

# **Navy SEAL Foundation, Inc. and Subsidiary**

Consolidated Financial Report  
December 31, 2023

## Contents

---

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of functional expenses	6-7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9-20

---

## Independent Auditor's Report

Board of Directors  
Navy SEAL Foundation, Inc. and Subsidiary

### Opinion

We have audited the consolidated financial statements of Navy SEAL Foundation, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Navy SEAL Foundation, Inc. and Subsidiary as of December 31, 2023 and 2022, 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 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.

### 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 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 responsive 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 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 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  
August 29, 2024

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position  
December 31, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 11,740,510	\$ 15,511,512
Promises to give	450,457	553,570
In-kind contributions receivable—real estate lease	1,746,028	41,456
Investments, at fair value	119,768,831	106,504,836
Property and equipment, net	10,618,531	6,365,398
Operating lease right-of-use asset, net	7,199,701	8,659,161
Other assets	2,096,207	1,379,863
	<u>153,620,265</u>	<u>139,015,796</u>
<b>Total assets</b>	<b>\$ 153,620,265</b>	<b>\$ 139,015,796</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,962,947	\$ 2,429,875
Unconditional promise to give—real estate lease	1,746,028	41,456
Refundable advances	1,702,956	1,366,627
Operating lease liability, net	9,233,469	9,630,753
<b>Total liabilities</b>	<u>14,645,400</u>	<u>13,468,711</u>
Commitments and contingencies (Note 10)		
Net assets:		
Without donor restrictions:		
Board-designated for endowment:		
Community	15,708,565	13,500,000
Education	20,790,000	18,900,000
Strength	23,650,000	21,500,000
Resilience	20,020,000	18,200,000
Health	44,550,000	40,500,000
Undesignated	6,403,443	5,008,180
	<u>131,122,008</u>	<u>117,608,180</u>
With donor restrictions	7,852,857	7,938,905
<b>Total net assets</b>	<u>138,974,865</u>	<u>125,547,085</u>
<b>Total liabilities and net assets</b>	<u><b>\$ 153,620,265</b></u>	<u><b>\$ 139,015,796</b></u>

See notes to consolidated financial statements.

**Navy SEAL Foundation, Inc. and Subsidiary**

**Consolidated Statement of Activities  
Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and public support:</b>			
Contributions	\$ 21,416,518	\$ 5,749,429	\$ 27,165,947
Special event revenue	9,182,050	-	9,182,050
Contribution of non-financial assets	4,680,223	-	4,680,223
Less cost of direct benefit to donors	(459,150)	-	(459,150)
Investment gain, net	447,304	(24,533)	422,771
Other income	424,828	-	424,828
Net realized and unrealized gain on investments	12,864,142	532,673	13,396,815
Net assets released from restrictions	6,343,617	(6,343,617)	-
<b>Total support and revenue</b>	<b>54,899,532</b>	<b>(86,048)</b>	<b>54,813,484</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Strength	7,458,109	-	7,458,109
Resilience	6,054,835	-	6,054,835
Health	10,377,538	-	10,377,538
Education	3,394,920	-	3,394,920
Community	6,693,786	-	6,693,786
<b>Total program services</b>	<b>33,979,188</b>	<b>-</b>	<b>33,979,188</b>
<b>Supporting services:</b>			
General administration	1,235,887	-	1,235,887
Fundraising	6,170,629	-	6,170,629
<b>Total supporting services</b>	<b>7,406,516</b>	<b>-</b>	<b>7,406,516</b>
<b>Total expenses</b>	<b>41,385,704</b>	<b>-</b>	<b>41,385,704</b>
<b>Change in net assets</b>	<b>13,513,828</b>	<b>(86,048)</b>	<b>13,427,780</b>
<b>Net assets:</b>			
Beginning	117,608,180	7,938,905	125,547,085
Ending	<b>\$ 131,122,008</b>	<b>\$ 7,852,857</b>	<b>\$ 138,974,865</b>

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
<b>Revenues and public support:</b>			
Contributions	\$ 20,593,583	\$ 4,338,656	\$ 24,932,239
Special event revenue	11,582,600	-	11,582,600
Contribution of non-financial assets	26,662	-	26,662
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)	-
<b>Total support and revenue</b>	<b>25,133,687</b>	<b>1,686,502</b>	<b>26,820,189</b>
<b>Expenses:</b>			
<b>Program services:</b>			
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
<b>Total program services</b>	<b>24,714,366</b>	<b>-</b>	<b>24,714,366</b>
<b>Supporting services:</b>			
General administration	1,297,904	-	1,297,904
Fundraising	6,833,984	-	6,833,984
<b>Total supporting services</b>	<b>8,131,888</b>	<b>-</b>	<b>8,131,888</b>
<b>Total expenses</b>	<b>32,846,254</b>	<b>-</b>	<b>32,846,254</b>
<b>Change in net assets</b>	<b>(7,712,567)</b>	<b>1,686,502</b>	<b>(6,026,065)</b>
<b>Net assets:</b>			
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 Functional Expenses  
Year Ended December 31, 2023**

