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Independent Auditor's Report

Board of Directors
Navy SEAL Foundation, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Navy SEAL Foundation, Inc. and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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).

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Navy SEAL Foundation, Inc. and its subsidiary as of December 31, 2019 and 2018, 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.

RSM US LLP

Richmond, Virginia
June 26, 2020

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Financial Report
December 31, 2019

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Independent Auditor's Report

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RSM US LLP

Richmond, Virginia
June 26, 2020

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	**$ 9,673,055**	$ 11,586,145
Contributions receivable	**1,891,675**	715,103
In-kind contributions receivable – real estate lease	**1,263,230**	1,670,490
Investments, at fair value	**77,684,742**	61,261,759
Subscription receivable	**-**	523,880
Other investments, at cost	**611,028**	611,028
Alternative investments redemption receivable	**-**	1,031,191
Property and equipment, net	**4,237,710**	4,388,105
Other assets	**775,809**	499,795
Total assets	**$ 96,137,249**	$ 82,287,496
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 888,095**	$ 727,475
Unconditional promise to give – real estate lease	**1,263,230**	1,670,490
Refundable advances	**2,124,975**	1,060,865
Total liabilities	**4,276,300**	3,458,830
Net assets:		
Without donor restrictions:		
Board designated for common assistance programs	**-**	7,590,000
Board-designated for educational programs	**-**	5,465,000
Board-designated for gold star programs	**-**	2,325,000
Board-designated for endowment - general	**-**	14,559,254
Board-designated for endowment:		
Educational programs	**6,750,000**	-
Survivor support	**23,250,000**	-
Tragedy assistance	**20,250,000**	-
Warrior and family services	**5,250,000**	-
Transition assistance	**5,000,000**	-
Undesignated	**25,700,826**	43,496,340
	86,200,826	73,435,594
With donor restrictions	**5,660,123**	5,393,072
Total net assets	**91,860,949**	78,828,666
Total liabilities and net assets	**$ 96,137,249**	$ 82,287,496

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Contributions	$ 14,001,369	$ 2,675,014	$ 16,676,383
Special event revenue	9,995,300	-	9,995,300
Less cost of direct benefit to donors	(664,605)	-	(664,605)
Investment income, net	461,669	18,317	479,986
Other income	341,661	-	341,661
Net realized and unrealized gain on investments	10,913,690	655,994	11,569,684
Net assets released from restrictions	3,082,274	(3,082,274)	-
Total support and revenue	38,131,358	267,051	38,398,409
Expenses:			
Program services:			
Educational opportunities	3,110,005	-	3,110,005
Tragedy assistance and survivor support	5,801,107	-	5,801,107
Warrior and family services	6,876,407	-	6,876,407
Transition assistance and veteran support	3,836,743	-	3,836,743
Legacy preservation	223,978	-	223,978
Total program services	19,848,240	-	19,848,240
Supporting services:			
General administration	1,000,270	-	1,000,270
Fundraising	4,517,616	-	4,517,616
Total supporting services	5,517,886	-	5,517,886
Total expenses	25,366,126	-	25,366,126
Change in net assets	12,765,232	267,051	13,032,283
Net assets:			
Beginning	73,435,594	5,393,072	78,828,666
Ending	$ 86,200,826	$ 5,660,123	$ 91,860,949

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:			
Contributions	$ 15,796,935	$ 3,231,464	$ 19,028,399
Special event revenue	12,134,600	-	12,134,600
Less cost of direct benefit to donors	(752,255)	-	(752,255)
Investment income, net	645,318	32,790	678,108
Other income	361,600	-	361,600
Net realized and unrealized loss on investments	(5,073,536)	(272,320)	(5,345,856)
Net assets released from restrictions	1,585,974	(1,585,974)	-
Total support and revenue	24,698,636	1,405,960	26,104,596
Expenses:			
Program services:			
Educational opportunities	2,343,131	-	2,343,131
Tragedy assistance and survivor support	5,310,659	-	5,310,659
Warrior and family services	6,583,086	-	6,583,086
Transition assistance and veteran support	5,957,351	-	5,957,351
Legacy preservation	34,971	-	34,971
Total program services	20,229,198	-	20,229,198
Supporting services:			
General administration	1,137,108	-	1,137,108
Fundraising	4,637,021	-	4,637,021
Total supporting services	5,774,129	-	5,774,129
Total expenses	26,003,327	-	26,003,327
Change in net assets	(1,304,691)	1,405,960	101,269
Net assets:			
Beginning	74,740,285	3,987,112	78,727,397
Ending	$ 73,435,594	$ 5,393,072	$ 78,828,666

