Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2025

Contents

Independent Auditor's Report

Board of Directors
Navy SEAL Foundation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Navy SEAL Foundation, Inc. and Subsidiary (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, 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 the Foundation, as of December 31, 2025 and 2024, 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 the Foundation 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 the Foundation'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 judgment 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 the Foundation'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 the Foundation'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 audits 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
July 24, 2026

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	**$ 12,685,738**	$ 12,220,804
Promises to give	**404,329**	739,709
In-kind contributions receivable—real estate lease	**-**	1,326,981
Investments, at fair value	**159,111,434**	136,159,768
Other assets	**2,106,514**	2,069,450
Operating lease right-of-use asset, net	**5,188,522**	6,150,572
Property and equipment, net	**8,550,270**	9,581,392
Total assets	**$ 188,046,807**	$ 168,248,676
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 945,196**	$ 1,262,329
Refundable advances	**2,600,469**	2,452,965
Unconditional promise to give—real estate lease	**-**	1,326,981
Operating lease liability, net	**7,321,581**	8,302,787
Total liabilities	**10,867,246**	13,345,062
Commitments and contingencies (Note 9)		
Net assets:		
Without donor restrictions:		
Board-designated for endowment:		
Community	**32,000,000**	27,800,000
Education	**16,200,000**	13,900,000
Legacy	**48,841,732**	41,813,550
Health	**64,700,000**	55,800,000
	161,741,732	139,313,550
Undesignated	**7,119,147**	8,370,316
	168,860,879	147,683,866
With donor restrictions	**8,318,682**	7,219,748
Total net assets	**177,179,561**	154,903,614
Total liabilities and net assets	**$ 188,046,807**	$ 168,248,676

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Contributions	$ 20,465,000	$ 7,053,071	$ 27,518,071
Special event revenue	10,643,350	-	10,643,350
Less cost of direct benefit to donors	(537,864)	-	(537,864)
Contributions of non-financial assets	1,071,936	-	1,071,936
Investment gain, net	291,537	28,440	319,977
Other income	466,113	-	466,113
Net realized and unrealized gain on investments	21,873,091	1,127,394	23,000,485
Net assets released from restrictions	7,109,971	(7,109,971)	-
Total revenues and public support	61,383,134	1,098,934	62,482,068
Expenses:			
Program services:			
Legacy	4,044,961	-	4,044,961
Health	15,003,552	-	15,003,552
Education	3,316,448	-	3,316,448
Community	9,354,246	-	9,354,246
Total program services	31,719,207	-	31,719,207
Supporting services:			
General administration	1,574,556	-	1,574,556
Fundraising	6,912,358	-	6,912,358
Total supporting services	8,486,914	-	8,486,914
Total expenses	40,206,121	-	40,206,121
Change in net assets	21,177,013	1,098,934	22,275,947
Net assets:			
Beginning	147,683,866	7,219,748	154,903,614
Ending	$ 168,860,879	$ 8,318,682	$ 177,179,561

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Contributions	$ 22,230,145	$ 5,796,321	$ 28,026,466
Special event revenue	8,344,600	-	8,344,600
Less cost of direct benefit to donors	(511,725)	-	(511,725)
Contributions of non-financial assets	3,724,747	-	3,724,747
Investment gain, net	470,960	3,933	474,893
Other income	425,488	-	425,488
Net realized and unrealized gain on investments	14,637,125	743,750	15,380,875
Net assets released from restrictions	7,177,113	(7,177,113)	-
Total revenues and public support	56,498,453	(633,109)	55,865,344
Expenses:			
Program services:			
Legacy	4,561,403	-	4,561,403
Health	14,843,264	-	14,843,264
Education	4,638,113	-	4,638,113
Community	8,394,264	-	8,394,264
Total program services	32,437,044	-	32,437,044
Supporting services:			
General administration	1,399,730	-	1,399,730
Fundraising	6,099,821	-	6,099,821
Total supporting services	7,499,551	-	7,499,551
Total expenses	39,936,595	-	39,936,595
Change in net assets	16,561,858	(633,109)	15,928,749
Net assets:			
Beginning	131,122,008	7,852,857	138,974,865
Ending	$ 147,683,866	$ 7,219,748	$ 154,903,614

