MARSOC FOUNDATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017

Prudhomme Associates CPAs
A Professional Corporation

43460 Ridge Park Drive, Suite 220
Temecula, CA 92590

Member: AICPA, CSCPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
MARSOC Foundation
Temecula, California

We have audited the accompanying financial statements of MARSOC Foundation (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, statements of functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MARSOC Foundation as of December 31, 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Considine Associates CPAs

Temecula, California
June 15, 2018

MARSOC FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:	
Cash	$ 869,146
Investments	582,611
Contributions receivable, net of $0 allowance for uncollectible amounts	135,000
Prepaid expenses and deposits	21,631
TOTAL ASSETS	$ 1,608,388

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accrued expenses	$ 28,067
Unconditional promise to give	250,000
TOTAL LIABILITIES	278,067
NET ASSETS:	
Temporarily Restricted	394,339
Unrestricted	935,982
TOTAL NET ASSETS	1,330,321
TOTAL LIABILITIES AND NET ASSETS	$ 1,608,388

See notes to financial statements.

MARSOC FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Contributions	$ 1,145,224	$ 225,990	$ 1,371,214
Contribution received in the merger of the U.S. Marine Raider Foundation	72,259	168,349	240,608
Interest and dividends	27,393	-	27,393
Miscellaneous Income	3,291	-	3,291
Unrealized gain on investments	56,310	-	56,310
TOTAL SUPPORT AND REVENUE	1,304,477	394,339	1,698,816
PROGRAM SERVICE EXPENSES:			
Program expenses	1,281,540	-	1,281,540
SUPPORT SERVICE EXPENSES:			
Administrative Expense	48,442	-	48,442
Fundraising Expense	231,869	-	231,869
TOTAL SUPPORT SERVICE EXPENSES	280,311	-	280,311
TOTAL EXPENSES	1,561,851	-	1,561,851
CHANGE IN NET ASSETS	(257,374)	394,339	136,965
BEGINNING NET ASSETS	1,193,356	-	1,193,356
ENDING NET ASSETS	$ 935,982	$ 394,339	$ 1,330,321

MARSOC FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 136,965
Adjustments to reconcile change in net assets to	
Net cash provided by operating activities	
Unrealized gains	(56,310)
Decrease (Increase) in Operating Assets	
Contributions receivable	(135,000)
Prepaid expenses and deposits	(21,631)
Increase (Decrease) in Operating Liabilities	
Accrued expenses	25,490
Promises to give	250,000
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	199,514
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(162,633)
Sale of Investments	143,026
NET CASH FROM INVESTING ACTIVITIES	(19,607)
INCREASE (DECREASE) IN CASH	179,907
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	689,239
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 869,146

See notes to financial statements.

MARSOC FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services							
	Raider Support	Family Resiliency	Raider Legacy and Preservation	Tragedy Assistance Survivor Support	Total Program	General and Administrative	Fundraising	Total Expenses
Advertising and marketing	$ -	$ -	$ -	$ -	$ -	$ 160	$ 949	$ 1,109
Apparel	-	-	-	-	-	-	43,343	43,343
Awards	-	-	-	-	-	-	2,484	2,484
Bank charges	-	-	-	-	-	6,924	492	7,416
Consulting	-	-	3,000	1,000	4,000	3,050	29,500	36,550
Contributions	-	-	-	-	-	100	-	100
Dues and subscriptions	-	-	-	-	-	107	-	107
Employee benefits	-	-	-	-	-	2,853	-	2,853
Entertainment	-	-	-	3,954	3,954	193	10,887	15,034
Fundraising expense	-	-	1,784	-	1,784	10	7,216	9,010
Insurance	-	-	-	-	-	4,967	-	4,967
Legal and professional	-	-	-	-	-	16,068	-	16,068
Meeting expense	-	-	-	-	-	639	370	1,009
Office Supplies	-	-	-	55	55	5,799	518	6,372
Outside services	-	-	-	-	-	1,016	650	1,666
Payroll taxes	1,611	664	957	1,237	4,469	176	7,154	11,799
Postage and delivery	32	31	-	136	199	985	2,794	3,978
Printing and reproduction	-	-	-	50	50	414	1,719	2,183
Salaries	19,538	7,769	11,038	14,462	52,807	2,000	91,923	146,730
Specific Assistance	631,502	91,858	65,917	419,049	1,208,326	-	-	1,208,326
Special event expense	-	-	-	-	-	-	10,291	10,291
Staff development	-	-	-	264	264	348	-	612
Supplies	-	-	-	-	-	-	13,282	13,282
Taxes and licenses	-	-	-	-	-	379	-	379
Telephone and internet	-	-	-	-	-	1,677	-	1,677
Travel	2,300	-	134	3,198	5,632	577	8,297	14,506
TOTAL FUNCTIONAL EXPENSES	$ 654,983	$ 100,322	$ 82,830	$ 443,405	$ 1,281,540	$ 48,442	$ 231,869	$ 1,561,851

See notes to financial statements.