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services						Supporting Services			
	Educational Opportunities	Tragedy Assistance and Survivor Support	Warrior and Family Services	Transition Assistance and Veteran Support	Legacy Preservation	Total Program Services	General Administration	Fundraising	Total Supporting Services	Total
Career transition	$ -	$ -	$ -	$ 1,701,766	$ -	$ 1,701,766	$ -	$ -	$ -	$ 1,701,766
Children's camps and support	-	594,811	1,958,275	6,570	-	2,559,656	-	-	-	2,559,656
Command events	-	-	1,726,067	-	-	1,726,067	-	-	-	1,726,067
Crisis assistance	-	-	-	184,023	-	184,023	-	-	-	184,023
Death and illness support	-	194,351	189,510	111,672	-	495,533	-	-	-	495,533
Gold star support	-	162,106	-	-	-	162,106	-	-	-	162,106
Legacy preservation	-	-	-	-	153,730	153,730	-	-	-	153,730
Human performance	-	214,895	-	750,161	-	965,056	-	-	-	965,056
Mental health support	-	-	311,405	78,077	-	389,482	-	-	-	389,482
Private school and tutoring	574,572	-	-	-	-	574,572	-	-	-	574,572
Respite childcare	-	-	883,565	-	-	883,565	-	-	-	883,565
Retreats and enrichment	-	-	606,886	-	-	606,886	-	-	-	606,886
Scholarships and tuition	2,119,578	-	-	104,971	-	2,224,549	-	-	-	2,224,549
Survivor programs	-	1,864,998	-	-	-	1,864,998	-	-	-	1,864,998
Impact forum	-	-	394,327	394,327	-	788,654	-	-	-	788,654
Wounded support	-	1,828,238	-	113,970	-	1,942,208	-	-	-	1,942,208
Catering and venue	-	-	-	-	-	-	-	3,794,659	3,794,659	3,794,659
Marketing	50,532	114,429	95,949	47,536	5,052	313,498	100,533	-	100,533	414,031
Bank service charges	18,443	41,765	35,020	17,350	1,844	114,422	36,692	-	36,692	151,114
Dues and subscriptions	7,538	17,070	14,313	7,091	754	46,766	14,997	-	14,997	61,763
Supplies and postage	53,200	120,473	101,016	50,047	5,319	330,055	104,808	1,035	105,843	435,898
Professional fees	11,001	24,911	20,888	10,349	1,100	68,249	21,886	-	21,886	90,135
Travel expenses	40,143	90,905	76,223	37,764	4,013	249,048	79,865	-	79,865	328,913
Building expenses	47,909	108,491	90,969	45,069	4,790	297,228	95,315	-	95,315	392,543
Salaries and wages	176,085	398,746	334,349	165,648	9,671	1,084,499	513,689	721,922	1,235,611	2,320,110
	3,099,001	5,776,189	6,838,762	3,826,391	186,273	19,726,616	967,785	4,517,616	5,485,401	25,212,017
Depreciation	11,004	24,918	37,645	10,352	37,705	121,624	32,485	-	32,485	154,109
	$ 3,110,005	$ 5,801,107	$ 6,876,407	$ 3,836,743	$ 223,978	$ 19,848,240	$ 1,000,270	$ 4,517,616	$ 5,517,886	$ 25,366,126

