Navy SEAL Foundation, Inc.
and Subsidiary

Consolidated Financial Report
December 31, 2022

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Navy SEAL Foundation, Inc.

Opinion
We have audited the consolidated financial statements of Navy SEAL Foundation, Inc. and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the financial statements present fairly, in all material respects, the financial position of Navy SEAL Foundation, Inc. and its subsidiary as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Navy SEAL Foundation, Inc. and its subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 1 to the financial statements, the Foundation adopted Financial Accounting Standards Board's Accounting Standards Codification, Topic 842 Leases. Our opinion is not modified with respect to this matter.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Navy SEAL Foundation, Inc. and its subsidiary's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism through the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsible to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Navy SEAL Foundation, Inc. and its subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Navy SEAL Foundation, Inc. and its subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Report
Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

McLean, Virginia
September 5, 2023

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	**$ 15,511,512**	$ 21,732,785
Promises to give	**553,570**	1,194,392
In-kind contributions receivable—real estate lease	**41,456**	448,714
Investments, at fair value	**106,504,836**	105,623,372
Other investments, at cost	**-**	611,028
Property and equipment, net	**6,365,398**	3,938,610
Operating right-of-use asset, net	**8,659,161**	-
Other assets	**1,379,863**	1,217,358
Total assets	**$ 139,015,796**	$ 134,766,259
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 2,429,875**	$ 1,357,544
Unconditional promise to give—real estate lease	**41,456**	448,714
Refundable advances	**1,366,627**	1,386,851
Operating lease liability, net	**9,630,753**	-
Total liabilities	**13,468,711**	3,193,109
Net assets:		
Without donor restrictions:		
Board-designated for endowment:		
Community	**13,500,000**	13,500,000
Education	**18,900,000**	18,900,000
Strength	**21,500,000**	21,500,000
Resilience	**18,200,000**	18,200,000
Health	**40,500,000**	41,589,700
Undesignated	**5,008,180**	11,631,047
	117,608,180	125,320,747
With donor restrictions	**7,938,905**	6,252,403
Total net assets	**125,547,085**	131,573,150
Total liabilities and net assets	**$ 139,015,796**	$ 134,766,259

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Contributions	$ 20,620,245	$ 4,338,656	$ 24,958,901
Special event revenue	11,582,600	-	11,582,600
Less cost of direct benefit to donors	(505,405)	-	(505,405)
Investment (loss), net	(322,339)	(24,893)	(347,232)
Other income	433,920	-	433,920
Net realized and unrealized loss on investments	(8,899,010)	(403,585)	(9,302,595)
Net assets released from restrictions	2,223,676	(2,223,676)	-
Total support and revenue	25,133,687	1,686,502	26,820,189
Expenses:			
Program services:			
Strength	4,481,865	-	4,481,865
Resilience	4,579,391	-	4,579,391
Health	8,874,511	-	8,874,511
Education	3,648,567	-	3,648,567
Community	3,130,032	-	3,130,032
Total program services	24,714,366	-	24,714,366
Supporting services:			
General administration	1,297,904	-	1,297,904
Fundraising	6,833,984	-	6,833,984
Total supporting services	8,131,888	-	8,131,888
Total expenses	32,846,254	-	32,846,254
Change in net assets	(7,712,567)	1,686,502	(6,026,065)
Net assets:			
Beginning	125,320,747	6,252,403	131,573,150
Ending	$ 117,608,180	$ 7,938,905	$ 125,547,085

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Contributions	$ 17,271,819	$ 3,647,419	$ 20,919,238
Special event revenue	10,518,950	-	10,518,950
Less cost of direct benefit to donors	(504,090)	-	(504,090)
Investment (loss), net	(774,178)	(24,375)	(798,553)
Other income	431,523	-	431,523
Net realized and unrealized gain on investments	12,199,301	626,660	12,825,961
Net assets released from restrictions	4,069,782	(4,069,782)	-
Total support and revenue	43,213,107	179,922	43,393,029
Expenses:			
Program services:			
Strength	3,247,647	-	3,247,647
Resilience	3,205,747	-	3,205,747
Health	6,551,095	-	6,551,095
Education	3,708,433	-	3,708,433
Community	2,209,389	-	2,209,389
Total program services	18,922,311	-	18,922,311
Supporting services:			
General administration	1,128,925	-	1,128,925
Fundraising	5,227,644	-	5,227,644
Total supporting services	6,356,569	-	6,356,569
Total expenses	25,278,880	-	25,278,880
Change in net assets	17,934,227	179,922	18,114,149
Net assets:			
Beginning	107,386,520	6,072,481	113,459,001
Ending	$ 125,320,747	$ 6,252,403	$ 131,573,150

