



SEMPER FI & AMERICA'S
FUND

Semper Fi & America's Fund

Financial Statements

Years Ended June 30, 2020 and 2019



SEMPER FI & AMERICA'S FUND

Financial Statements

Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Semper Fi & America's Fund

We have audited the accompanying financial statements of Semper Fi & America's Fund (a nonprofit organization), which are comprised of the statements of financial position as of June 30, 2020 and 2019, 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 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 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 Semper Fi & America's Fund as of June 30, 2020 and 2019, 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.

Emphasis-of-Matter

As described in Note 1, to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is unmodified with respect to that matter.

Aldrich CPAs + Advisors LLP

San Diego, California
December 1, 2020

SEMPER FI & AMERICA'S FUND**Statements of Financial Position**

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 644,073	\$ 1,061,197
Accounts receivable	97,833	110,167
Investments	27,333,499	23,039,675
Unconditional promises to give	6,400,000	6,850,000
Prepaid expenses	1,176,409	1,810,560
Property and equipment, net of accumulated depreciation	<u>181,010</u>	<u>258,870</u>
Total Assets	<u>\$ 35,832,824</u>	<u>\$ 33,130,469</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 45,414	\$ 414,794
Accrued expenses	1,007,407	755,081
Note payable	<u>1,906,100</u>	<u>-</u>
Total Liabilities	2,958,921	1,169,875
Net Assets:		
Without donor restrictions:	21,193,903	18,986,745
With donor restrictions:		
Purpose-restricted	4,406,309	5,700,158
Time-restricted	4,000,000	4,000,000
Perpetual in nature	<u>3,273,691</u>	<u>3,273,691</u>
Total With Donor Restrictions	<u>11,680,000</u>	<u>12,973,849</u>
Total Net Assets	<u>32,873,903</u>	<u>31,960,594</u>
Total Liabilities and Net Assets	<u>\$ 35,832,824</u>	<u>\$ 33,130,469</u>

SEMPER FI & AMERICA'S FUND**Statement of Activities**

Year Ended June 30, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and Other Revenue:			
Contributions	\$ 20,764,714	\$ 17,791,057	\$ 38,555,771
Special events:			
Revenue	732,492	-	732,492
Expense	<u>(214,241)</u>	-	<u>(214,241)</u>
Special Events, net	518,251	-	518,251
Investment income, net	570,954	61,105	632,059
In-kind contributions	41,873	-	41,873
Net assets released from restrictions-time	9,500,000	(9,500,000)	-
Net assets released from restrictions-purpose	<u>9,646,011</u>	<u>(9,646,011)</u>	<u>-</u>
Total Support and Other Revenue	41,041,803	(1,293,849)	39,747,954
Expenses:			
Program services:			
Family support	26,129,573	-	26,129,573
Transition	4,048,864	-	4,048,864
Integrative wellness	<u>5,157,467</u>	-	<u>5,157,467</u>
Total Program Services	35,335,904	-	35,335,904
Supporting services:			
Management and general	2,512,292	-	2,512,292
Fundraising	<u>986,449</u>	-	<u>986,449</u>
Total Expenses	<u>38,834,645</u>	<u>-</u>	<u>38,834,645</u>
Increase (decrease) in Net Assets	2,207,158	(1,293,849)	913,309
Net Assets, beginning	<u>18,986,745</u>	<u>12,973,849</u>	<u>31,960,594</u>
Net Assets, ending	<u>\$ 21,193,903</u>	<u>\$ 11,680,000</u>	<u>\$ 32,873,903</u>

