporting services:				
Management and general	1,573,838	-	-	1,573,838
Fundraising	<u>760,551</u>	<u>-</u>	<u>-</u>	<u>760,551</u>
Total Expenses	<u>28,274,240</u>	<u>-</u>	<u>-</u>	<u>28,274,240</u>
Increase (Decrease) in Net Assets	(1,380,862)	3,616,992	9,000	2,245,130
Net Assets, beginning	<u>12,621,082</u>	<u>3,028,165</u>	<u>200,000</u>	<u>15,849,247</u>
Net Assets, ending	<u>\$ 11,240,220</u>	<u>\$ 6,645,157</u>	<u>\$ 209,000</u>	<u>\$ 18,094,377</u>

INJURED MARINE SEMPER FI FUND

Statement of Activities

Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Other Revenue:				
Contributions and gifts	\$ 21,061,652	\$ 7,038,310	\$ -	\$ 28,099,962
In-kind contributions	173,269	312,500	-	485,769
Investment income, net	4,813	-	-	4,813
Net assets released from restrictions	<u>6,937,576</u>	<u>(6,937,576)</u>	<u>-</u>	<u>-</u>
Total Support and Other Revenue	28,177,310	413,234	-	28,590,544
Expenses:				
Program services:				
Grants and support provided	23,755,193	-	-	23,755,193
Supporting services:				
Management and general	1,157,700	-	-	1,157,700
Fundraising	<u>617,564</u>	<u>-</u>	<u>-</u>	<u>617,564</u>
Total Expenses	<u>25,530,457</u>	<u>-</u>	<u>-</u>	<u>25,530,457</u>
Increase in Net Assets	2,646,853	413,234	-	3,060,087
Net Assets, beginning	<u>9,974,229</u>	<u>2,614,931</u>	<u>200,000</u>	<u>12,789,160</u>
Net Assets, ending	<u>\$ 12,621,082</u>	<u>\$ 3,028,165</u>	<u>\$ 200,000</u>	<u>\$ 15,849,247</u>

INJURED MARINE SEMPER FI FUND

Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Grants and Support Provided:				
Family support	\$ 5,632,430	\$ -	\$ -	\$ 5,632,430
Housing assistance	4,164,284	-	-	4,164,284
Sports and competitions	3,497,598	-	-	3,497,598
Transition assistance	1,877,681	-	-	1,877,681
Medical, PTS, and TBI support	1,877,419	-	-	1,877,419
Transportation assistance	1,366,239	-	-	1,366,239
Specialized adaptive equipment	978,252	-	-	978,252
Boston Marathon survivors assistance	67,574	-	-	67,574
Therapeutic arts	36,345	-	-	36,345
Total Grants and Support Provided	19,497,822	-	-	19,497,822
Employee Costs:				
Salaries and wages	4,007,628	935,044	326,110	5,268,782
Payroll taxes	321,796	75,023	26,216	423,035
Employee benefits	225,661	52,663	18,365	296,689
Total Employee Costs	4,555,085	1,062,730	370,691	5,988,506
Other Expenses:				
Educational, promotional, and developmental	576,028	21,342	274,208	871,578
Professional services	184,735	335,098	25,196	545,029
Travel	484,974	29,300	29,208	543,482
Postage and shipping	211,650	28,364	21,367	261,381
Supplies and other expenses	156,271	42,149	16,595	215,015
Telecommunications	127,713	24,444	5,518	157,675
Depreciation and amortization	39,964	11,309	5,786	57,059
Insurance	42,661	9,364	3,337	55,362
Occupancy and storage	42,123	3,390	6,770	52,283
Conferences and meetings	20,825	6,348	1,875	29,048
Total Other Expenses	1,886,944	511,108	389,860	2,787,912
Total Expenses	\$ 25,939,851	\$ 1,573,838	\$ 760,551	\$ 28,274,240