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services						Supporting Services			
	Strength	Resilience	Health	Education	Community	Total Program Services	General Administration	Fundraising	Total Supporting Services	Total
Career transition	$ 1,605,763	$ -	$ -	$ 45,132	$ -	$ 1,650,895	$ -	$ -	$ -	$ 1,650,895
Children's camps and support	-	-	-	450,000	954,550	1,404,550	-	-	-	1,404,550
Command events	54,608	-	-	-	946,657	1,001,265	-	-	-	1,001,265
Crisis assistance and respite support	1,536,513	-	-	-	-	1,536,513	-	-	-	1,536,513
Death/illness support	-	1,405,591	294,532	-	-	1,700,123	-	-	-	1,700,123
Gold Star and surviving family support	-	267,707	-	-	-	267,707	-	-	-	267,707
Historical database and memorial support	-	-	-	-	527,189	527,189	-	-	-	527,189
Human performance	-	-	2,771,959	-	-	2,771,959	-	-	-	2,771,959
Mental health support	-	-	1,266,228	-	-	1,266,228	-	-	-	1,266,228
Private school and tutoring support	-	-	-	959,059	-	959,059	-	-	-	959,059
Respite childcare	539,228	-	-	-	-	539,228	-	-	-	539,228
Workshops and enrichment	165,429	-	104,807	-	261,905	532,141	-	-	-	532,141
Scholarships and tuition	-	-	-	1,720,353	-	1,720,353	-	-	-	1,720,353
Survivor programs	-	2,297,450	-	-	-	2,297,450	-	-	-	2,297,450
Whole Warrior Health Impact Forum	-	-	1,115,816	-	-	1,115,816	-	-	-	1,115,816
Wounded, ill and injured support	-	-	2,173,102	-	-	2,173,102	-	-	-	2,173,102
Catering, venue and entertainment	-	-	-	-	-	-	-	6,418,897	6,418,897	6,418,897
Marketing	100,430	103,379	198,811	81,835	71,814	556,269	199,862	-	199,862	756,131
Service charges	43,258	44,529	85,634	35,249	30,933	239,603	86,087	-	86,087	325,690
Dues and subscriptions	4,396	4,524	8,701	3,581	3,143	24,345	8,747	-	8,747	33,092
Supplies and postage	63,675	65,544	126,050	51,885	45,532	352,686	125,231	1,486	126,717	479,403
Professional fees	22,366	23,023	44,276	18,225	15,993	123,883	44,510	-	44,510	168,393
Travel expenses	37,856	38,968	74,940	30,847	27,070	209,681	75,337	-	75,337	285,018
Building expenses	49,478	50,931	97,946	40,317	35,380	274,052	98,464	-	98,464	372,516
Salaries and wages	247,404	251,792	489,948	201,303	170,597	1,361,044	625,833	919,006	1,544,839	2,905,883
	4,470,404	4,553,438	8,852,750	3,637,786	3,090,763	24,605,141	1,264,071	7,339,389	8,603,460	33,208,601
Depreciation	11,461	25,953	21,761	10,781	39,269	109,225	33,833	-	33,833	143,058
Direct donor expenses	-	-	-	-	-	-	-	(505,405)	(505,405)	(505,405)
	$ 4,481,865	$ 4,579,391	$ 8,874,511	$ 3,648,567	$ 3,130,032	$ 24,714,366	$ 1,297,904	$ 6,833,984	$ 8,131,888	$ 32,846,254