SEMPER FI & AMERICA'S FUND**Statement of Activities**

Year Ended June 30, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Support and Other Revenue:			
Contributions	\$ 20,440,732	\$ 17,401,327	\$ 37,842,059
Special events:			
Revenue	894,315	-	894,315
Expense	<u>(277,404)</u>	-	<u>(277,404)</u>
Special Events, net	616,911	-	616,911
Investment income, net	857,896	228,495	1,086,391
In-kind contributions	42,823	400	43,223
Net assets released from restrictions-time	9,000,000	(9,000,000)	-
Net assets released from restrictions-purpose	<u>8,239,134</u>	<u>(8,239,134)</u>	<u>-</u>
Total Support and Other Revenue	39,197,496	391,088	39,588,584
Expenses:			
Program services:			
Family support	23,839,063	-	23,839,063
Transition	4,267,401	-	4,267,401
Integrative wellness	<u>5,154,414</u>	-	<u>5,154,414</u>
Total Program Services	33,260,878	-	33,260,878
Supporting services:			
Management and general	2,304,853	-	2,304,853
Fundraising	<u>884,114</u>	-	<u>884,114</u>
Total Expenses	<u>36,449,845</u>	<u>-</u>	<u>36,449,845</u>
Increase in Net Assets	2,747,651	391,088	3,138,739
Net Assets, beginning	<u>16,239,094</u>	<u>12,582,761</u>	<u>28,821,855</u>
Net Assets, ending	<u>\$ 18,986,745</u>	<u>\$ 12,973,849</u>	<u>\$ 31,960,594</u>

SEMPER FI & AMERICA'S FUND

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services				Supporting Services		
	Family Support	Transition	Integrative Wellness	Total Program	Management and General	Fundraising	Total
Grants:							
Family support	\$ 8,247,689	\$ -	\$ -	\$ 8,247,689	\$ -	\$ -	\$ 8,247,689
Housing	6,073,200	-	-	6,073,200	-	-	6,073,200
Transportation	1,669,167	-	-	1,669,167	-	-	1,669,167
Adaptive equipment	1,477,080	-	-	1,477,080	-	-	1,477,080
Military to civilian transition	-	1,882,802	-	1,882,802	-	-	1,882,802
Education and career	-	823,789	-	823,789	-	-	823,789
Recovery through sports	-	-	1,848,689	1,848,689	-	-	1,848,689
PTSD, TBI and medical	-	-	1,427,570	1,427,570	-	-	1,427,570
Jinx McCain horsemanship	-	-	171,412	171,412	-	-	171,412
Total Grants	17,467,136	2,706,591	3,447,671	23,621,398	-	-	23,621,398
Wages, taxes, and benefits	7,147,577	1,107,541	1,410,792	9,665,910	1,916,185	644,168	12,226,263
Travel, conferences and meetings	487,122	75,481	96,148	658,751	23,288	9,260	691,299
Postage and delivery	271,049	42,000	53,500	366,549	35,704	43,392	445,645
Education and promotional	208,023	32,234	41,060	281,317	-	156,966	438,283
Donation processing	-	-	-	-	309,234	29,483	338,717
Other operating expenses	112,202	17,386	22,146	151,734	95,122	34,352	281,208
Professional and consulting services	123,131	19,079	24,304	166,514	67,524	43,106	277,144
Office rent and expenses	134,972	20,914	26,641	182,527	21,262	11,293	215,082
Communications	98,777	15,306	19,497	133,580	25,410	5,738	164,728
Depreciation	79,584	12,332	15,708	107,624	18,563	8,691	134,878
	8,662,437	1,342,273	1,709,796	11,714,506	2,512,292	986,449	15,213,247
Total Expenses	26,129,573	4,048,864	5,157,467	35,335,904	2,512,292	986,449	38,834,645
Special Events Expenses	-	-	-	-	-	214,241	214,241
Total Functional Expenses	\$ 26,129,573	\$ 4,048,864	\$ 5,157,467	\$ 35,335,904	\$ 2,512,292	\$ 1,200,690	\$ 39,048,886

See accompanying notes to financial statements.