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services					Supporting Services			
	Legacy	Health	Education	Community	Total Program Services	General Administration	Fundraising	Total Supporting Services	Total
Brain and mental health	$ -	$ 2,587,509	$ -	$ -	$ 2,587,509	$ -	$ -	$ -	$ 2,587,509
Camps	213,661	-	-	1,162,442	1,376,103	-	-	-	1,376,103
Certificates and licenses	-	-	278,086	-	278,086	-	-	-	278,086
Crisis assistance	-	725,165	-	-	725,165	-	-	-	725,165
Family and Command Support	-	-	-	4,196,593	4,196,593	-	-	-	4,196,593
Financial assistance	857,158	-	-	-	857,158	-	-	-	857,158
Grants	-	-	774,107	-	774,107	-	-	-	774,107
Heritage preservation	93,719	-	-	2,419,901	2,513,620	-	-	-	2,513,620
Reconnects	-	-	-	94,983	94,983	-	-	-	94,983
Resiliency support	316,452	-	-	-	316,452	-	-	-	316,452
Respite childcare	-	-	-	1,053,011	1,053,011	-	-	-	1,053,011
Scholarships	-	-	1,423,462	-	1,423,462	-	-	-	1,423,462
Survivor Retreats	930,302	-	-	-	930,302	-	-	-	930,302
Transition assistance	-	-	341,543	-	341,543	-	-	-	341,543
Warrior fitness program	-	8,906,481	-	-	8,906,481	-	-	-	8,906,481
Wounded, ill and injured	-	525,802	-	-	525,802	-	-	-	525,802
Catering, venue and entertainment	-	-	-	-	-	-	6,225,930	6,225,930	6,225,930
Marketing	157,437	221,001	48,851	41,813	469,102	126,297	-	126,297	595,399
Service charges	236,419	331,873	73,359	62,789	704,440	189,657	-	189,657	894,097
Dues and subscriptions	5,781	8,115	1,794	1,535	17,225	4,637	-	4,637	21,862
Supplies and postage	170,744	239,682	52,980	45,347	508,753	135,932	1,040	136,972	645,725
Professional fees	60,904	85,494	18,898	16,175	181,471	48,858	-	48,858	230,329
Travel expenses	120,502	169,155	37,391	32,003	359,051	96,668	-	96,668	455,719
Building expenses	135,163	189,735	41,940	35,897	402,735	108,429	-	108,429	511,164
Salaries and wages	687,599	981,684	216,995	185,730	2,072,008	831,850	1,223,252	2,055,102	4,127,110
	3,985,841	14,971,696	3,309,406	9,348,219	31,615,162	1,542,328	7,450,222	8,992,550	40,607,712
Depreciation	59,120	31,856	7,042	6,027	104,045	32,228	-	32,228	136,273
Direct donor expenses	-	-	-	-	-	-	(537,864)	(537,864)	(537,864)
	$ 4,044,961	$ 15,003,552	$ 3,316,448	$ 9,354,246	$ 31,719,207	$ 1,574,556	$ 6,912,358	$ 8,486,914	$ 40,206,121