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services						Supporting Services			
	Strength	Resilience	Health	Education	Community	Total Program Services	General Administration	Fundraising	Total Supporting Services	Total
Career transition	$ 1,577,422	$ -	$ -	$ 40,895	$ -	$ 1,618,317	$ -	$ -	$ -	$ 1,618,317
Children's camps and support	-	-	-	550,000	893,047	1,443,047	-	-	-	1,443,047
Command events	22,956	-	-	-	457,229	480,185	-	-	-	480,185
Crisis assistance and respite support	509,506	-	-	-	-	509,506	-	-	-	509,506
Death/illness support	-	872,362	131,864	-	-	1,004,226	-	-	-	1,004,226
Gold Star and surviving family support	-	216,222	-	-	-	216,222	-	-	-	216,222
Historical database and memorial support	-	-	-	-	356,772	356,772	-	-	-	356,772
Human performance	-	-	1,440,707	-	-	1,440,707	-	-	-	1,440,707
Mental health support	-	-	1,246,720	-	-	1,246,720	-	-	-	1,246,720
Private school and tutoring support	-	-	-	871,865	-	871,865	-	-	-	871,865
Respite childcare	590,549	-	-	-	-	590,549	-	-	-	590,549
Workshops and enrichment	88,831	-	-	-	154,594	243,425	-	-	-	243,425
Scholarships and tuition	-	-	-	1,724,881	-	1,724,881	-	-	-	1,724,881
Survivor programs	-	1,647,990	-	-	-	1,647,990	-	-	-	1,647,990
Whole Warrior Health Impact Forum	-	-	859,258	-	-	859,258	-	-	-	859,258
Wounded, ill and injured support	-	-	1,949,448	-	-	1,949,448	-	-	-	1,949,448
Catering, venue and entertainment	-	-	-	-	-	-	-	4,825,627	4,825,627	4,825,627
Marketing	81,815	81,634	164,955	93,286	57,539	479,229	178,983	-	178,983	658,212
Service charges	34,191	34,115	68,935	38,984	24,046	200,271	74,798	-	74,798	275,069
Dues and subscriptions	3,366	3,359	6,787	3,838	2,368	19,718	7,365	-	7,365	27,083
Supplies and postage	50,827	50,715	102,478	57,953	35,746	297,719	110,099	1,094	111,193	408,912
Professional fees	13,554	13,524	27,328	15,455	9,532	79,393	29,652	-	29,652	109,045
Travel expenses	20,207	20,162	40,742	23,040	14,211	118,362	44,207	-	44,207	162,569
Building expenses	46,133	46,031	93,013	52,601	32,444	270,222	100,923	-	100,923	371,145
Salaries and wages	196,387	192,678	396,258	224,437	131,075	1,140,835	547,758	905,013	1,452,771	2,593,606
	3,235,744	3,178,792	6,528,493	3,697,235	2,168,603	18,808,867	1,093,785	5,731,734	6,825,519	25,634,386
Depreciation	11,903	26,955	22,602	11,198	40,786	113,444	35,140	-	35,140	148,584
Direct donor expenses	-	-	-	-	-	-	-	(504,090)	(504,090)	(504,090)
	$ 3,247,647	$ 3,205,747	$ 6,551,095	$ 3,708,433	$ 2,209,389	$ 18,922,311	$ 1,128,925	$ 5,227,644	$ 6,356,569	$ 25,278,880

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (6,026,065)**	$ 18,114,149
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**143,058**	148,584
Amortization of right-of-use asset	**782,583**	-
Net realized and unrealized loss (gain) on investments	**9,302,595**	(12,825,961)
In-kind contribution—real estate lease, accretion of discount	**(26,662)**	(26,662)
Rent and maintenance expense—in-kind real estate lease	**433,920**	433,918
Unconditional promise to give—real estate lease, accretion of discount	**26,662**	26,662
Income from unconditional promise to give—real estate lease, net of discount	**(433,920)**	(433,918)
Investments donated	**(1,489,698)**	(1,816,521)
Proceeds from sale of donated investments	**1,381,684**	1,829,307
Change in assets and liabilities:		
(Increase) decrease in:		
Promises to give	**640,822**	608,914
Other assets	**(162,505)**	(186,236)
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,072,331**	743,095
Refundable advances	**(20,224)**	775,881
Operating lease liability	**189,009**	-
Net cash provided by operating activities	**5,813,590**	7,391,212
Cash flows from investing activities:		
Proceeds from sale of investments	**636,028**	25,000
Purchases of investments	**(10,101,045)**	(2,201,447)
Purchases of property and equipment	**(2,569,846)**	-
Net cash used in investing activities	**(12,034,863)**	(2,176,447)
Net (decrease) increase in cash and cash equivalents	**(6,221,273)**	5,214,765
Cash and cash equivalents:		
Beginning	**21,732,785**	16,518,020
Ending	**$ 15,511,512**	$ 21,732,785
Supplemental disclosures of cash flow information:		
Addition to right-of-use asset for operating lease of January 1, 2022	**$ 9,460,625**	$ -
Addition to operating lease liability as of January 1, 2022	**$ 9,476,393**	$ -

See notes to consolidated financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: The Navy SEAL Foundation, Inc. (the Foundation) is a nonprofit organization established to provide support to all U.S. Navy SEALs, Special Warfare Combatant-Craft Crewman, Naval Special Warfare (NSW) support personnel and their spouses and children. The Foundation coordinates closely with NSW commands to support critical needs of active-duty operators while also providing resources for NSW Veterans. The Foundation is focused on five key areas: Strength, Resilience, Health, Education and Community.