	Program Services					Total Program Services	Supporting Services			Total
	Strength	Resilience	Health	Education	Community		General Administration	Fundraising	Total Supporting Services	
Career transition	\$ 3,813,087	\$ -	\$ -	\$ 42,295	\$ -	\$ 3,855,382	\$ -	\$ -	\$ -	\$ 3,855,382
Children's camps and support	-	-	-	400,000	981,864	1,381,864	-	-	-	1,381,864
Command events	414,162	-	-	-	3,760,243	4,174,405	-	-	-	4,174,405
Crisis assistance and respite support	1,382,529	-	-	-	-	1,382,529	-	-	-	1,382,529
Death/illness support	-	1,399,472	157,897	-	-	1,557,369	-	-	-	1,557,369
Gold Star and surviving family support	-	366,317	-	-	-	366,317	-	-	-	366,317
Historical database and memorial support	-	-	-	-	956,468	956,468	-	-	-	956,468
Human performance	-	-	5,237,484	-	-	5,237,484	-	-	-	5,237,484
Mental health support	-	-	1,510,689	-	-	1,510,689	-	-	-	1,510,689
Private school and tutoring support	-	-	-	792,514	-	792,514	-	-	-	792,514
Respite childcare	769,587	-	-	-	-	769,587	-	-	-	769,587
Workshops and enrichment	211,500	-	214,566	-	185,087	611,153	-	-	-	611,153
Scholarships and tuition	-	-	-	1,759,245	-	1,759,245	-	-	-	1,759,245
Survivor programs	-	3,566,735	-	-	-	3,566,735	-	-	-	3,566,735
Wounded, ill and injured support	-	-	2,043,808	-	-	2,043,808	-	-	-	2,043,808
Catering, venue and entertainment	-	-	-	-	-	-	-	5,740,282	5,740,282	5,740,282
Marketing	156,651	128,130	218,304	71,626	142,258	716,969	172,138	-	172,138	889,107
Service charges	71,974	58,870	100,301	32,909	65,361	329,415	79,090	-	79,090	408,505
Dues and subscriptions	5,509	4,506	7,677	2,519	5,003	25,214	6,054	-	6,054	31,268
Supplies and postage	78,949	64,575	110,021	36,098	71,695	361,338	86,073	683	86,756	448,094
Professional fees	18,124	14,828	25,260	8,288	16,462	82,962	19,918	-	19,918	102,880
Travel expenses	93,814	76,734	130,736	42,895	85,194	429,373	103,089	-	103,089	532,462
Building expenses	74,180	60,674	103,375	33,918	67,364	339,511	81,514	-	81,514	421,025
Salaries and wages	356,900	288,760	496,261	162,130	318,604	1,622,655	655,113	888,814	1,543,927	3,166,582
	<b>7,446,966</b>	<b>6,029,601</b>	<b>10,356,379</b>	<b>3,384,437</b>	<b>6,655,603</b>	<b>33,872,986</b>	<b>1,202,989</b>	<b>6,629,779</b>	<b>7,832,768</b>	<b>41,705,754</b>
Depreciation	11,143	25,234	21,159	10,483	38,183	106,202	32,898	-	32,898	139,100
Direct donor expenses	-	-	-	-	-	-	-	(459,150)	(459,150)	(459,150)
	<b>\$ 7,458,109</b>	<b>\$ 6,054,835</b>	<b>\$ 10,377,538</b>	<b>\$ 3,394,920</b>	<b>\$ 6,693,786</b>	<b>\$ 33,979,188</b>	<b>\$ 1,235,887</b>	<b>\$ 6,170,629</b>	<b>\$ 7,406,516</b>	<b>\$ 41,385,704</b>

See notes to consolidated financial statements.



