

Children of Fallen Patriots Foundation

Financial Statements
and Independent Auditors' Report

December 31, 2020

Children of Fallen Patriots Foundation

Financial Statements
December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children of Fallen Patriots Foundation

We have audited the accompanying financial statements of Children of Fallen Patriots Foundation (“the Foundation”), which comprise the statement of financial position as of December 31, 2020; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Auditor's Responsibility (continued)

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 Foundation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
March 31, 2021

Children of Fallen Patriots Foundation

Statement of Financial Position December 31, 2020

Assets	
Cash and cash equivalents	\$ 16,394,937
Grants and contributions receivable	1,346,000
Prepaid expenses and other assets	<u>197,145</u>
Total assets	<u><u>\$ 17,938,082</u></u>
Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	<u>\$ 117,461</u>
Total liabilities	<u>117,461</u>
Net Assets	
Without donor restrictions	9,070,642
With donor restrictions	<u>8,749,979</u>
Total net assets	<u>17,820,621</u>
Total liabilities and net assets	<u><u>\$ 17,938,082</u></u>

Children of Fallen Patriots Foundation

Statement of Activities For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 6,620,107	\$ 286,650	\$ 6,906,757
Grant – Paycheck Protection Program	251,200	-	251,200
In-kind contributions	397,403	-	397,403
Interest income	46,201	-	46,201
Released from restrictions	3,319,575	(3,319,575)	-
Total revenue and support	<u>10,634,486</u>	<u>(3,032,925)</u>	<u>7,601,561</u>
Expenses			
Program services	8,190,309	-	8,190,309
Supporting services:			
Management and general	557,324	-	557,324
Fundraising	685,085	-	685,085
Total supporting services	<u>1,242,409</u>	<u>-</u>	<u>1,242,409</u>
Total expenses	<u>9,432,718</u>	<u>-</u>	<u>9,432,718</u>
Change in Net Assets	1,201,768	(3,032,925)	(1,831,157)
Net Assets, beginning of year	<u>7,868,874</u>	<u>11,782,904</u>	<u>19,651,778</u>
Net Assets, end of year	<u>\$ 9,070,642</u>	<u>\$ 8,749,979</u>	<u>\$ 17,820,621</u>

See accompanying notes.

Children of Fallen Patriots Foundation

Statement of Functional Expenses For the Year Ended December 31, 2020

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Grants to students	\$ 6,761,447	\$ -	\$ -	\$ 6,761,447
Payroll and related	904,657	399,405	482,725	1,786,787
Contract services fees	17,359	39,857	10,000	67,216
Rent	128,657	29,649	39,995	198,301
Travel and meeting	14,855	771	6,928	22,554
Advertising and promotion	304,192	5,881	47,249	357,322
Computer and software	38,537	32,378	39,836	110,751
Merchant processing fees	-	-	39,747	39,747
Annual filing fees	-	16,162	375	16,537
Telephone and internet	12,710	1,645	1,644	15,999
Insurance	-	13,086	-	13,086
Other special event expenses	-	-	9,841	9,841
Postage and shipping	3,807	981	1,580	6,368
Online and social awareness	3,000	-	3,000	6,000
Office equipment	-	5,805	-	5,805
Supplies	747	2,669	462	3,878
Staff and Board development	-	3,370	447	3,817
Membership dues	-	2,086	525	2,611
Licenses and permits	-	2,000	-	2,000
Staff meals	341	286	731	1,358
Bank fees	-	1,293	-	1,293
Total Expenses	\$ 8,190,309	\$ 557,324	\$ 685,085	\$ 9,432,718

Children of Fallen Patriots Foundation

Statement of Cash Flows For the Year Ended December 31, 2020

Cash Flows from Operating Activities	
Change in net assets	\$ (1,831,157)
Change in operating assets and liabilities:	
Decrease (increase) in:	
Grants and contributions receivable	5,463,323
Prepaid expenses and other assets	(133,575)
Increase in:	
Accounts payable and accrued expenses	<u>41,231</u>
Net cash provided by operating activities	<u>3,539,822</u>
Net Increase in Cash and Cash Equivalents	3,539,822
Cash and Cash Equivalents, beginning of year	<u>12,855,115</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 16,394,937</u></u>

Children of Fallen Patriots Foundation

Notes to Financial Statements
December 31, 2020

1. Nature of Operations

Children of Fallen Patriots Foundation (“the Foundation”) is a not-for-profit organization that was incorporated under the laws of the State of Delaware on August 1, 2002. The Foundation was formed for the purpose of providing college scholarships and educational counseling to military children who have lost a parent in the line of duty.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Foundation’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Foundation reports grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to the Foundation. Grants and contributions receivable are reflected at either net realizable value, or at net present value based on projected cash flows. The Foundation provides an allowance for doubtful accounts using the allowance method, which is based on management’s judgment considering historical information.

Children of Fallen Patriots Foundation

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable (continued)

Accounts are individually analyzed for collectability and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the accounts are written-off against the related allowance. At December 31, 2020, there was no established allowance as management deems all receivables to be fully collectible. No discount has been calculated as of December 31, 2020, as all receivables are expected to be collected within one year.

