MARSOC FOUNDATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2019

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, 2019 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.

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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, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Nigro & Nigro Associates CPAs

Temecula, California
July 6, 2020

MARSOC FOUNDATION
DBA MARINE RAIDER FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:		
Cash	$	598,383
Prepaid expenses and deposits		26,025
TOTAL CURRENT ASSETS		624,408
Investments, at fair market value		676,239
Cash restricted for special purpose		3,790
TOTAL OTHER ASSETS		680,029
TOTAL ASSETS	$	1,304,437

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accrued expenses	$	37,819
NET ASSETS:		
Without donor restrictions		1,262,828
With donor restrictions		3,790
TOTAL NET ASSETS		1,266,618
TOTAL LIABILITIES AND NET ASSETS	$	1,304,437

See notes to financial statements.

MARSOC FOUNDATION
DBA MARINE RAIDER FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 1,192,828	$ -	$ 1,192,828
Funds released from restrictions	12,305	(12,305)	-
Special events revenue	93,660	-	93,660
Interest income	1,028	-	1,028
Investment return, net	138,302	-	138,302
Miscellaneous Income	5,398	-	5,398
TOTAL SUPPORT AND REVENUE	1,443,521	(12,305)	1,431,216
PROGRAM SERVICE EXPENSES:			
Program expenses	1,293,215	-	1,293,215
SUPPORT SERVICE EXPENSES:			
Administrative Expense	35,886	-	35,886
Fundraising Expense	509,918	-	509,918
TOTAL SUPPORT SERVICE EXPENSES	545,804	-	545,804
TOTAL EXPENSES	1,839,019	-	1,839,019
CHANGE IN NET ASSETS	(395,498)	(12,305)	(407,803)
BEGINNING NET ASSETS	1,658,326	16,095	1,674,421
ENDING NET ASSETS	$ 1,262,828	$ 3,790	$ 1,266,618

MARSOC FOUNDATION
DBA MARINE RAIDER FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (407,803)
Adjustments to reconcile change in net assets to	
Net cash provided by operating activities	
Unrealized (gains)/losses	(111,804)
Decrease (Increase) in Operating Assets	
Prepaid expenses and deposits	56,841
Increase (Decrease) in Operating Liabilities	
Accrued expenses	(16,242)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(479,008)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(523,662)
Sale of Investments	509,469
NET CASH FROM INVESTING ACTIVITIES	(14,193)
INCREASE (DECREASE) IN CASH	(493,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,091,584
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 598,383

See notes to financial statements.

MARSOC FOUNDATION
DBA MARINE RAIDER FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	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	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,170	$ 1,170
Apparel	-	-	-	-	-	-	9,300	9,300
Awards	12,081	-	7,000	181	19,262	-	5,855	25,117
Bank charges	-	-	-	-	-	222	1,351	1,573
Dues and subscriptions	-	-	-	-	-	1,916	7,698	9,614
Entertainment	-	-	-	-	-	-	24,225	24,225
Fundraising expense	-	-		-	-	-	28,473	28,473
Insurance	-	-	-	-	-	3,775	-	3,775
Legal and professional	-	-	-	1,767	1,767	17,498	9,261	28,526
Office Supplies	-	-	-	-	-	177	180	357
Outside services	-	-	-	-	-	706	-	706
Payroll taxes	3,987	1,103	609	1,962	7,661	368	8,969	16,998
Postage and delivery	-	-	-	228	228	416	2,414	3,058
Printing and reproduction	-	-	-	-	-	871	182	1,053
Salaries	52,118	14,420	7,960	25,647	100,145	4,806	117,244	222,195
Specific Assistance	595,911	60,463	46,803	460,550	1,163,727	-	-	1,163,727
Special event expense	-	-	-	-	-	-	21,356	21,356
Special event costs of direct benefit to donors	-	-	-	-	-	-	248,161	248,161
Staff development	-	-	-	-	-	720	-	720
Supplies	-	-	-	95	95	331	9,167	9,593
Taxes and licenses	-	-	-	-	-	556	-	556
Telephone and internet	-	-	-	-	-	3,454	-	3,454
Travel	-	-	322	8	330	70	14,912	15,312
TOTAL FUNCTIONAL EXPENSES	$ 664,097	$ 75,986	$ 62,694	$ 490,438	$ 1,293,215	$ 35,886	$ 509,918	$ 1,839,019