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services					Supporting Services			
	Legacy	Health	Education	Community	Total Program Services	General Administration	Fundraising	Total Supporting Services	Total
Brain and mental health	$ -	$ 3,324,792	$ -	$ -	$ 3,324,792	$ -	$ -	$ -	$ 3,324,792
Camps	-	-	-	1,119,499	1,119,499	-	-	-	1,119,499
Certificates and licenses	-	-	191,883	-	191,883	-	-	-	191,883
Crisis assistance	-	420,972	-	-	420,972	-	-	-	420,972
Family and Command Support	-	-	-	4,294,498	4,294,498	-	-	-	4,294,498
Financial assistance	1,992,208	-	-	-	1,992,208	-	-	-	1,992,208
Grants	-	-	935,879	-	935,879	-	-	-	935,879
Heritage preservation	84,098	-	-	1,482,585	1,566,683	-	-	-	1,566,683
Reconnects	-	-	-	118,911	118,911	-	-	-	118,911
Resiliency support	327,260	-	-	-	327,260	-	-	-	327,260
Respite childcare	-	-	-	873,533	873,533	-	-	-	873,533
Scholarships	-	-	1,488,125	-	1,488,125	-	-	-	1,488,125
Survivor Retreats	903,947	-	-	-	903,947	-	-	-	903,947
Transition assistance	-	-	1,407,618	-	1,407,618	-	-	-	1,407,618
Warrior fitness program	-	6,682,299	-	-	6,682,299	-	-	-	6,682,299
Wounded, ill and injured	-	2,448,282	-	-	2,448,282	-	-	-	2,448,282
Catering, venue and entertainment	-	-	-	-	-	-	5,438,253	5,438,253	5,438,253
Marketing	165,178	264,743	82,725	68,004	580,650	149,350	-	149,350	730,000
Service charges	98,258	157,485	49,210	40,453	345,406	88,842	-	88,842	434,248
Dues and subscriptions	7,804	12,509	3,909	3,213	27,435	7,057	-	7,057	34,492
Supplies and postage	114,685	183,814	57,437	47,216	403,152	102,453	1,248	103,701	506,853
Professional fees	35,408	56,752	17,733	14,578	124,471	32,015	-	32,015	156,486
Travel expenses	137,410	220,238	68,818	56,572	483,038	124,243	-	124,243	607,281
Building expenses	107,305	171,987	53,741	44,178	377,211	97,023	-	97,023	474,234
Salaries and wages	532,156	868,577	271,406	223,109	1,895,248	766,519	1,172,045	1,938,564	3,833,812
	4,505,717	14,812,450	4,628,484	8,386,349	32,333,000	1,367,502	6,611,546	7,979,048	40,312,048
Depreciation	55,686	30,814	9,629	7,915	104,044	32,228	-	32,228	136,272
Direct donor expenses	-	-	-	-	-	-	(511,725)	(511,725)	(511,725)
	$ 4,561,403	$ 14,843,264	$ 4,638,113	$ 8,394,264	$ 32,437,044	$ 1,399,730	$ 6,099,821	$ 7,499,551	$ 39,936,595

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 22,275,947	$ 15,928,749
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	136,273	136,273
Warrior fitness amortization	900,866	900,866
Amortization of right-of-use asset	962,050	1,049,129
Net realized and unrealized gain on investments	(23,000,485)	(15,380,875)
In-kind contribution—real estate lease, accretion of discount	(47,066)	(47,066)
Rent and maintenance expense—in-kind real estate lease	466,113	466,113
Lease termination	(907,934)	-
Unconditional promise to give—real estate lease, accretion of discount	47,066	47,066
Income from unconditional promise to give—real estate lease, net of discount	(466,113)	(466,113)
Lease termination	907,934	-
Investments donated	(1,049,937)	(3,573,275)
Proceeds from sale of donated investments	1,899,117	3,530,603
Contributions restricted to investment in perpetuity	(15,600)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Promises to give	335,380	(289,252)
Other assets	(37,064)	26,757
Increase (decrease) in:		
Accounts payable and accrued expenses	(317,133)	(700,618)
Refundable advances	147,504	750,009
Operating lease liability	(981,206)	(930,682)
Net cash provided by operating activities	1,255,712	1,447,684
Cash flows from investing activities:		
Proceeds from sale of investments	60,634,138	5,222,506
Purchases of investments	(61,434,499)	(6,189,896)
Purchases of property and equipment	(6,017)	-
Net cash used in investing activities	(806,378)	(967,390)
Cash flows from financing activities:		
Contributions restricted to investment in perpetuity	15,600	-
Net cash provided by financing activities	15,600	-
Net increase in cash and cash equivalents	464,934	480,294
Cash and cash equivalents:		
Beginning	12,220,804	11,740,510
Ending	$ 12,685,738	$ 12,220,804
Supplemental disclosure of cash flow information:		
Operating cash outflows from operating leases	$ 1,139,327	$ 1,109,186
Supplemental schedule of noncash investing activities:		
Investments acquired through donation	$ 1,049,937	$ 3,573,275

See notes to consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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 four key areas: Legacy, 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 four key areas of focus.