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services						Supporting Services			
	Educational Opportunities	Tragedy Assistance and Survivor Support	Warrior and Family Services	Transition Assistance and Veteran Support	Legacy Preservation	Total Program Services	General Administration	Fundraising	Total Supporting Services	Total
Career transition	$ -	$ -	$ -	$ 3,585,923	$ -	$ 3,585,923	$ -	$ -	$ -	$ 3,585,923
Children's camps and support	-	255,419	1,727,408	-	-	1,982,827	-	-	-	1,982,827
Command events	-	-	1,160,212	386,442	-	1,546,654	-	-	-	1,546,654
Crisis assistance	-	-	-	205,153	-	205,153	-	-	-	205,153
Death and illness support	-	410,095	198,115	68,291	-	676,501	-	-	-	676,501
Gold star support	-	178,662	-	-	-	178,662	-	-	-	178,662
Legacy preservation	-	-	-	-	28,555	28,555	-	-	-	28,555
Human performance	-	525,932	-	492,272	-	1,018,204	-	-	-	1,018,204
Mental health support	-	-	108,957	-	-	108,957	-	-	-	108,957
Private school and tutoring	391,549	-	-	-	-	391,549	-	-	-	391,549
Respite childcare	-	-	846,363	-	-	846,363	-	-	-	846,363
Retreats and enrichment	-	-	1,320,641	-	-	1,320,641	-	-	-	1,320,641
Scholarships and tuition	1,622,327	-	-	118,817	-	1,741,144	-	-	-	1,741,144
Survivor programs		1,951,631	-	-	-	1,951,631	-	-	-	1,951,631
Impact forum	-	-	387,680	387,680	-	775,360	-	-	-	775,360
Wounded support	-	1,092,448	-	144,008	-	1,236,456	-	-	-	1,236,456
Catering and venue	-	-	-	-	-	-	-	3,978,007	3,978,007	3,978,007
Marketing	35,453	97,231	91,282	66,900	502	291,368	96,941	-	96,941	388,309
Bank service charges	35,350	96,950	91,018	66,707	501	290,526	96,660	-	96,660	387,186
Dues and subscriptions	5,211	14,292	13,418	9,834	74	42,829	14,249	-	14,249	57,078
Supplies and postage	29,376	80,566	75,636	55,434	416	241,428	57,211	23,114	80,325	321,753
Professional fees	16,626	45,598	42,808	31,374	235	136,641	45,462	-	45,462	182,103
Travel expenses	30,947	84,873	79,680	58,397	438	254,335	84,619	-	84,619	338,954
Building expenses	27,077	69,386	59,232	11,846	1,692	169,233	173,762	-	173,762	342,995
Salaries and wages	137,836	378,417	355,744	263,295	1,847	1,137,139	495,181	635,900	1,131,081	2,268,220
	2,331,752	5,281,500	6,558,194	5,952,373	34,260	20,158,079	1,064,085	4,637,021	5,701,106	25,859,185
Depreciation	11,379	29,159	24,892	4,978	711	71,119	73,023	-	73,023	144,142
	$ 2,343,131	$ 5,310,659	$ 6,583,086	$ 5,957,351	$ 34,971	$ 20,229,198	$ 1,137,108	$ 4,637,021	$ 5,774,129	$ 26,003,327

See notes to consolidated financial statements.

Navy SEAL Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 13,032,283	$ 101,269
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	154,109	144,142
Net realized and unrealized (gain) loss on investments	(11,569,334)	5,345,856
In-kind contribution – real estate lease, net of discount	-	(2,032,090)
In-kind contribution – real estate lease, accretion of discount	(26,660)	-
Rent and maintenance expense – in-kind real estate lease	433,920	361,600
Unconditional promise to give – real estate lease	-	2,032,090
Unconditional promise to give – real estate lease, accretion of discount	26,660	-
Income from unconditional promise to give – real estate lease, net of discount	(433,920)	(361,600)
Interest and dividends restricted for long-term investment	(89,955)	(159,960)
Investments donated	(896,080)	(121,936)
Proceeds from sale of donated investments	895,730	121,240
Change in assets and liabilities:		
Contributions receivable	(1,176,572)	85,630
Other assets	(276,014)	(205,125)
Accounts payable and accrued expenses	160,620	(300,564)
Refundable advances	1,064,110	1,060,865
Net cash provided by operating activities	1,298,897	6,071,417
Cash flows from investing activities:		
Proceeds from sale of investments	1,056,191	123,918,580
Purchases of investments	(4,354,419)	(125,066,679)
Purchases of property and equipment	(3,714)	(509,318)
Net cash used in investing activities	(3,301,942)	(1,657,417)
Cash flows from financing activities:		
Interest and dividends restricted for reinvestment	89,955	159,960
Net cash provided by financing activities	89,955	159,960
Net (decrease) increase in cash and cash equivalents	(1,913,090)	4,573,960
Cash and cash equivalents:		
Beginning	11,586,145	7,012,185
Ending	$ 9,673,055	$ 11,586,145