The Foundation is the sole member of SEAL Heritage Center, LLC (SHC), which was formed on June 3, 2011. The SHC's main function is to provide a facility dedicated to the Foundation's five key areas of focus.

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation and its subsidiary, SHC. All significant intercompany accounts and transactions have been eliminated.

The significant accounting policies followed by the Foundation are described below:

Financial statement presentation: The consolidated financial statement presentation follows the requirements of Accounting Standards Codification (ASC) 958. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to net assets without donor restrictions and those net assets with donor restrictions.

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets with temporary donor-imposed restrictions result from contributions whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles (U.S. GAAP) 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 consolidated financial statements, and the reported amounts of public support and revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Promises to give: Unconditional contributions that are expected to be collected within one year are recorded at their net realizable value. Unconditional contributions that are expected to be collected in future years are recorded at the present value of estimated future cash flows after an allowance for estimated uncollectible contributions is provided. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Management determines the allowance for doubtful collections by regularly evaluating individual donor receivables and considering a donor's payment history and current economic conditions. Contributions receivables are written off when deemed uncollectible.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Contributions: Unconditional contributions are reported net of fees related to online donations. Fees typically relate from banking or credit card service charges in relation to using a credit card to donate via the Foundation’s website. Contributions of assets, other than cash, are recorded at their estimated fair value. The Foundation reports gifts of cash, stock or other assets as revenues with donor restrictions if they are received with donor stipulations that limit the use or timing of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction in the consolidated statements of activities. Conditional contributions are not included as revenue until such time as the conditions are substantially met.

Special event revenue: Special event revenue is recognized either when the event is held or when the underlying contribution becomes unconditional. Revenue collected in advance of the event that is conditioned on the event occurring is recognized as refundable advances in the accompanying consolidated statements of financial position.

Investments, at fair value: Security transactions are recorded on a trade-date basis and are carried at fair value. Investments received by gift are recorded at the fair value on the date received. The net realized and unrealized gains and losses are reflected in the accompanying consolidated statements of activities. In calculating realized gains and losses, the cost of securities sold is determined by the specific-identification method. The unrealized gain or loss is calculated as the difference between the cost basis of the investment and the fair value of the investment at the measurement date. The Foundation invests in a professionally managed portfolio that consists of an alternative investment. The alternative investment is a limited partnership, which invests in exchange traded funds, hedge funds and private equity funds. The alternative investment is measured using the net asset value (NAV) as a practical expedient in accordance with ASC 820, Fair Value Measurements.

Market risk: Market risk primarily arises from changes in the market value of financial instruments. Theoretically, the Foundation’s exposure is equal to the value of investments purchased. Exposure to market risk is influenced by a number of factors, including the relationships between financial instruments, and the volatility and liquidity in the markets in which the financial instruments are traded. Management of the Foundation seeks investment opportunities that maximize risk adjusted returns over the long-term horizon. As such, the Foundation may invest in a wide array of investments and strategies.

Other investments, at cost: In 2012, the Foundation received 3,300 shares of common stock in a private corporation with holding restrictions. Other investments are stated at historical cost based on the fair value at the date of the donation. Periodic evaluations are made by management as deemed necessary based upon an event or change in circumstances that has occurred during the period, to determine whether the investment has been impaired. Management has determined that there was no impairment of other investments as of December 31, 20221. In 2022 the Foundation sold all shares of common stock.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property and equipment, net: Property and equipment is stated at cost at the date of acquisition, less accumulated depreciation. The Foundation capitalizes expenditures for property and equipment over $5,000 and with a useful life in excess of one year. Depreciation is computed by the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	27–40
Furniture and equipment	7
Vehicles	7

Valuation of long-lived assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount in which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the accompanying consolidated statements of financial position and reported at the lower of the carrying amount, or fair value, less costs to sell.