SEMPER FI & AMERICA'S FUND

Statement of Functional Expenses

Year Ended June 30, 2019

	Program Services				Supporting Services		
	Family Support	Transition	Integrative Wellness	Total Program	Management and General	Fundraising	Total
Grants:							
Family support	\$ 7,615,171	\$ -	\$ -	\$ 7,615,171	\$ -	\$ -	\$ 7,615,171
Housing	6,640,770	-	-	6,640,770	-	-	6,640,770
Transportation	1,781,471	-	-	1,781,471	-	-	1,781,471
Adaptive equipment	1,245,924	-	-	1,245,924	-	-	1,245,924
Military to civilian transition	-	1,798,964	-	1,798,964	-	-	1,798,964
Education and career	-	1,294,905	-	1,294,905	-	-	1,294,905
Recovery through sports	-	-	1,903,634	1,903,634	-	-	1,903,634
PTSD, TBI and medical	-	-	1,617,254	1,617,254	-	-	1,617,254
Jinx McCain horsemanship	-	-	216,066	216,066	-	-	216,066
Total Grants	17,283,336	3,093,869	3,736,954	24,114,159	-	-	24,114,159
Wages, taxes, and benefits	5,060,255	905,830	1,094,114	7,060,199	1,698,280	545,270	9,303,749
Travel, conferences and meetings	506,844	90,730	109,588	707,162	37,208	17,580	761,950
Postage and delivery	231,994	41,529	50,161	323,684	33,515	34,208	391,407
Education and promotional	175,956	31,498	38,045	245,499	-	134,133	379,632
Professional and consulting services	167,826	30,042	36,287	234,155	76,576	64,291	375,022
Donation processing	-	-	-	-	287,245	34,811	322,056
Other operating expenses	94,795	16,969	20,496	132,260	91,602	24,672	248,534
Office rent and expenses	143,772	25,736	31,086	200,594	28,359	13,667	242,620
Communications	93,399	16,719	20,194	130,312	24,729	5,584	160,625
Depreciation	80,886	14,479	17,489	112,854	27,339	9,898	150,091
	6,555,727	1,173,532	1,417,460	9,146,719	2,304,853	884,114	12,335,686
Total Expenses	23,839,063	4,267,401	5,154,414	33,260,878	2,304,853	884,114	36,449,845
Special Events Expenses	-	-	-	-	-	277,404	277,404
Total Functional Expenses	\$ 23,839,063	\$ 4,267,401	\$ 5,154,414	\$ 33,260,878	\$ 2,304,853	\$ 1,161,518	\$ 36,727,249

See accompanying notes to financial statements.

SEMPER FI & AMERICA'S FUND

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from donors and others	\$ 24,389,796	\$ 25,608,437
Payments received on unconditional promises to give	14,450,000	12,850,000
Cash received from investment earnings, net	603,841	511,521
Cash paid to employees and vendors	(14,552,075)	(13,065,494)
Cash paid for grants	<u>(23,135,015)</u>	<u>(23,626,267)</u>
Net Cash Provided by Operating Activities	1,756,547	2,278,197
Cash Flows from Investing Activities:		
Purchases of investments	(8,523,524)	(9,372,379)
Proceeds on sales of investments	4,500,771	7,370,891
Purchases of property and equipment	<u>(57,018)</u>	<u>(44,300)</u>
Net Cash Used by Investing Activities	(4,079,771)	(2,045,788)
Cash Flows Provided by Financing Activities:		
Issuance of note payable	<u>1,906,100</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(417,124)	232,409
Cash and Cash Equivalents, beginning	<u>1,061,197</u>	<u>828,788</u>
Cash and Cash Equivalents, ending	<u>\$ 644,073</u>	<u>\$ 1,061,197</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 913,309	\$ 3,138,739
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gains on investments	(28,218)	(574,870)
Donated investments	(242,853)	(212,373)
Other in-kind donations of assets	(453,707)	(302,500)
Assets distributed as grants	453,707	402,600
Depreciation	134,878	150,091
Changes in operating assets and liabilities:		
Accounts receivable	12,334	14,340
Unconditional promises to give	450,000	500,000
Prepaid expenses	634,151	(1,030,619)
Accounts payable	(369,380)	308,298
Accrued expenses	<u>252,326</u>	<u>(115,509)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,756,547</u>	<u>\$ 2,278,197</u>

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Activities

The Injured Marine Semper Fi Fund changed its name on October 12, 2020 to Semper Fi & America's Fund (Organization). The Organization is a tax-exempt organization incorporated in the State of California in 2004. The Organization is dedicated to providing immediate financial assistance and lifetime support to combat wounded, critically ill and catastrophically injured service members and veterans of all branches of the U.S. Armed Forces and their families. The Organization delivers the resources they need during recovery and transition back to their communities, working to ensure no one is left behind. The primary source of income is from donor contributions. Since its inception in 2004, the Organization has assisted 25,000 service members, veterans and their families with \$224,000,000 in grants.