INJURED MARINE SEMPER FI FUND

Statement of Functional Expenses

Year Ended June 30, 2015

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Grants and Support Provided:				
Family support	\$ 5,667,875	\$ -	\$ -	\$ 5,667,875
Housing assistance	4,708,536	-	-	4,708,536
Sports and competitions	2,085,935	-	-	2,085,935
Medical, PTS, and TBI support	1,710,151	-	-	1,710,151
Transition assistance	1,679,084	-	-	1,679,084
Transportation assistance	1,589,756	-	-	1,589,756
Specialized adaptive equipment	1,277,699	-	-	1,277,699
Boston Marathon survivors assistance	80,038	-	-	80,038
Therapeutic arts	67,723	-	-	67,723
Total Grants and Support Provided	18,866,797	-	-	18,866,797
Employee Costs:				
Salaries and wages	3,036,162	694,378	288,412	4,018,952
Employee benefits	94,212	27,972	7,302	129,486
Payroll taxes	244,244	55,639	22,919	322,802
Total Employee Costs	3,374,618	777,989	318,633	4,471,240
Other Expenses:				
Educational, promotional, and developmental	401,606	10,732	206,770	619,108
Travel	474,932	24,907	24,231	524,070
Professional services	82,198	253,333	24,698	360,229
Supplies and other expenses	170,629	26,722	14,246	211,597
Postage and shipping	143,790	17,097	13,513	174,400
Telecommunications	126,780	24,323	6,404	157,507
Occupancy and storage	37,058	5,712	3,901	46,671
Depreciation and amortization	34,121	3,236	2,398	39,755
Conferences and meetings	23,403	8,305	923	32,631
Insurance	19,261	5,344	1,847	26,452
Total Other Expenses	1,513,778	379,711	298,931	2,192,420
Total Expenses	\$ 23,755,193	\$ 1,157,700	\$ 617,564	\$ 25,530,457

INJURED MARINE SEMPER FI FUND

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from donors and others	\$ 25,465,320	\$ 26,533,098
Cash received from investment earnings, net	197,233	172,227
Cash paid to employees and vendors	(9,369,886)	(6,461,003)
Cash paid for grants	<u>(18,795,180)</u>	<u>(18,252,858)</u>
Net Cash Provided (Used) by Operating Activities	(2,502,513)	1,991,464
Cash Flows from Investing Activities:		
Purchases of investments	(7,427,616)	(12,344,017)
Proceeds on sales of investments	10,325,456	10,955,429
Purchases of property and equipment	(105,232)	(17,850)
Purchases of other assets	<u>-</u>	<u>(79,998)</u>
Net Cash Provided (Used) by Investing Activities	2,792,608	(1,486,436)
Cash Flows Provided by Financing Activities:		
Proceeds of contributions restricted to endowment	<u>9,000</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	299,095	505,028
Cash and Cash Equivalents, beginning	<u>2,212,082</u>	<u>1,707,054</u>
Cash and Cash Equivalents, ending	<u>\$ 2,511,177</u>	<u>\$ 2,212,082</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 2,245,130	\$ 3,060,087
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized losses on investments	286,702	167,169
Donated investments	(268,553)	(476,217)
Other in-kind donations of assets	(428,111)	(325,590)
Assets distributed as grants	347,460	244,400
Contributions restricted to long term purposes	(9,000)	-
Depreciation and amortization	57,059	39,755
Changes in operating assets and liabilities:		
Interest receivable	18,329	245
Accounts receivable - other	1,404	(90,647)
Unconditional promises to give	(4,450,676)	(1,000,000)
Prepaid expenses	(139,261)	(245,212)
Accounts payable	159,626	552,362
Accrued expenses	<u>(322,622)</u>	<u>65,112</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,502,513)</u>	<u>\$ 1,991,464</u>

See accompanying notes to financial statements.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

The Injured Marine Semper Fi Fund (Organization) is a tax exempt organization incorporated in the State of California in May 2004 with the primary goal of providing 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 is from donor contributions and gifts.

The Organization provides immediate and long-term support for post-9/11 wounded, critically ill and injured members of all branches of the U.S. Armed Forces and their families. Since their inception in 2004, the Organization has assisted over 16,000 service members and their families with more than \$132 million in grants.

Our three major areas of focus are family support, transitional and long-term assistance and recovery through sports.

Family Support

Family Support includes helping hospitalized service members by making sure their family members can be by the bedside to help facilitate recovery. The Semper Fi Fund also provides family support when a service member or his or her spouse or child is struggling with a critical, life-threatening illness or injury. This means covering expenses such as the loss of income for family members, childcare expenses, travel costs and many other needs. By reducing the burden of financial worry for our service members and their families, we allow them to place their energy and focus where it's most needed: on the recovery process. Family Support also includes a wide range of support such as unexpected housing, home repair and car repair costs.

Transitional and Long-Term Assistance

Transitional assistance covers many areas that support service members and their spouses, children and caregivers. We provide funds for education and career transition, veteran-to-veteran mentoring, mentoring for children of injured service members, therapeutic furniture and many other assistance areas. We also provide financial assistance if a service member needs to re-enter the hospital for surgery or rehabilitation as a result of their extensive injuries that can sometimes require dozens of hospitalizations over many years. We hold unit reunions for service members to reconnect with their comrades and provide each other with support for the challenges they face.