MARSOC FOUNDATION
DBA MARINE RAIDER FOUNDATION
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – NATURE OF ACTIVITIES

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organization" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

> Net Assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operation purposes from time to time.
>
> Net Assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

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 (SIPC). 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 SIPC. It is the opinion of managements that the solvency of these financial institutions is not of 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.

Cash Equivalents

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

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Restricted

Cash restricted to assist Gold Star families has been restricted by donors and is not available for other purposes. Amounts are not required to be held in separate accounts, however, the Organization has separated these funds in a separate account.

Investment Valuation and Income Recognition

Investments consist of money market funds, common stock, fixed income mutual funds, equity mutual funds and equity exchange traded funds (ETF). Investments are stated at fair value based on quoted market closing prices in active markets in which the investments are traded. The Organization has all its investments in managed accounts.

Net appreciation (depreciation) in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities as investment return. Investment return is presented net of investment fees. The specific identification method is primarily used to determine the basis for computing realized gains or losses.

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 3 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 $181 during the year ended December 31, 2019.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 3 – NET ASSETS – QUASI-ENDOWMENT FUND

The Organization has a quasi-endowment fund which is classified and reported based on the funds designated by the Board of Trustees to function as endowment for unanticipated liquidity needs. The total board restricted quasi-endowment funds are $676,239 at December 31, 2019. The organization initially invested $500,000 in investments detailed in Note 6. The Organization does not intend to spend from this quasi-endowment unless necessary to meet the cash needs for general expenditures. Its policy is to reinvest all interest, dividends and realized gains after management fees are paid. The fair value at December 31, 2019 was $676,239. In the current year, the net investment return was $138,302. There were no appropriations for expenditures in the current year.

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

MARSOC Foundation has $624,408 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting cash and cash equivalents. $3,790 of the total financial assets are subject to donor restriction that make them unavailable for general expenditure within one year of the statement of financial position.

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As described in Note 3, the Organization also has a quasi-endowment valued at $676,239 at December 31, 2019. Although the Organization does not intend to spend from its quasi-endowment, amounts could be made available if necessary.

NOTE 5 - 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 following table lists the Organization’s financial assets as of December 31, 2019. The assets have all been measured at fair value on a recurring basis using Level 1 inputs.

Mutual and exchange-traded funds:	
Equity	$ 232,559
Fixed income	247,546
Total mutual and exchange-traded funds	480,145
Common stock	138,969
Money market funds	57,125
Total	$ 676,239

NOTE 6- NET ASSETS – WITH DONOR RESTRICTIONS

At December 31, 2019, $3,790 net assets are restricted by donors to assist Gold Star families. There is no time limit on these net assets. As the need arises, these funds will be released.

NOTE 7 – 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, 2018 were as follows:

2019 Events	NYC Salute	Raider Golf	AZ Gala	Swing Fore Heroes	Total
Contributions	$ 106,515	$ 74,489	$ 64,720	$ 81,519	$ 327,243
Special event revenue	30,800	40,320	21,000	1,540	93,660
Cost of direct benefits	(86,219)	(49,859)	(67,057)	(45,026)	(248,161)
Special event expenses	(6,028)	-	(15,328)	-	(21,356)
Net Total	$ 45,068	$ 64,950	$ 3,335	$ 38,033	$ 151,386

NOTE 8 -SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 6, 2020 the date which the Organization's financial statements were available to be issued. During this period, management believes there were no material subsequent events.