The Organization offers vital, life-changing support through a broad spectrum of services designed to meet the complex needs of wounded, ill, and injured service members and their families during hospitalization, recovery, and transition back into the local community. Support is provided through three key areas of assistance – Service Member and Family Support, Transition, and Integrative Wellness.

Service Member and Family Support Program

The Service Member and Family Support Program provides direct financial assistance for expenses that are most pressing during hospitalization and recovery. The program continues to offer specialized support to improve the lives of veterans and their families once they return home. Areas of assistance offered through this program include bedside support; adaptive housing, transportation, and equipment; help for Vietnam veterans through its LCpl Parsons Welcome Home Fund; assistance for children and caregivers; as well as relief in times of crisis, disaster, and emergency.

Transition Program

The Transition Program focuses on helping veterans connect with their communities by providing a wide range of education and career assistance, including an Apprenticeship Program, one-on-one mentorship, and opportunities to engage with fellow veterans. This program provides our veterans with the skills and resources needed to succeed in the next phases of their lives.

Integrative Wellness Program

The Integrative Wellness Program applies a holistic approach to long-term health, providing tools to improve body, mind, and spirit. The program fosters healing in a powerful and sustaining way through innovative technologies to support post-traumatic stress disorder and traumatic brain injury recovery. Programming includes neurofeedback, adaptive sports, a horsemanship program, service dogs through Tim & Sandy Day Canine Companions, and work with therapeutic arts and music.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard update, along with related subsequently issued updates, clarifies the principles for recognizing revenue and develops a common revenue standard under accounting principles generally accepted in the United States of America (US GAAP). During the year ended June 30, 2020, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This standard update clarifies and improves the scope and the accounting guidance for contributions received and contributions made under US GAAP. During the year ended June 30, 2020, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made (Topic 958)*.

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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

Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with US GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Organization's financial instruments, none of which are held for trading purposes, including cash, investments, receivables, and accounts payable. The Organization estimates that the fair value of all of these nonderivative financial instruments at June 30, 2020 and 2019 approximates the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are recorded at estimated net realizable value. Receivables are written off when the Organization determines an account is uncollectible. There were no write-offs in the fiscal years ended June 30, 2020 and 2019. 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, 2020 and 2019 as management has determined that all amounts are deemed 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 net assets with donor restrictions until they are appropriated for use in accordance with the agreements.

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. No allowance for doubtful promises to give is deemed necessary as of June 30, 2020 and 2019 as management has determined all amounts are deemed collectible.

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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

Prepaid Expenses

Prepaid expenses include items such as insurance, promotional and educational materials, event costs 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 that are purchased or donated for distribution as grants 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, equipment, software, and website design 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 five years.

Revenue Recognition

Contributions - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

In-kind contributions – In-kind contributions consist of donated use of facilities, donated assets, donated supplies and donated services. Donated services are recognized in the statements of activities if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses are allocated on a reasonable basis that is consistently applied, as follows. Employee wages, benefits and taxes are allocated based on each person's job duties. Office rent and expenses and communication systems are allocated using the overall employee allocation. Travel, professional services, postage and delivery, other business costs, and educational and promotional are allocated based on the purpose of each expenditure. Donation processing is allocated to Management and General except for costs for peer-to-peer fundraising websites that are allocated to fundraising. Depreciation is allocated based on the purpose and usage of each asset.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation code. The Organization, however, may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2020 and 2019, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made.

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, 2020 and 2019 and therefore no amounts have been accrued.