Long-term support includes a variety of programs and services to address the long-term and sometimes lifelong effects of the service member's injuries. This includes extensive adaptive modifications to homes and vehicles, service dogs, PTSD and TBI equipment and therapies and other similar support. This area also includes caregiver retreats to assist spouses and parents who are the primary caregivers for severely injured veterans.

Recovery Through Sport

Through Team Semper Fi and Team America's Fund, the Semper Fi Fund provides encouragement and motivation for service members to establish and achieve individual goals through a wide range of recreational sports and competitive events. These programs provide an exciting outlet and powerful peer support for our service members and their families. Assistance includes travel costs, entry fees and other event participation costs, adaptive sports equipment and sport-appropriate apparel.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 1 - Organization and Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.

Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investment securities purchased with a maturity of 3 months or less to be cash equivalents. Cash and equivalents exclude cash designated or restricted for the endowment fund.

Accounts Receivable - Other

Accounts receivable are recorded at estimated net realizable value. Receivables are written off when the Organization determines an account is uncollectible. Past due status is determined based on a review of the amounts recorded and the expected collection of these amounts. No allowance for doubtful accounts is deemed necessary as of June 30, 2016 and 2015 as management has determined that all amounts are collectible.

Investments

Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Unconditional Promises to Give

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

An allowance for uncollectible pledges receivable, if any, is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of fundraising activity.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

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

Prepaid Expenses

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

Property and Equipment

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

Fair Value of Financial Instruments

The Organizations' financial instruments, none of which are held for trading purposes, include cash, receivables, and accounts payable. The Organization estimates that the fair value of all of these nonderivative financial instruments at June 30, 2016 and 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

Revenue Recognition

Contributions - Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services – The Organization utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses

The costs of providing the Organization's programs and administration have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income tax under section 23701(d) of the Revenue and Taxation code. The Organization is not subject to income tax except for taxes on the receipt of income, if any, which is unrelated to the Organization's tax-exempt purpose. The Organization had no unrelated income as of June 30, 2016 and 2015.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

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

Income Taxes, continued

The Organization follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the statement of activities, when applicable. Management has determined that the Organization has no uncertain tax positions at June 30, 2016 and 2015 and therefore, no amounts have been accrued.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Subsequent Events

The Organization has evaluated subsequent events through December 9, 2016, which is the date the financial statements were available to be issued.

Note 2 - Fair Value and Investments

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

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

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

Level 3 inputs are unobservable inputs for the investment.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

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

Mutual funds, fixed income, corporate bonds, asset backed securities, and equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 2 - Fair Value and Investments, continued

The fair market value of investments is categorized as follows for the year ended June 30, 2016:

Description	Level 1	Level 2	Level 3	Total
Equities:				
Conglomerates	\$ 7,990	\$ -	\$ -	7,990
Consumer goods	283,217	-	-	283,217
Large Blend ETF	41,895	-	-	41,895
Large Growth ETF	20,072	-	-	20,072
Services	471,356	-	-	471,356
Financial	490,398	-	-	490,398
Healthcare	390,565	-	-	390,565
Industrials	255,700	-	-	255,700
Materials	306,220	-	-	306,220
Technology	450,968	-	-	450,968
Utilities	5,687	-	-	5,687
Certificates of deposit	1,308,701	-	-	1,308,701
Fixed income - Preferred securities	8,261	-	-	8,261
Fixed income - Government bonds	142,381	-	-	142,381
Corporate bonds	1,075,305	-	-	1,075,305
Asset backed securities	180,029	-	-	180,029
Mutual Funds:				
Nontraditional bond	49,751	-	-	49,751
Intermediate term bond	954,506	-	-	954,506
Short term bond	2,071,337	-	-	2,071,337
Corporate bond	624,444	-	-	624,444
Small blend	157,825	-	-	157,825
Preferred stock	387,219	-	-	387,219
	<u>\$ 9,683,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,683,827</u>

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 2 - Fair Value and Investments, continued

The fair market value of investments is categorized as follows for the year ended June 30, 2015:

Description	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,650	\$ -	\$ -	6,650
Equities:				
Energy	53,864	-	-	53,864
Mid Cap ETF	41,170	-	-	41,170
S&P 500 ETF	374,922	-	-	374,922
Consumer Discretionary - Large Cap	103,215	-	-	103,215
Consumer Discretionary - Mid Cap	49,268	-	-	49,268
Consumer Discretionary - Small Cap	191,765	-	-	191,765
Consumer Staples - Large Cap	17,945	-	-	17,945
Consumer Staples - Mid Cap	7,872	-	-	7,872
Consumer Staples - Small Cap	315,706	-	-	315,706
Financial	544,092	-	-	544,092
Healthcare	497,851	-	-	497,851
Industrials	572,873	-	-	572,873
Materials	287,128	-	-	287,128
Technology	403,829	-	-	403,829
Telecommunications	99,598	-	-	99,598
Utilities	14,906	-	-	14,906
Certificates of deposit	701,987	-	-	701,987
Fixed income - Preferred securities	4,940	-	-	4,940
Fixed income - Government bonds	157,418	-	-	157,418
Corporate bonds	2,377,108	-	-	2,377,108
Asset backed securities	246,422	-	-	246,422
Mutual Funds:				
Nontraditional bond	49,837	-	-	49,837
Intermediate term bond	833,005	-	-	833,005
Short term bond	1,870,097	-	-	1,870,097
Corporate bond	1,011,631	-	-	1,011,631
Small blend	161,306	-	-	161,306
Mid cap growth	401,076	-	-	401,076
Tactical allocation	403,387	-	-	403,387
Preferred stock	190,831	-	-	190,831
Equity	321,012	-	-	321,012
Multialternative	194,127	-	-	194,127
Conservative allocation	92,978	-	-	92,978
	<u>\$ 12,599,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,599,816</u>

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 2 - Fair Value and Investments, continued

The following table summarizes investment income as of June 30:

	2016	2015
Dividends and interest	\$ 280,582	\$ 284,086
Unrealized losses	(101,727)	(1,100,788)
Realized gains (losses)	(184,975)	933,619
Investment fees	(101,678)	(112,104)
	<u>\$ (107,798)</u>	<u>\$ 4,813</u>

Note 3 - Unconditional Promises to Give

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

	2016	2015
Due within one year	\$ 5,450,676	\$ 500,000
Due from one to five years	-	500,000
	<u>\$ 5,450,676</u>	<u>\$ 1,000,000</u>

Management has determined that no allowance for doubtful promises to give is necessary as of June 30, 2016 and 2015 as all amounts are deemed collectible. No discount was imputed because management determined the amounts to be insignificant.

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30:

	2016	2015
Software	\$ 56,421	\$ 7,939
Office furniture and equipment	198,778	142,028
	<u>255,199</u>	<u>149,967</u>
Less accumulated depreciation	(155,937)	(119,075)
	<u>\$ 99,262</u>	<u>\$ 30,892</u>

Depreciation expense was \$36,862 for the year ended June 30, 2016 (\$28,391 in 2015).

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Unconditional Promise to Give	\$ 4,870,676	\$ -
Family Support	471,491	775,231
Housing	435,832	85,700
Transition Assistance	379,624	798,343
PTSD/TBI/Medical Support	336,363	200,025
Boston Marathon Survivors	46,380	37,654
Adaptive Equipment	44,470	55,815
All other	36,478	74,913
Service Branch	23,843	1,000,484
	<u>\$ 6,645,157</u>	<u>\$ 3,028,165</u>

Note 6 - Endowment Funds

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

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

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

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

From time to time, the fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration.

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 6 - Endowment Funds, continued

These underwater endowments are recorded as reductions in unrestricted net assets until the market improves and the fund balance is restored.

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

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

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

Endowment net assets composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ -	\$ 209,000	\$ 209,000

Endowment net assets composition by type of fund as of June 30, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowments	\$ -	\$ 938	\$ 200,000	\$ 200,938

Changes in endowment net assets is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, June 30, 2014	\$ -	\$ 369	\$ 200,000	\$ 200,369
Interest and dividends	-	2,432	-	2,432
Unrealized loss	-	(1,863)	-	(1,863)
Net assets, June 30, 2015	-	938	200,000	200,938
Contributions	-	-	9,000	9,000
Interest and dividends	-	4,106	-	4,106
Fees	-	(150)	-	(150)
Realized and unrealized loss	-	(4,894)	-	(4,894)
Net assets, June 30, 2016	\$ -	\$ -	\$ 209,000	\$ 209,000

INJURED MARINE SEMPER FI FUND

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 7 - Allocation of Joint Costs

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

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

	2016	2015
Program services	\$ 105,150	\$ 135,826
Management and general	-	94
Fundraising	65,884	69,867
	<u>\$ 171,034</u>	<u>\$ 205,787</u>

Note 8 - Risks and Concentrations

The Organization maintains cash and cash equivalents in bank deposit and other financial institution accounts which occasionally exceed federally insured deposit limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents. The Organization had uninsured cash of \$2,677,707 and \$1,768,967 at June 30, 2016 and 2015, respectively.

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

One donor comprised 29% and 24% of revenue for the years ended June 30, 2016 and 2015, respectively. One donor comprised 89% and 100% of the unconditional promises to give at June 30, 2016 and 2015, respectively.