## Navy SEAL Foundation, Inc. and Subsidiary

### Consolidated Statement of Functional Expenses Year Ended December 31, 2022

	Program Services					Total Program Services	Supporting Services			Total
	Strength	Resilience	Health	Education	Community		General Administration	Fundraising	Total Supporting Services	
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 Statements of Cash Flows  
Years Ended December 31, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 13,427,780	\$ (6,026,065)
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	139,100	143,058
In-kind contribution—equipment	(2,545,768)	-
Warrior fitness amortization	600,577	-
Amortization of right-of-use asset	1,459,460	782,583
Net realized and unrealized (gain) loss on investments	(13,396,815)	9,302,595
In-kind contribution—real estate lease, accretion of discount	(39,222)	(26,662)
Rent and maintenance expense—in-kind real estate lease	429,883	433,920
Unconditional promise to give—real estate lease, accretion of discount	39,222	26,662
Income from unconditional promise to give—real estate lease, net of discount	(429,883)	(433,920)
Investments donated	(443,561)	(1,489,698)
Proceeds from sale of donated investments	551,381	1,381,684
Change in assets and liabilities:		
(Increase) decrease in:		
Promises to give	103,113	640,822
Other assets	(716,344)	(162,505)
Increase (decrease) in:		
Accounts payable and accrued expenses	(466,928)	1,072,331
Refundable advances	336,329	(20,224)
Operating lease liability	(397,284)	189,009
<b>Net cash (used in) provided by operating activities</b>	<b>(1,348,960)</b>	<b>5,813,590</b>
Cash flows from investing activities:		
Proceeds from sale of investments	43,582,870	24,026,844
Purchases of investments	(43,557,870)	(33,491,861)
Purchases of property and equipment	(2,447,042)	(2,569,846)
<b>Net cash used in investing activities</b>	<b>(2,422,042)</b>	<b>(12,034,863)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,771,002)</b>	<b>(6,221,273)</b>
Cash and cash equivalents:		
Beginning	15,511,512	21,732,785
Ending	\$ 11,740,510	\$ 15,511,512
Supplemental disclosures of cash flow information:		
Addition to right-of-use asset for operating lease of January 1, 2023	\$ 347,179	\$ 9,460,625
Addition to operating lease liability as of January 1, 2023	\$ 349,309	\$ 9,476,393
Operating cash outflows from operating leases, net	\$ 1,018,672	\$ 132,936

See notes to consolidated financial statements.

## Navy SEAL Foundation, Inc. and Subsidiary

### 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:

**Consolidated 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 accounting principles generally accepted in the United States maintenance America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

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

**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.

**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.

**Contract balances:** The timing of revenue recognition may not align with the right to invoice the customer. The Foundation recorded accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening balance as of January 1, 2021, for deferred revenue is \$1,386,851.

**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 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.

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

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

**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, 2023. In 2022, the Foundation sold all shares of common stock.

**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:

	<u>Years</u>
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.

**Leases:** The Foundation determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation recognizes most leases on its consolidated 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. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of activities.

The Foundation made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

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

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.

The Foundation has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The nonlease components typically represent additional services transferred to the Foundation, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

**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 (IRC), is exempt from federal income taxes, and is not a private foundation under Section 509(a)(1) of the IRC. 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.

**Reclassifications:** Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported consolidated net assets.

**Subsequent events:** The Foundation evaluated subsequent events through August 29, 2024, the date on which the consolidated financial statements were available to be issued.

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### 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, 2023 and 2022, the following financial assets are available to meet annual operating needs of the 2023 and 2022 calendar year:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 11,740,510	\$ 15,511,512
Investments	119,768,831	106,504,836
Promises to give	450,457	553,570
	<u>131,959,798</u>	<u>122,569,918</u>
Amounts unavailable for general expenditures:		
Restricted as to purpose	(7,852,857)	(7,938,905)
	<u>\$124,106,941</u>	<u>\$114,631,013</u>

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, 2023 and 2022:

	2023	2022
Buildings and improvements	\$ 11,724,308	\$ 7,172,234
Furniture and equipment	1,227,506	786,770
Vehicles	48,500	48,500
	<u>13,000,314</u>	<u>8,007,504</u>
Less accumulated depreciation	2,381,783	1,642,106
	<u>\$ 10,618,531</u>	<u>\$ 6,365,398</u>

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 \$139,100 and \$143,058 for the years ended December 31, 2023 and 2022, respectively.

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### 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, 2023 and 2022, are expected to be collected within one year. Management has also determined that an allowance for uncollectible contributions is not necessary as of December 31, 2023 and 2022.

#### 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.

During the year ended December 31, 2023, the Foundation entered into an amendment which extended the lease term an additional five years through 2028.

The table below summarizes the contribution date fair value and activity during the years ended December 31, 2023 and 2022:

Balance at December 31, 2021	\$ 448,714
Accretion of discount	26,662
Rent and maintenance expense	<u>(433,920)</u>
Balance at December 31, 2022	41,456
Contribution date fair value	2,330,563
Discount for the time value of money	(235,330)
Accretion of discount	39,222
Rent and maintenance expense	<u>(429,883)</u>
Balance at December 31, 2023	<u><u>\$ 1,746,028</u></u>



## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

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

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.