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

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

Future Accounting Standards

The FASB has issued a substantial ASU which will become effective in future years.

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. The primary change in GAAP addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statements of financial position a liability to make lease payments ("lease liability") and a right-of-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Although there are optional practical expedients that entities may elect to apply. The Organization is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020 the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closing of businesses and shelter in place orders. In response, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. The Organization received a Paycheck Protection Program (PPP) loan through the CARES Act discussed in Note 6. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of business closures, shelter-in-place orders, and the ultimate impact of the CARES Act and other governmental initiatives. As of the date of this report, this matter has not had a significant, adverse impact on the Organization. However, the future financial impact and duration cannot be reasonably estimated at this time.

The Organization has evaluated subsequent events through December 1, 2020, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

The Organization maintains a Liquidity Management Plan and also an Investment Policy that strive to balance the goals of (1) making sufficient funds available to meet near-term expenses, while (2) investing in securities with diversified risk, reasonable return and high marketability.

Funds for near-term expenses are maintained in a combination of cash and short-term, highly rated fixed income securities. The remaining funds are invested in a combination of longer-term fixed income securities and equities with the goal of providing a higher rate of return as compared to the near-term investments.

The Organization's board establishes investment policy guidelines. Implementation of these guidelines and the resultant investing of funds is performed by a professional, outside investment manager. As part of the annual budget process, the board reviews management's estimates of projected revenues and expenses, cash flow, and financial assets for the coming fiscal year to determine near-term and longer-term funding requirements. An important consideration in the review process is the highly seasonal nature of the Organization's donations, which causes the Organization to need highly liquid funds available for much of the year.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restriction within one year of the balance sheet date. Amounts already appropriated from the donor-restricted endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 2 - Liquidity and Availability, continued

	2020	2019
Cash and cash equivalents	\$ 644,073	\$ 1,061,197
Accounts receivable	97,833	110,167
Investments	27,333,499	23,039,675
Unconditional promises to give	6,400,000	6,850,000
	<u>34,475,405</u>	<u>31,061,039</u>
Total Financial Assets	34,475,405	31,061,039
Less amounts not available to be used within one year:		
Restricted by donor with time restrictions	(1,200,000)	-
Donor restricted endowment funds held in perpetuity	(3,273,691)	(3,273,691)
Endowment earnings unavailable due to spending limits	(135,539)	(14,742)
	<u>(4,609,230)</u>	<u>(3,288,433)</u>
Financial Assets Available for General Expenditures Within One Year	\$ <u>29,866,175</u>	\$ <u>27,772,606</u>

Note 3 - 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, 2020 and 2019.

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

Equity and bond mutual funds and exchange traded funds (ETF): Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics, as provided by a third party using computerized valuation formula. If quoted market prices are not available, then fair market values are estimated using the most recent bid prices in the over-the-counter market in which the individual securities are traded and adjusted for other factors, such as interest rates, credit, etc., as determined by the broker and/or custodian.

Fixed Income Securities: Reported at cost plus earned interest, which approximates market prices.

SEMPER FI & AMERICA'S FUND**Notes to Financial Statements**

Years Ended June 30, 2020 and 2019

Note 3 - Fair Value and Investments, continued

The fair market value of investments is categorized as follows:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,383,186	\$ -	\$ -	\$ 5,383,186
Equity Mutual Funds and ETFs:				
Large blend	2,837,800	-	-	2,837,800
Large value	938,155	-	-	938,155
Mid-cap blend	615,143	-	-	615,143
Small blend	613,253	-	-	613,253
Foreign large value	610,538	-	-	610,538
Large growth	453,357	-	-	453,357
Real estate	272,440	-	-	272,440
Foreign large blend	272,266	-	-	272,266
Utilities	262,429	-	-	262,429
Diversified emerging markets	250,002	-	-	250,002
Small value	246,097	-	-	246,097
Global real estate	210,486	-	-	210,486
Foreign small value	190,424	-	-	190,424
Small growth	121,166	-	-	121,166
Other	70,257	-	-	70,257
Treasury securities	-	386,673	-	386,673
Bond Mutual Funds and ETFs:				
Short-term bond	6,646,050	-	-	6,646,050
Intermediate term bond	2,785,909	-	-	2,785,909
World bond	2,063,459	-	-	2,063,459
Inflation protected bond	1,410,401	-	-	1,410,401
Emerging market bond	694,008	-	-	694,008
	<u>\$ 26,946,826</u>	<u>\$ 386,673</u>	<u>\$ -</u>	<u>\$ 27,333,499</u>