See notes to consolidated financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: The Navy SEAL Foundation, Inc. (the Foundation) is a nonprofit organization established to provide support to all U.S. Navy SEALs, Special Warfare Combatant-craft Crewman, Naval Special Warfare (NSW) support personnel and their spouses and children. The Foundation coordinates closely with NSW commands to support critical needs of active duty operators while also providing resources for NSW veterans. The Foundation is focused on five key areas: Educational Opportunities, Tragedy Assistance and Survivor Support, Warrior and Family Services, Transition Assistance and Veteran Support, and Legacy Preservation.

The Foundation is the sole member of SEAL Heritage Center, LLC (SHC), which was formed on June 3, 2011. The SHC's main function is to provide a facility dedicated to the Foundation's five key areas of focus.

Principles of consolidation: The consolidated financial statements include the accounts of the Foundation and its consolidated subsidiary, SHC. All significant intercompany accounts and transactions have been eliminated.

The significant accounting policies followed by the Foundation are described below:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting whereby revenue is recognized when earned and unconditional support is recognized when received and expenses are recognized when incurred.

Financial statement presentation: The consolidated financial statement presentation follows the requirements of Accounting Standards Codification (ASC) 958. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according 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 financial statements in conformity with generally accepted accounting principles (GAAP) 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 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 Organization and Summary of Significant Accounting Policies (Continued)

Contributions receivable: 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 receivable 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 and losses are reflected in the accompanying consolidated statements of activities. In calculating realized gains and losses, the cost of securities sold is determined by the specific-identification method. Interest income is recognized under the accrual basis. The unrealized gain or loss is calculated as the difference between the cost basis of the investment and the fair value of the investment at the measurement date. Dividend income is recognized on the ex-dividend 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 (NAV) 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 or investments and strategies.

Other investments, at cost: In 2012, the Foundation received 3,300 shares of common stock in a private corporation with holding restrictions. Other investments are stated at historical cost based on the fair value at the date of the donation. Periodic evaluations are made by management, as deemed necessary based upon an event or change in circumstances that has occurred during the period, to determine whether the investment has been impaired. Management has determined that there is no impairment of other investments as of December 31, 2019 and 2018.

Note 1. Nature of Organization and Summary of 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.

Functional expenses: Functional expenses are determined through allocating total expenses incurred to the programs and supporting services benefited.

Income taxes: The Foundation has a tax determination letter from the Internal Revenue Service that states it qualifies under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements.

Management evaluated the Foundation’s tax positions and has concluded that the Foundation has taken no uncertain tax positions that require adjustment to the consolidated financial statements. The Foundation files an informational Form 990 in the U.S. federal jurisdiction. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

Advertising: Advertising costs are expensed as incurred and totaled $414,031 and $388,309 for the years ended December 31, 2019 and 2018, respectively.

Reclassification: Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported changes in net assets or net assets.

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

Recently issued accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In April 2020, the FASB noted to defer the effective date of Topic 842 for fiscal years beginning after December 15, 2021. The Foundation is in the process of evaluating the impact of this new guidance on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. In May 2020, the FASB voted to allow nonpublic entities the option defer the effective date of Topic 606 by an additional year if financial statements had not been issued. If elected, the effective date will be for fiscal years beginning after December 15, 2020. The Foundation elected to defer the adoption and is currently evaluating the effect that the standard will have on its consolidated financial statements.