Property and Equipment

Property and equipment acquisitions with a cost in excess of \$2,500 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for repairs and maintenance are expensed as incurred. The Foundation did not have any property and equipment at December 31, 2020.

Revenue Recognition

The Foundation recognizes grants and contributions when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statement of activities as in-kind contributions. In-kind contributions are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used. In-kind contributions consist of donated office space and services that benefit both program and supporting services and totaled \$397,403 for the year ended December 31, 2020.

Children of Fallen Patriots Foundation

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

Grants to Students

Grants to students represents scholarships and awards to students that are unconditional in nature and are recognized at the time the recipient is notified.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that is consistently applied. The majority of expenses are recorded directly to specific programs and functions, using the direct allocation method. Expenses that are allocated include payroll and related expenses, which are allocated on the basis of estimates of time and effort, and rent expense, which is allocated on a square footage basis.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 31, 2021, the date the financial statements were available to be issued.

Subsequent to year-end, the Foundation applied for a second loan under the Paycheck Protection Program (PPP). The second loan was granted to the Foundation on February 17, 2021 in the amount of \$305,100. See Note 6 for details.

Children of Fallen Patriots Foundation

Notes to Financial Statements
December 31, 2020

3. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist of cash and cash equivalents. The Foundation maintains cash deposit and transaction accounts with a financial institution and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of the financial institution and believes that the risk of any credit loss is minimal.

4. Liquidity and Availability

The Foundation strives to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management periodically reviews the Foundation's liquid asset needs and adjusts the cash balance as necessary.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following at December 31, 2020:

Cash and cash equivalents	\$ 16,394,937
Grants and contributions receivable	<u>1,346,000</u>
Total financial assets	17,740,937
Less: net assets with donor restrictions	<u>(8,749,979)</u>
Total available for general expenditures	<u><u>\$ 8,990,958</u></u>

5. Net Assets With Donor Restrictions

All net assets with donor restrictions are restricted for the purpose of providing college scholarships and educational counseling to military children who have lost a parent in the line of duty.

6. Paycheck Protection Program

The Foundation applied for a loan under the PPP pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which the Foundation qualified.

Children of Fallen Patriots Foundation

Notes to Financial Statements
December 31, 2020

6. Paycheck Protection Program (continued)

After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities). The Paycheck Protection Program Flexibility Act of 2020 (PPPFA) was enacted on June 5, 2020, and amends the PPP to give borrowers more freedom in how and when loan funds are spent while retaining the possibility of full forgiveness.

The loan was granted to the Foundation on April 20, 2020 in the amount of \$251,200. During the year ended December 31, 2020, the entire loan amount was used for qualifying expenses in order to apply for full forgiveness. On December 17, 2020, the loan was fully forgiven by the SBA. The Foundation reduced the liability by the amount forgiven and recorded it as a grant in the statement of activities under the terms of the PPP.

Subsequent to year-end, the Foundation applied for a second loan under the PPP. The second PPP loan was granted to the Foundation on February 17, 2021 in the amount of \$305,100 and matures on February 17, 2026. This PPP loan bears interest at a fixed rate of 1.00%. The Foundation intends to use the entire loan amount for qualifying expenses and apply for forgiveness of certain amounts up to the full amount of the loan under the terms of the PPP.

7. Related Party Transactions

For the year ended December 31, 2020, contributions include \$968,310 donated by members of the Board of Directors. Board donations covered approximately 78% of management and general, and fundraising expenses in 2020.

8. Commitments and Contingencies

Operating Leases

The Foundation maintains a service agreement for donated office space in Dulles, Virginia, which commenced on September 1, 2018 and automatically renews for successive periods of one month unless terminated by either party in writing upon 60 days' prior written notice. The value of the donated office space totaled \$102,426 for the year ended December 31, 2020, and is included in the accompanying statement of activities.

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Notes to Financial Statements
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8. Commitments and Contingencies (continued)

Operating Leases (continued)

The Foundation entered into an operating lease agreement for office space in Fleming Island, Florida, which commenced on June 1, 2019 and expired on May 31, 2020. The lease called for monthly rental payments of \$575.

The Foundation entered into an operating lease agreement for office space in New York City, New York, which commenced on October 1, 2019 and expired on September 30, 2020. The lease called for monthly rental payments of \$1,105.

Rent expense, including the value of the donated office space, for the year ended December 31, 2020 totaled \$198,301.

9. Retirement Plan

The Foundation maintains a tax-deferred annuity plan that meets the requirements of Section 403(b) of the Internal Revenue Code (IRC). All employees who work more than 20 hours per week may contribute to the plan, up to applicable limits set by law (\$19,500 for calendar year 2020). At the completion of twelve months of service, employees become eligible for matching and nonelective employer contributions. These employer contributions are 100% vested after 3 years of service. For the year ended December 31, 2020, the Foundation did not make any employer contributions to the plan.

10. Income Taxes

The Foundation is exempt from payment of taxes on income other than net unrelated business income under IRC Section 501(c)(3). For the year ended December 31, 2020, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to the Foundation are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Foundation's tax positions and concluded that the financial statements do not include any uncertain tax positions.