SEMPER FI & AMERICA'S FUND**Notes to Financial Statements**

Years Ended June 30, 2020 and 2019

Note 3 - Fair Value and Investments, continued

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,551,606	\$ -	\$ -	\$ 1,551,606
Equity Mutual Funds and ETFs:				
Large blend	2,687,999	-	-	2,687,999
Large value	1,189,338	-	-	1,189,338
Small blend	547,949	-	-	547,949
Mid-cap blend	528,070	-	-	528,070
Foreign large value	524,044	-	-	524,044
Large growth	453,903	-	-	453,903
Real estate	298,281	-	-	298,281
Small value	277,403	-	-	277,403
Diversified emerging markets	275,310	-	-	275,310
Utilities	273,239	-	-	273,239
Other	266,957	-	-	266,957
Foreign large blend	256,619	-	-	256,619
Foreign small value	240,943	-	-	240,943
Global real estate	199,573	-	-	199,573
Treasury securities	-	338,624	-	338,624
Corporate bonds	-	5,244	-	5,244
Bond Mutual Funds and ETFs:				
Short-term bond	6,579,679	-	-	6,579,679
Intermediate term bond	2,643,624	-	-	2,643,624
World bond	1,930,907	-	-	1,930,907
Inflation protected bond	1,305,290	-	-	1,305,290
Emerging market bond	665,073	-	-	665,073
	<u>\$ 22,695,807</u>	<u>\$ 343,868</u>	<u>\$ -</u>	<u>\$ 23,039,675</u>

Note 4 - Unconditional Promises to Give

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

	2020	2019
Due within one year	\$ 5,200,000	\$ 6,850,000
Due in one to five years	1,200,000	-
	<u>\$ 6,400,000</u>	<u>\$ 6,850,000</u>

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Software	\$ 74,141	\$ 74,141
Office furniture and equipment	125,650	162,744
Vehicles	168,069	168,069
Website development	<u>160,900</u>	<u>240,900</u>
	528,760	645,854
Less accumulated depreciation	<u>(347,750)</u>	<u>(386,984)</u>
	<u>\$ 181,010</u>	<u>\$ 258,870</u>

Depreciation expense was \$134,878 and \$150,091 for the years ended June 30, 2020 and 2019, respectively.

Note 6 – Note Payable

On May 4, 2020, the Organization received loan proceeds in the amount of \$1,906,100 under the PPP. The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payment for the first six months. The Organization used the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the forgiveness has not been granted as of the date of this report.

SEMPER FI & AMERICA'S FUND**Notes to Financial Statements**

Years Ended June 30, 2020 and 2019

Note 7 - Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes:		
Transition Assistance	\$ 1,446,924	\$ 1,092,453
Visiting Nurses	1,339,200	479,731
Family Support	676,206	886,536
Service Branch	316,421	457,803
Vietnam Veterans	300,000	247,756
PTSD/TBI/Medical	143,228	-
All other	88,392	408,496
Geographic	54,419	32,988
Adaptive Equipment	34,520	137,012
COVID-19	6,999	-
Housing	-	1,957,383
	<u>4,406,309</u>	<u>5,700,158</u>
Subject to the passage of time:		
Unconditional Promise to Give	4,000,000	4,000,000
Perpetual in nature:		
Endowment - Grants Only, Branch Specific	3,064,691	3,064,691
General Endowment	<u>209,000</u>	<u>209,000</u>
	<u>3,273,691</u>	<u>3,273,691</u>
Net Assets with Donor Restrictions	<u>\$ 11,680,000</u>	<u>\$ 12,973,849</u>