A summary of the Foundation's significant accounting policies follows:

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.

Basis of 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 of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Note 1. Nature of Activities and 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.

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 are reflected in the accompanying consolidated statements of activities. In calculating realized gains, the cost of securities sold is determined by the specific-identification method. The unrealized gain 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.

Note 1. Nature of Activities and 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.

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.

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.

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

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 (IRS) 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 to the 2024 balances have been made in the accompanying consolidated financial statements to make them consistent with the 2025 presentation. These reclassifications had no effect on previously reported consolidated net assets or change in net assets.

Subsequent events: The Foundation has evaluated subsequent events through July 24, 2026, 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, 2025 and 2024, the following financial assets are available to meet annual operating needs of the 2025 and 2024 calendar year:

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 12,685,738	$ 12,220,804
Investments	159,111,434	136,159,768
Promises to give	404,329	739,709
	172,201,501	149,120,281
Amounts unavailable for general expenditures:		
Restricted as to purpose	(8,318,682)	(7,219,748)
	$ 163,882,819	$ 141,900,533

Note 2. Liquidity and Availability (Continued)

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 are 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, 2025 and 2024:

	2025	2024
Buildings and improvements	$ 11,726,308	$ 11,724,308
Furniture and equipment	1,231,522	1,227,506
Vehicles	48,500	48,500
	13,006,330	13,000,314
Less accumulated depreciation	4,456,060	3,418,922
	$ 8,550,270	$ 9,581,392

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 $136,273 for each of the years ended December 31, 2025 and 2024.

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, 2025 and 2024, 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, 2025 and 2024.

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.

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

- 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.

During the year ended December 31, 2025, the Foundation entered into an amendment which terminated both lease agreements on December 18, 2025.

The table below summarizes the contribution date fair value and activity during the years ended December 31, 2025 and 2024:

Balance at December 31, 2023	$ 1,746,028
Accretion of discount	47,066
Rent and maintenance expense	(466,113)
Balance at December 31, 2024	1,326,981
Accretion of discount	47,066
Rent and maintenance expense	(466,113)
Lease termination	(907,934)
Balance at December 31, 2025	$ -

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 and 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.

Money market funds are carried fair value and are classified as Level 1 in the fair value hierarchy.

Corporate bonds and government securities receive interest income based on their stated interest rates and are classified as Level 2 instruments, as there are no quoted market prices in active markets for identical assets. The value is determined using models and other valuation methodologies, which are corroborated by market data.

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.

Note 6. Investments and Fair Value Measurements (Continued)

Investments at December 31, 2025 and 2024 are measured at fair value using the following input levels:

	2025			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Corporate bonds	$ 502,524	$ -	$ 502,524	$ -
Government securities	508,506	-	508,506	-
Money market funds	94,169	94,169	-	-
Investments carried at fair value	1,105,199	$ 94,169	$ 1,011,030	$ -
Investments held at net asset value (NAV)	158,006,235			
	$ 159,111,434			

	2024			
	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Corporate bonds	$ 485,058	$ -	$ 485,058	$ -
Government securities	495,706	-	495,706	-
Money market funds	54,299	54,299	-	-
Investments carried at fair value	1,035,063	$ 54,299	$ 980,764	$ -
Investments held at net asset value (NAV)	135,124,705			
	$ 136,159,768			

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, 2025 and 2024, 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 $23,237,180 and $16,961,963 as of December 31, 2025 and 2024, 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.