Functional expenses: Functional expenses are determined through allocating total expenses incurred to the programs and supporting services benefited. Direct costs are classified to the functional expense category benefited. Allocation metrics include percent of direct costs, square footage, and time studies for staff utilization.

Income taxes: The Foundation has a tax determination letter from the Internal Revenue Service that states it qualifies under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

SHC is a limited liability company whose sole member is the Foundation. Consequently, SHC is a disregarded entity for federal and state income tax purposes.

Management evaluated the Foundation’s tax positions and has concluded the Foundation has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

Leases: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Foundation adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation’s historical accounting treatments under ASC Topic 840, Leases.

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The Foundation made an accounting policy election available under Topic 842 not to recognize an ROU asset and lease liability for leases with a term of 12 months or less. For its other lease, an ROU asset and lease liability is measured based on the present value of future lease payments over the lease term at January 1, 2022, for existing leases upon the adoption of Topic 842. The ROU asset also includes any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Foundation made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term of the remaining term for leases existing upon the adoption of Topic 842.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index) which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable, they will be incurred.

Subsequent events: The Foundation evaluated subsequent events through September 5, 2023, the date on which the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2022 and 2021, the following financial assets are available to meet annual operating needs of the 2023 and 2022 calendar year:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 15,511,512	$ 21,732,785
Investments	106,504,836	105,623,372
Promises to give	553,570	1,194,392
	122,569,918	128,550,549
Amounts unavailable for general expenditures:		
Restricted as to purpose	(7,938,905)	(6,252,403)
	$ 114,631,013	$ 122,298,146

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and contributions receivable. Based on historical experience, only the portion of contributions receivable due within one year are considered available for use in meeting annual operating needs (liquid). The Foundation has established a cash reserve policy, the objectives of which, in order of priority, are the following:

- Safety and preservation of principal by investing in a high quality, diversified portfolio of securities.
- Liquidity of investments that is sufficient to meet the Foundation’s projected cash flow requirements.

Note 3. Property and Equipment

Property and equipment consists of the following at December 31, 2022 and 2021:

	2022	2021
Buildings and improvements	$ 7,172,234	$ 5,311,794
Furniture and equipment	786,770	77,363
Vehicles	48,500	48,500
	8,007,504	5,437,657
Less accumulated depreciation	1,642,106	1,499,047
	$ 6,365,398	$ 3,938,610

The building in which the Foundation operates is located on land leased from the United States government. The lease comes up for renewal every five years and the Foundation expects to continue to lease the land through the estimated useful life of the building. Payments under the lease are nominal and the land is located on the Joint Expeditionary Base-Little Creek in Virginia Beach, Virginia. Depreciation expense associated with property and equipment was $143,058 and $148,584 for the years ended December 31, 2022 and 2021, respectively.

Note 4. Promises to Give

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and public support in the appropriate net asset category. Contributions receivable at December 31, 2022 and 2021, are expected to be collected within one year. Management has also determined that an allowance for doubtful collections is not necessary as of December 31, 2022 and 2021.

Note 5. In-Kind Contributions Receivable and Unconditional Promise to Give—Real Estate Lease

During the year ended December 31, 2018, the Foundation received an in-kind contribution for office space and common area maintenance in San Diego, California. The donation was donor restricted for transition assistance programs and included the following:

- Lease term of 60 months with a contribution of free rent for the 60-month term.

Common area maintenance is free for a period of two years. The Foundation will commence payment for its share of common area maintenance beginning on the 25th month of the lease term.

- The Foundation recognized the fair value of the contribution based on a comparative market analysis.

- The contribution receivable recognized is net of a discount for the time value of money. The discount rate is computed using the risk-free rate on the date the contribution was received. The discount is accreted through income over the lease term.

The contribution receivable is subsequently reduced by rent and maintenance expense, which is recognized on a straight-line basis over the lease term based on the contribution date fair value of the contribution.

Note 5. In-Kind Contributions Receivable and Unconditional Promise to Give—Real Estate Lease (Continued)

The table below summarizes the contribution date fair value and activity during the years ended December 31, 2022 and 2021:

Balance at December 31, 2020	$ 855,970
Accretion of discount	26,662
Rent and maintenance expense	(433,918)
Balance at December 31, 2021	448,714
Accretion of discount	26,662
Rent and maintenance expense	(433,920)
Balance at December 31, 2022	$ 41,456

Concurrent with the contribution of the lease, the Foundation provided an unconditional promise to give the donated office space and common area maintenance to a third-party that provided transition assistance programs. The valuation and underlying terms of the unconditional promise to give are identical to the contribution and included the following:

- The Foundation has recognized an expense on the contribution date and related unconditional promise to give liability based on the 60-month lease term and contribution date fair value outlined in the table above.
- The unconditional promise to give liability is recorded net of a discount for the time value of money. The discount rate is computed using the risk-free rate on the date the contribution was made. The discount is accreted through expense over the lease term.
- The unconditional promise to give liability is subsequently reduced by recognition of other income, which is recognized on a straight-line basis over the lease term.