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 7 - Net Assets, continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes:		
Transition Assistance	\$ 1,115,744	\$ 976,569
Visiting Nurses	934,806	20,269
Family Support	1,479,020	1,112,231
Service Branch	301,990	127,759
Vietnam Veterans	1,012,646	595,598
PTSD/TBI/Medical	257,957	285,156
All other	1,281,687	2,597,058
Geographic	135,751	153,272
Adaptive Equipment	331,679	247,883
COVID-19	793,848	-
Housing	<u>2,000,883</u>	<u>2,123,339</u>
	<u>\$ 9,646,011</u>	<u>\$ 8,239,134</u>
Subject to the passage of time:		
Unconditional Promise to Give	<u>\$ 9,500,000</u>	<u>\$ 9,000,000</u>

Note 8 - 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 net assets that are perpetual in nature the original value of amounts donated to the 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 net assets that are perpetual in nature (1) the original value of gifts donated to the endowment (2) the original value of subsequent gifts donated to the endowment and (3) accumulations to the 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 as perpetual in nature is classified as purpose 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 and the donor specified purposes.

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 8 - Endowment Funds, continued

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. The Organization had no underwater endowments as of June 30, 2020 and 2019.

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, 2020 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted funds:			
Original donor-restricted gift amount required to be maintained in perpetuity by donors	\$ -	\$ 3,273,691	\$ 3,273,691
Accumulated investment gains	-	357,434	357,434
	<u>\$ -</u>	<u>\$ 3,631,125</u>	<u>\$ 3,631,125</u>

SEMPER FI & AMERICA'S FUND**Notes to Financial Statements**

Years Ended June 30, 2020 and 2019

Note 8 - Endowment Funds, continued

Endowment net assets composition by type of fund as of June 30, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds:			
Original-donor restricted gift amount required to be maintained in perpetuity by donors	\$ -	\$ 3,273,691	\$ 3,273,691
Accumulated investment gains	-	497,630	497,630
	<u>\$ -</u>	<u>\$ 3,771,321</u>	<u>\$ 3,771,321</u>

Changes in endowment net assets is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment, June 30, 2018	\$ -	\$ 3,554,127	\$ 3,554,127
Investment earnings, net of fees	-	228,634	228,634
Amounts appropriated for expenditure		(11,440)	(11,440)
Endowment, June 30, 2019	-	3,771,321	3,771,321
Investment earnings, net of fees	-	61,047	61,047
Amounts appropriated for expenditure	-	(201,243)	(201,243)
Endowment, June 30, 2020	<u>\$ -</u>	<u>\$ 3,631,125</u>	<u>\$ 3,631,125</u>

Note 9 - 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:

	2020	2019
Program services	\$ 162,356	\$ 141,775
Fundraising	72,645	81,604
	<u>\$ 235,001</u>	<u>\$ 223,379</u>

SEMPER FI & AMERICA'S FUND

Notes to Financial Statements

Years Ended June 30, 2020 and 2019

Note 10 - Risks and Concentrations

The Organization maintains cash accounts at various financial institutions. The balances at times may exceed Federal Deposit Insurance Corporation (FDIC) limits. Accounts at each financial institution are insured by the FDIC up to \$250,000.

The Organization also maintains cash in brokerage accounts. The balances at times may exceed Securities Investor Protection Corporation (SIPC) limits. Accounts at each financial institution are insured by the SIPC up to a limit of \$500,000, including \$250,000 for claims on cash, per customer for all accounts at the same institution.

The Organization invests in various types of investment securities, primarily mutual funds and exchange traded funds as discussed in footnote 2, which are exposed to normal investing risks, such as interest rate, market, and credit risks. Due to the level of risk associated with 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.

Two donors comprised 36% and one donor comprised 27% of contributions for the years ended June 30, 2020 and 2019, respectively. Two donors and three donors comprised 100% of the unconditional promises to give at June 30, 2020 and 2019, respectively.