Subsequent events: The Foundation evaluated subsequent events through June 26, 2020, the date 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, 2019, the following financial assets are available to meet annual operating needs of the 2020 calendar year:

Cash and cash equivalents	$ 9,673,055
Contributions receivable	1,891,675
	$ 11,564,730

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and contributions receivable. Based on historical experience, only the portion of contributions receivable due within one year are considered available for use in meeting annual operating needs (liquid). The Foundation has established a cash reserve policy, the objectives of which, in order of priority, are the following:

- Safety and preservation of principal by investing in a high quality, diversified portfolio of securities.
- Liquidity of investments that is sufficient to meet the Foundation's projected cash flow requirements.

Note 3. Property and Equipment

Property and equipment consists of the following at December 31, 2019 and 2018:

	2019	2018
Buildings and improvements	$ 5,308,201	$ 5,304,487
Furniture and equipment	77,363	77,363
Vehicles	48,500	48,500
	5,434,064	5,430,350
Less accumulated depreciation	1,196,354	1,042,245
	$ 4,237,710	$ 4,388,105

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 $154,109 and $144,142 for the years ended December 31, 2019 and 2018, respectively.

Note 4. Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and public support in the appropriate net asset category. Contributions expected to be received in periods greater than one year are recorded at the discounted present value of the future cash flow. Contributions receivable at December 31, 2019 and 2018, are expected to be collected within one year. Therefore, management determined that a discount for time-value of money was not necessary. Management has also determined that an allowance for doubtful collections is not necessary as of December 31, 2019 and 2018.

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 2 years. The Foundation will commence payment for its share of common area maintenance beginning on the 25th month of the lease term.

- The Foundation recognized the fair value of the contribution based on a comparative market analysis.

- The contribution receivable recognized is net of a discount for the time value of money. The discount rate is computed using the risk-free rate on the date the contribution was received. The discount is accreted through income over the lease term.

The contribution receivable is subsequently reduced by rent and maintenance expense, which is recognized on a straight-line basis over the lease term based on the contribution date fair value of the contribution.

Note 5: In-kind Contributions Receivable and Unconditional Promise to Give – Real Estate Lease (Continued)

The table below summarizes the contribution date fair value and activity during the years ended December 31, 2019 and 2018:

Contribution date fair value	$ 2,142,602
Discount for the time value of money (2.56%)	(132,731)
Accretion of discount	22,219
Rent and maintenance expense	(361,600)
Balance at December 31, 2018	1,670,490
Accretion of discount	26,660
Rent and maintenance expense	(433,920)
Balance at December 31, 2019	$ 1,263,230

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.

The table below summarizes the contribution date fair value and activity during the years ended December 31, 2019 and 2018:

Contribution date fair value	$ 2,142,602
Discount for time value of money (2.56%)	(132,731)
Accretion of discount	22,219
Other income	(361,600)
Balance at December 31, 2018	1,670,490
Accretion of discount	26,660
Other income	(433,920)
Balance at December 31, 2019	$ 1,263,230

Note 6. Investments

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

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Alternative investment funds	$ 70,139,891	$ 77,684,742	$ 65,282,492	$ 61,261,759
	$ 70,139,891	$ 77,684,742	$ 65,282,492	$ 61,261,759

Investment income is recorded net of investment advisory and custodial fees. These investment advisory and custodial fees totaled $265,815 and $239,661 for the years ended December 31, 2019 and 2018, respectively. Effective April 1, 2018, the Foundation changed investment advisors and is now 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 money market funds, domestic and global marketable equities, debt instruments, mutual funds and exchange traded funds in accordance with the Navy SEAL Foundation’s Investment Policy Statement.

Components of the net realized and unrealized gain (loss) on investments for the years ended December 31, 2019 and 2018, consist of the following:

	2019	2018
Net unrealized gain (loss)	$ 11,565,584	$ (10,645,116)
Net realized gain	4,100	5,299,260
	$ 11,569,684	$ (5,345,856)

Note 7. Fair Value Measurements

Guidance provided by the 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.