The Foundation entered into an amendment which extended the lease term an additional five years.

Note 6. Investments

The cost and the fair value of investments at December 31, are as follows:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Alternative investment funds	$ 90,049,091	$ 106,504,836	$ 75,948,249	$105,623,372

Investment income is recorded net of investment advisory and custodial fees. These investment advisory and custodial fees totaled $390,101 and $381,648 for the years ended December 31, 2022 and 2021, respectively. The Foundation is invested in a professionally managed fund structured as a limited partnership that allows for a well-diversified investment portfolio with the goal of generating attractive risk adjusted returns over a long-term horizon. Although the investments are defined as “alternative investment funds” due to the limited partnership structure, the underlying assets are diversified across multiple asset classes and types, including money market funds, domestic and global marketable equities, debt instruments, mutual funds, and exchange traded funds in accordance with the Navy SEAL Foundation’s Investment Policy Statement.

Note 6. Investments (Continued)

Components of the net realized and unrealized gain (loss) on investments for the years ended December 31, 2022 and 2021, consist of the following:

	2022	2021
Net unrealized (loss) gain	$ (13,219,378)	$ 9,154,803
Net realized (loss) gain	3,916,783	3,671,158
	$ (9,302,595)	$ 12,825,961

Note 7. Fair Value Measurements

Guidance provided by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2: Valuation based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

In accordance with FASB ASC 820-10, as amended by ASU 2015-07, *Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Assets Value per Share*, certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient, have not been classified in the fair value hierarchy.

As of December 31, 2022 and 2021, included in cash and cash equivalents are money market funds valued at $9,887,551 and $10,302,057, respectively, which are considered a Level 1 investment. The total fair value of investments as of December 31, 2022 and 2021, is $106,504,836 and $105,623,372, respectively, and invested in one alternative investment fund, which is measured using the net asset value. Refer to Note 6 for further discussion surrounding the alternative investment.

Note 7. Fair Value Measurements (Continued)

The following information summarizes the nature and risk of the alternative investment:

- The investment objective is to maximize risk-adjusted return over the long-term horizon and the fund may invest in a wide array of investments and strategies.
- Capital contributions may be accepted quarterly and in amounts to be determined at the discretion of the fund manager.
- Withdrawals may be made as of the last day of each calendar quarter, with a redemption notice period of 10 days.
- The fund invests directly in approximately 5% exchange traded funds and 95% in a combination of hedge funds as of December 31, 2022 and 2021, private equity funds or other similar investment vehicles that in-turn invest in a number of financial instruments, such as money market funds, domestic and global marketable equities, debt instruments, mutual funds and exchange traded funds.
- The fund had unfunded commitments through its investments of $16,298,380 and $15,890,242 as of December 31, 2022 and 2021, respectively. Capital calls will be funded with available cash or by liquidating other investments, as needed.
- The fund is a limited partnership and located in the United States.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2022 and 2021, are available for the following purposes, and net assets during the years ended December 31, 2022 and 2021, were released from restriction by incurring expenses satisfying the restricted purpose as follows:

	Balance December 31, 2021	Increases (Decreases)	Net Assets Released From Restriction	Balance December 31, 2022
Purpose restricted:				
Endowment	$ 5,392,403	$ (428,478)	$ -	$ 4,963,925
Funding of health and welfare programs	-	42,413	(42,413)	-
Funding of tragedy assistance and survivor support	-	159,303	(159,303)	-
Funding of education and motivation programs	-	208,311	(208,311)	-
Funding of transition assistance	150,000	504,742	(654,742)	-
Funding of health pillar	710,000	3,423,887	(1,158,907)	2,974,980
	$ 6,252,403	$ 3,910,178	$ (2,223,676)	$ 7,938,905

Note 8. Net Assets With Donor Restrictions (Continued)