MARSOC FOUNDATION
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1-NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

MARSOC Foundation (the "Organization") is a nonprofit public benefit organization, incorporated in April, 2011. The specific and primary purpose of the Organization is to provide benevolent support to active duty and medically retired "MARSOC" personnel and their families, as well as to families of marines and sailors who have lost their lives in service to our nation.

On December 31, 2017, the U.S. Marine Raider Foundation, Inc. (Raider Foundation) merged with the MARSOC Foundation. The MARSOC Foundation and the Raider Foundation found they had certain similar purposes and it would better serve the beneficiaries of their support to combine efforts and become one entity. The merger stipulated the total assets of the Raider Foundation would be transferred to the MARSOC Foundation. There was no consideration given. Therefore, the total cash transferred to the MARSOC Foundation was treated as an inherent contribution and there was no goodwill recognized.

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB ASC Topic 958-205, Not-for-Profit Entities - Presentation of Financial Statements. Under FASB ASC Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NOTE 1-NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Revenues

Under generally accepted accounting principles for not-for-profit organizations, amounts received are recorded as unrestricted, temporarily restricted, or permanently restricted revenues.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Accounting Estimates

Preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

The Organization's principal financial instruments subject to credit risk are its cash, cash equivalents and investments. The Organization maintains cash and cash equivalents at a third party financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) or by the Securities Investor Protection Corporation (SPIC). From time to time total cash and cash equivalents and investments deposited with these institutions, by the Organization, may exceed amounts covered by the FDIC and SPIC. It is the opinion of managements that the solvency of these financial institutions is not of particular concern at this time.

Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment in the near term could materially affect the assets reported in the financial statements.

Historically, the Organization has not incurred any significant credit-related losses and believes it is not exposed to any significant risk on its concentrations.

NOTE 1-NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Organization considers all short-term investments with maturity of three months or less when purchased to be cash equivalents.

Investment Valuation and Income Recognition

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value based on quoted market prices. Unrealized gains and losses on investments resulting from market fluctuations are reported in the statement of activities in the period that such fluctuations occur.

The Organization uses the specific identification method in determining realized gains or losses reported on the statement of activities. All gains and losses and investment income are unrestricted.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, otherwise known as the "exit price", in an orderly transaction between market participants at the measurement date. See Note 2 for a discussion of fair value measurement.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for federal or state income taxes in the accompanying financial statements. The Organization's tax returns are generally subject to examination by taxing authorities for a period of three years from the date they are filed.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses amounted to $1,109 during the year ended December 31, 2017.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on specific identification, and certain costs have been allocated based on personnel time.

NOTE 2 - FAIR VALUE MEASUREMENTS

FASB ASC 820-10 regarding fair value measurements clarifies the definition of fair value for financial reporting and establishes a three-tier hierarchy as a framework for measuring fair value which requires an entity to give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when measuring fair value. The three levels of the fair value hierarchy under this standard are as follows:

- Level 1 - Inputs are unadjusted quoted prices for identical instruments in active markets.

- Level 2 - Inputs are input other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.

- Level 3 - Inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from techniques which one or more significant value drivers are observable.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds and Exchange Traded Funds: Value based on quoted market prices in active markets.

Common stock: Shares in companies traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective futures fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table lists the Organization's financial assets as of December 31, 2017. The assets have all been measured at fair value on a recurring basis using Level 1 inputs.

Mutual and exchange-traded funds:	
Equity	$ 202,482
Fixed income	228,168
Total mutual and exchange-traded funds	430,650
Common stock	119,751
Money market funds	32,210
Total	$ 582,611

NOTE 3- CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of amounts promised by various donors to sponsor the 2018 Suitcase Party fundraising event. Amounts are stated at the amount management expects to collect from outstanding balances. The Organization considers contributions receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded. Contributions receivable at December 31, 2017 are $135,000.

NOTE 4-TEMPORARILY RESTRICTED ASSETS

The organization has temporarily restricted $394,339 in contributions received or receivable as of December 31, 2017, for the 2018 Suitcase Party fundraisings event. Amounts will be released from restriction at the time of the event.

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

During 2017, the Organization has made an unconditional promise to give $250,000 to another Organization. The amount was paid subsequent to year-end. The $250,000 is shown in the current liabilities on the statement of financial position at December 31, 2017.

.NOTE 6 – SPECIAL EVENTS

The Organization hosted a special fundraising event during the year. The revenue and related expenses from this event for the year ended December 31, 2017 were as follows:

Event	Revenue	Expenses	Net
2017 Marine Corps Marathon	$ 151,844	$ 20,419	$131,425

NOTE 7 -SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 15, 2018 the date which the Organization's financial statements were available to be issued. During this period, management believes there were no material subsequent events.