Note 7. Fair Value Measurements (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

In accordance with FASB ASC 820-10, as amended by ASU 2015-07, Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Assets Value per Share, certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

As of December 31, 2019 and 2018, included in cash and cash equivalents are money market funds valued at $7,222,234 and $7,065,583, respectively, which are considered a Level 1 investment. The total fair value of investments as of December 31, 2019 and 2018, is $77,684,742 and $61,261,759, respectively, and invested in one alternative investment fund, which is measured using the net asset value. Refer to Note 6 for further discussion surrounding the alternative investment

The following information summarizes the nature and risk of the alternative investment:

- The investment objective is to maximize risk-adjusted return over the long-term horizon and the fund may invest in a wide array of investments and strategies.

- Capital contributions may be accepted quarterly and in amounts to be determined at the discretion of the fund manager.

- Withdrawals may be made as of the last day of each calendar quarter, with a redemption notice period of 10 days.

- The fund invests directly in approximately 5% exchange traded funds and 95% in a combination of hedge funds as of December 31, 2019 and 2018, 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 $7,804,514 as of December 31, 2019 and $6,689,522 as of December 31, 2018. Capital calls will be funded with available cash or by liquidating other investments, as needed.

- The fund is a limited partnership and located in the United States.

Note 8. Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 and 2018, are available for the following purposes, and net assets during the years ended December 31, 2019 and 2018, were released from restriction by incurring expenses satisfying the restricted purpose as follows:

	Balance December 31, 2018	Increases (Decreases)	Net Assets Released From Restriction	Balance December 31, 2019
Purpose restricted:				
Endowment	$ 3,722,582	$ 674,311	$ -	$ 4,396,893
Funding of health and welfare programs	-	2,108,091	(2,108,091)	-
Funding of tragedy assistance and survivor support	-	441,493	(441,493)	-
Funding of education and motivation programs	-	98,770	(98,770)	-
Funding of transition assistance	1,670,490	26,660	(433,920)	1,263,230
	$ 5,393,072	$ 3,349,325	$ (3,082,274)	$ 5,660,123

	Balance December 31, 2017	Increases (Decreases)	Net Assets Released From Restriction	Balance December 31, 2018
Purpose restricted:				
Endowment	$ 3,987,112	$ (264,530)	$ -	$ 3,722,582
Funding of health and welfare programs	-	751,728	(751,728)	-
Funding of tragedy assistance and survivor support	-	279,306	(279,306)	-
Funding of education and motivation programs	-	193,340	(193,340)	-
Funding of transition assistance	-	2,032,090	(361,600)	1,670,490
	$ 3,987,112	$ 2,991,934	$ (1,585,974)	$ 5,393,072

Interpretation of relevant law: The Board of Directors of the Foundation has interpreted the Virginia enacted version of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purposes of the organization and the donor-restricted endowment fund
c. General economic conditions
d. The possible effects of inflation and deflation

Note 8. Net Assets with Donor Restrictions (Continued)

e. The expected total return from income and the appreciation of investments
f. Other resources of the organization
g. 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.

The endowment activity for the years ended December 31, 2019 and 2018, is shown in the following tables:

Description	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2017	$ 15,463,224	$ 3,987,112	$ 19,450,336
Investment return:			
Investment income, net	127,170	32,790	159,960
Realized and unrealized gains	(1,056,140)	(272,320)	(1,328,460)
Total investment return	(928,970)	(239,530)	(1,168,500)
Appropriation of funds for expenditure	25,000	(25,000)	-
Endowment net assets, December 31, 2018	14,559,254	3,722,582	18,281,836
Investment return:			
Investment income, net	71,638	18,317	89,955
Realized and unrealized gains	2,565,636	655,994	3,221,630
Total investment return	2,637,274	674,311	3,311,585
Expenditure of funds	(25,000)	-	(25,000)
Board designated transfers	43,328,472	-	43,328,472
Endowment net assets, December 31, 2019	$ 60,500,000	$ 4,396,893	$ 64,896,893

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

Note 9. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Foundation operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Foundation.