#### Note 6. Investments

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

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Alternative investment funds	\$ 97,078,664	\$ 119,768,831	\$ 90,049,091	\$ 106,504,836

Investment income (loss) is recorded net of investment advisory and custodial fees. These investment advisory and custodial fees totaled \$418,403 and \$390,101 for the years ended December 31, 2023 and 2022, 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 exchange traded funds, hedge funds, and private equity funds, in accordance with the Foundation's Investment Policy Statement.

Components of the net realized and unrealized gain (loss) on investments for the years ended December 31, 2023 and 2022, consist of the following:

	2023	2022
Net unrealized gain (loss)	\$ 6,234,422	\$ (13,219,378)
Net realized gain	7,162,393	3,916,783
	<u>\$ 13,396,815</u>	<u>\$ (9,302,595)</u>

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 7. Fair Value Measurements

Guidance provided by the Financial Accounting Standards Board (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 Accounting Standards Update 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, 2023 and 2022, included in cash and cash equivalents are money market funds valued at \$6,073,217 and \$9,887,551, respectively, which are considered a Level 1 investment. The total fair value of investments as of December 31, 2023 and 2022, is \$119,768,831 and \$106,504,836, 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.

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.

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### Note 7. Fair Value Measurements (Continued)

- The fund invests directly in approximately 5% exchange traded funds and 95% in a combination of hedge funds as of December 31, 2023 and 2022, 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 \$13,273,056 and \$16,298,380 as of December 31, 2023 and 2022, 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, 2023 and 2022, are available for the following purposes and net assets during the years ended December 31, 2023 and 2022, were released from restriction by incurring expenses satisfying the restricted purpose as follows:

	Balance December 31, 2022	Increases (Decreases)	Net Assets Released From Restriction	Balance December 31, 2023
Purpose restricted:				
Endowment	\$ 4,963,925	\$ 1,508,140	\$ -	\$ 6,472,065
Funding of community	-	503,864	(503,864)	-
Funding of resilience	-	1,067,898	(1,067,898)	-
Funding of education	-	387,780	(387,780)	-
Funding of strength	-	129,227	(129,227)	-
Funding of health	2,974,980	2,660,660	(4,254,848)	1,380,792
	<u>\$ 7,938,905</u>	<u>\$ 6,257,569</u>	<u>\$ (6,343,617)</u>	<u>\$ 7,852,857</u>
	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 community	-	42,413	(42,413)	-
Funding of resilience	-	159,303	(159,303)	-
Funding of education	-	208,311	(208,311)	-
Funding of strength	150,000	504,742	(654,742)	-
Funding of health	710,000	3,423,887	(1,158,907)	2,974,980
	<u>\$ 6,252,403</u>	<u>\$ 3,910,178</u>	<u>\$ (2,223,676)</u>	<u>\$ 7,938,905</u>

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 8. Net Assets With Donor Restrictions (Continued)

**Interpretation of relevant law:** The Board of Directors of the Foundation has interpreted the Virginia enacted version of the Uniform Prudent Management of Institutional Funds Act (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.

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.

**Funds with deficiencies:** The Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund or perpetual duration. As of December 31, 2023 and 2022, there were no underwater investments.

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### Note 8. Net Assets With Donor Restrictions (Continued)

The endowment activity for the years ended December 31, 2023 and 2022, is shown in the following table:

Description	Without Donor Restriction	With Donor Restriction	Total
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
Investment return:			
Investment income, net	10,595	467	11,062
Realized and unrealized gain	12,082,970	532,673	12,615,643
Total investment return	12,093,565	533,140	12,626,705
Appropriation of funds for expenditure	25,000	(25,000)	-
Contributions	-	1,000,000	1,000,000
Endowment net assets, December 31, 2023	\$ 124,718,565	\$ 6,472,065	\$ 131,190,630

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

#### Note 9. Leases

**Operating lease:** In December 2021, the Foundation entered into an 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 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.

Rent expense for the years ended December 31, 2023 and 2022, totaled \$971,598 and \$971,592, respectively.

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 2.03% and 2.00% for the years ended December 31, 2023 and 2022, respectively. The weighted-average remaining lease term is 8.75 years and 10 years at December 31, 2023 and 2022, respectively.

## Navy SEAL Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

---

#### Note 9. Leases (Continued)

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

Years ending December 31:	
2024	\$ 1,109,186
2025	1,141,733
2026	1,084,205
2027	1,051,392
2028	1,082,928
Thereafter	<u>4,666,512</u>
	10,135,956
Less imputed interest*	902,487
Discounted lease liability	<u><u>\$ 9,233,469</u></u>

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

#### Note 10. Commitments and Contingences

**Hotel cancellations:** The Foundation has entered into several agreements with hotels for room accommodations and services at future meetings and conferences. Many of the agreements contain a clause whereby the Foundation is liable for liquidated damages in the event of cancellation as calculated in accordance with the terms of the agreement.