Components of the net realized and unrealized gain on investments for the years ended December 31, 2025 and 2024, consist of the following:

	2025	2024
Net unrealized gain	$ 4,915,698	$ 12,908,259
Net realized gain	18,084,787	2,472,616
	$ 23,000,485	$ 15,380,875

Note 6. Investments and Fair Value Measurements (Continued)

Investment income is recorded net of investment advisory and custodial fees. These investment advisory and custodial fees totaled $536,032 and $511,725 for the years ended December 31, 2025 and 2024, 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.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2025 and 2024, are available for the following purposes and net assets during the years ended December 31, 2025 and 2024, were released from restriction by incurring expenses satisfying the restricted purpose as follows:

	Balance December 31, 2024	Increases	Net Assets Released From Restriction	Balance December 31, 2025
Purpose restricted:				
Endowment	$ 7,194,748	$ 1,151,434	$ (47,500)	$ 8,298,682
Funding of community	25,000	788,771	(793,771)	20,000
Funding of resilience	-	545,369	(545,369)	-
Funding of education	-	522,408	(522,408)	-
Funding of health	-	5,200,923	(5,200,923)	-
	$ 7,219,748	$ 8,208,905	$ (7,109,971)	$ 8,318,682

	Balance December 31, 2023	Increases	Net Assets Released From Restriction	Balance December 31, 2024
Purpose restricted:				
Endowment	$ 6,472,065	$ 747,683	$ (25,000)	$ 7,194,748
Funding of community	-	664,626	(639,626)	25,000
Funding of resilience	-	1,763,108	(1,763,108)	-
Funding of education	-	464,711	(464,711)	-
Funding of health	1,380,792	2,903,876	(4,284,668)	-
	$ 7,852,857	$ 6,544,004	$ (7,177,113)	$ 7,219,748

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 net assets held in perpetuity, (b) the original value of subsequent gifts to the net assets held in perpetuity and (c) accumulations to the net assets held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 7. Net Assets With Donor Restrictions (Continued)

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, 2025 and 2024, there were no underwater investments.

Note 7. Net Assets With Donor Restrictions (Continued)

The endowment activity for the years ended December 31, 2025 and 2024, is shown in the following table:

Description	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2023	$ 124,718,565	$ 6,472,065	$ 131,190,630
Investment return:			
Investment income, net	75,794	3,933	79,727
Realized and unrealized gain	14,494,191	743,750	15,237,941
Total investment return	14,569,985	747,683	15,317,668
Appropriation of funds for expenditure	25,000	(25,000)	-
Endowment net assets, December 31, 2024	139,313,550	7,194,748	146,508,298
Investment return:			
Investment income, net	550,689	28,440	579,129
Realized and unrealized gain	21,829,993	1,127,394	22,957,387
Total investment return	22,380,682	1,155,834	23,536,516
Appropriation of funds for expenditure	47,500	(47,500)	-
Contributions	-	15,600	15,600
Endowment net assets, December 31, 2025	$ 161,741,732	$ 8,318,682	$ 170,060,414

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

Note 8. 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 and was not extended.

Rent expense for the years ended December 31, 2025 and 2024, totaled $971,595 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 weighted-average interest rate utilized was 2.01% and 2.02% for the years ended December 31, 2025 and 2024, respectively. The weighted-average remaining lease term is 6.94 years and 7.83 years at December 31, 2025 and 2024, respectively.

Note 8. Leases (Continued)

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

Years ending December 31:	
2026	$ 1,081,727
2027	1,048,840
2028	1,080,300
2029	1,112,716
2030	1,146,092
Thereafter	2,396,377
	7,866,052
Less imputed interest*	544,471
Discounted lease liability	$ 7,321,581

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

Note 9. 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.

Note 10. Defined Contribution Retirement Plan

The Foundation offers a 401(k) plan whereby eligible employees may contribute the lesser of 75% of eligible compensation or the IRS maximum contribution allowed. The Foundation contributes an amount determined in accordance with plan provisions, which totaled $75,605 and $77,869 for the years ended December 31, 2025 and 2024, respectively.