	Balance December 31, 2020	Increases (Decreases)	Net Assets Released From Restriction	Balance December 31, 2021
Purpose restricted:				
Endowment	$ 4,790,118	$ 602,285	$ -	$ 5,392,403
Funding of health and welfare programs	219,873	654,753	(874,626)	-
Funding of tragedy assistance and survivor support	206,520	484,222	(690,742)	-
Funding of education and motivation programs	-	436,953	(436,953)	-
Funding of transition assistance	855,970	357,397	(1,063,367)	150,000
Funding of health pillar	-	1,714,094	(1,004,094)	710,000
	$ 6,072,481	$ 4,249,704	$ (4,069,782)	$ 6,252,403

Interpretation of relevant law: The board of directors of the Foundation has interpreted the Virginia enacted version of 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 Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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.

In accordance with UPMIFA, the Foundation considers the following factors in deciding 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 effects 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

Return objective and risk parameters: The primary investment objectives are to preserve and protect assets by earning a total return for each category of assets and long-term growth which reflects returns that exceed blended benchmarks established for the portfolio. A secondary objective is to experience market appreciation sufficient to enable maximum annual distributions to help fund the Foundation’s ongoing operations and programs. The Foundation’s philosophy regarding assets combines both the preservation of principal and moderate risk-taking. A moderate level of risk is warranted and encouraged to enable the opportunity to achieve satisfactory results consistent with the objectives and the fiduciary character of the funds over a full market cycle.

Note 8. Net Assets With Donor Restrictions (Continued)

The Foundation adheres to the capital market theory which maintains that, over the very long term, the risk of owning equities should be rewarded with a somewhat greater return than available from fixed-income investments. Market timing is not an objective; however, sensitivity to market fluctuations is considered when making investment decisions.

The endowment activity for the years ended December 31, 2022 and 2021, is shown in the following table:

Description	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2020	$ 93,250,000	$ 4,790,118	$ 98,040,118
Investment return:			
Investment income, net	12,166	625	12,791
Realized and unrealized gains	12,199,301	626,660	12,825,961
Total investment return	12,211,467	627,285	12,838,752
Appropriation of funds for expenditure	25,000	(25,000)	-
Board-designated transfers	8,203,233	-	8,203,233
Endowment net assets, December 31, 2021	113,689,700	5,392,403	119,082,103
Investment return:			
Investment income, net	2,256	107	2,363
Realized and unrealized losses	(8,508,909)	(403,585)	(8,912,494)
Total investment return	(8,506,653)	(403,478)	(8,910,131)
Appropriation of funds for expenditure	25,000	(25,000)	-
Contributions	7,391,953	-	7,391,953
Endowment net assets, December 31, 2022	$ 112,600,000	$ 4,963,925	$ 117,563,925

Net assets without donor restrictions consist only of board-designated endowment funds.

Note 9. Leases

Operating lease: In December 2021, the Foundation entered into a 11-year lease for office space in San Diego, California, beginning January 2022 and continuing through December 2032. The lease includes annual rent escalations. As an incentive for leasing the office space, the Foundation received an abatement of rent during the first 12 months of the term, as well as an allowance for tenant improvements that totaled $1,197,090. The lease incentives are recognized on the straight-line basis over the life of the lease and the difference between cash payments and rent expense has been recorded as deferred rent in the consolidated statements of financial position.

Rent expense for the years ended December 31, 2022 and 2021, totaled $971,592 and $0, respectively.

During 2022, the Foundation adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, resulting in an ROU asset and liability recorded in the consolidated statements of financial position as of January 1, 2022, for its office space. The lease was determined to be an operating lease.

Note 9. Leases (Continued)

The Foundation calculated the present value of the lease over the term of the respective agreement using the risk-free rate on the adoption date of Topic 842, based on the remaining lease term. The interest rate utilized was 2.0%. The weighted-average remaining lease term is 10.0 years.

Future minimum payments under the Foundation's lease agreements are as follows:

Years ending December 31:	
2023	$ 934,140
2024	962,160
2025	991,032
2026	1,020,768
2027	1,051,392
Thereafter	5,749,440
	10,708,932
Less Imputed interest*	1,078,179
Discounted lease liability	$ 9,630,753

*Imputed interest represents the difference between undiscounted cash flows and discounted cash flows.

The Foundation entered into an amendment in February 2023 on a separate San Diego office lease. The amendment extended the lease term three years to May 2026 and provided a monthly base rent payment schedule.