MARSOC FOUNDATION

DBA MARINE RAIDER FOUNDATION

(A NON-PROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2020

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
dba Marine Raider Foundation
Temecula, California

Opinion

We have audited the accompanying financial statements of MARSOC Foundation, dba Marine Raider Foundation, (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2019 and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 MARSOC Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 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 MARSOC Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout 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 include 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 MARSOC 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 evaluating 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 MARSOC 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.

Taulkonen Associates CPAs

Temecula, California
April 16, 2021

MARSOC FOUNDATION
DBA MARINE RAIDER FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS:		
Cash	$	594,662
OTHER ASSETS:		
Investments, at fair market value		745,264
Cash restricted for special purpose		3,794
TOTAL OTHER ASSETS		749,058
TOTAL ASSETS	$	1,343,720

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accrued expenses	$	22,555
PPP loan payable		40,860
TOTAL LIABILITIES		63,415
NET ASSETS:		
Without donor restrictions		1,276,511
With donor restrictions		3,794
TOTAL NET ASSETS		1,280,305
TOTAL LIABILITIES AND NET ASSETS	$	1,343,720

MARSOC FOUNDATION
DBA MARINE RAIDER FOUNDATION
(A NON-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Contributions	$ 834,271	$ -	$ 834,271
Interest income	66	4	70
Investment return, net	69,025	-	69,025
Miscellaneous Income	3,436	-	3,436
TOTAL SUPPORT AND REVENUE	906,798	4	906,802
PROGRAM SERVICE EXPENSES:			
Program expenses	635,785	-	635,785
SUPPORT SERVICE EXPENSES:			
Administrative Expense	36,631	-	36,631
Fundraising Expense	220,699	-	220,699
TOTAL SUPPORT SERVICE EXPENSES	257,330	-	257,330
TOTAL EXPENSES	893,115	-	893,115
CHANGE IN NET ASSETS	13,683	4	13,687
BEGINNING NET ASSETS	1,262,828	3,790	1,266,618
ENDING NET ASSETS	$ 1,276,511	$ 3,794	$ 1,280,305

See notes to financial statements.

MARSOC FOUNDATION
DBA MARINE RAIDER FOUNDATION
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STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 13,687
Adjustments to reconcile change in net assets to	
Net cash provided by operating activities	
Unrealized (gains)/losses	(10,036)
Decrease (Increase) in Operating Assets	
Prepaid expenses and deposits	26,025
Increase (Decrease) in Operating Liabilities	
Accrued expenses	(15,264)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	14,412
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipts of interest, dividends and realized gains reinvested	(67,330)
Sale of investments for investment fees	8,341
NET CASH FROM INVESTING ACTIVITIES	(58,989)
CASH FLOWS FROM FINANCING ACTIVITIES:	
PPP loan proceeds	40,860
NET CASH FROM FINANCING ACTIVITIES	40,860
INCREASE (DECREASE) IN CASH	(3,717)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	602,173
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 598,456

See notes to financial statements.

MARSOC FOUNDATION
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(A NON-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	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	$ -	$ -	$ -	$ -	$ -	$ 56	$ 13,806	$ 13,862
Apparel	-	-	-	-	-	68	9,740	9,808
Awards	-	-	-	-	-	-	4,847	4,847
Bank charges	-	-	-	-	-	30	1,875	1,905
Dues and subscriptions	-	-	-	-	-	1,443	6,961	8,404
Entertainment	-	-	-	-	-	55	13,900	13,955
Fundraising expense	-	-		-	-	-	843	843
Insurance	-	-	-	-	-	3,780	577	4,357
Legal and professional	-	-	-	-	-	18,130	475	18,605
Office Supplies	-	-	-	-	-	1,008	115	1,123
Outside services	-	-	-	-	-	823	-	823
Payroll taxes	3,175	1,647	1,694	1,666	8,182	400	9,704	18,286
Postage and delivery	-	-	-	200	200	383	3,102	3,685
Printing and reproduction	-	-	-	-	-	424	126	550
Salaries	41,509	21,523	22,139	21,778	106,949	5,226	126,856	239,031
Specific Assistance	259,752	25,292	121,136	113,797	519,977	-	-	519,977
Special event expense	-	-	-	-	-	-	2,700	2,700
Staff development	-	-	-	-	-	720	-	720
Supplies	-	-	-	-	-	-	21,926	21,926
Taxes and licenses	-	-	-	-	-	165	10	175
Telephone and internet	-	-	-	-	-	3,920	-	3,920
Travel	-	-	-	477	477	-	3,136	3,613
TOTAL FUNCTIONAL EXPENSES	$ 304,436	$ 48,462	$ 144,969	$ 137,918	$ 635,785	$ 36,631	$ 220,699	$ 893,115

See notes to financial statements.

MARSOC FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – NATURE OF ACTIVITIES

Nature of Activities

MARSOC Foundation (the “Organization”) is a nonprofit public benefit organization, incorporated in April 2011. The 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.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, individuals volunteer their time and perform a wide variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

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 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, fixed income 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 $13,862 during the year ended December 31, 2020.

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 $745,264 at December 31, 2020. 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, 2020 was $745,264. In the current year, the net investment return was $69,025. There were no appropriations for expenditures in the current year.

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

MARSOC Foundation has $594,662 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. $3,794 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 $745,264 at December 31, 2020. 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, 2020. The assets have all been measured at fair value on a recurring basis using Level 1 inputs.

Exchange-traded funds:	
Equity	$ 267,298
Fixed income	458,315
Total mutual and exchange-traded funds	725,613
Money market funds	19,651
Total	$ 745,264

NOTE 6- PPP LOAN PAYABLE

On May 7, 2020, the Organization was granted a loan from the Bank of America for $40,860, pursuant to the Paycheck Protection Program (the "PPP") under the CARES Act enacted March 27, 2020. The Loan, which was in the form of a Note issued by the bank, matures May 7, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing November 7, 2020. The loan is eligible for forgiveness pursuant to the CARES Act if used for qualifying expenses. No payments were made during on this note. The balance outstanding at December 31, 2020 was $40,860 and is presented on the balance sheet. Management has received notice, subsequent to year-end, the loan was fully forgiven.

NOTE 7- NET ASSETS – WITH DONOR RESTRICTIONS

At December 31, 2020, $3,794 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 8 – SPECIAL EVENTS

The Organization canceled all special events during the year due to COVID restrictions. Prior to cancelation there were special event expenses of $2,700 for NYC Salute. NYC Salute ticket and sponsorship amounts received prior to cancelation of the event was $52,325 and were converted to contributions since refunds were not requested.

NOTE 9 -SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 16, 2021 the date which the Organization's financial statements were available to be issued. During this period, management believes there were no material subsequent events.

On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID - 19) a pandemic. As a result, economic uncertainties continue to arise that will likely negatively impact revenues and support such as continued cancelation of large in-person fundraisers. Such potential impact is unknown at this time; however, management feels strongly that the organization has steps in place to mitigate these issues. Such steps include having smaller, in-person fundraisers, other online and outdoor fundraisers and to reduce transition grant assistance limits.

In addition, PPP loans received (see Note 6 above) have been forgiven subsequent to year end, and an additional $40,860 in PPP loans were received subsequent to year-end which are expected to be forgiven.