THE HONOR FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2015

THE HONOR FOUNDATION

CONSIDINE & CONSIDINE
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
The Honor Foundation

We have audited the accompanying financial statements of The Honor Foundation, a nonprofit organization, which comprise of the statement of financial position as of December 31, 2015, and the related statements of activities, 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Honor Foundation, a nonprofit organization, as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Considine & Considine

CONSIDINE & CONSIDINE
An Accountancy Corporation

July 12, 2016

THE HONOR FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS	
Cash	$ 306,738
Contributions Receivable (Note 3)	700,000
Tuition Receivable	1,500
Prepaid Expenses	9,068
	1,017,306
PROPERTY AND EQUIPMENT (Note 4)	88,132
OTHER ASSETS	
Contributions Receivable - Long Term (Note 3)	686,835
TOTAL ASSETS	1,792,273

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	6,451
Accrued Liabilities	8,662
	15,113
NET ASSETS (Note 6)	
Unrestricted	390,325
Temporarily Restricted	1,386,835
	1,777,160
TOTAL LIABILITIES AND NET ASSETS	$ 1,792,273

See Accompanying Notes to the Financial Statements

THE HONOR FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE			
Grants	$ 180,000	$ 1,986,835	$ 2,166,835
Contributions	200,411	18,650	219,061
Donated Services and Facilities	191,681	-	191,681
Tuition	34,500	-	34,500
Other Income	3,367	-	3,367
	609,959	2,005,485	2,615,444
Net Assets Released from Temporary Restricted	618,650	(618,650)	-
	1,228,609	1,386,835	2,615,444
EXPENSES			
Program	626,390	-	626,390
Management and General	150,957	-	150,957
Development	47,507	-	47,507
	824,854	-	824,854
INCREASE IN NET ASSETS	403,755	1,386,835	1,790,590
NET ASSETS - BEGINNING OF PERIOD	(13,430)	-	(13,430)
NET ASSETS - END OF PERIOD	$ 390,325	$ 1,386,835	$ 1,777,160

THE HONOR FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Personnel and Benefits	$ 192,341	$ 88,603	$ 18,349	$ 299,293
Facilities, Equipment and Maintenance	153,533	15,505	4,053	173,091
Marketing	154,252	3,306	4,790	162,348
Faculty	79,913	-	-	79,913
Meetings and Travel	32,799	5,798	5,517	44,114
Professional Services	800	27,101	12,079	39,980
Office and Administrative	2,479	6,877	358	9,714
Scholarships	9,250	-	-	9,250
Bank Fees	691	460	2,360	3,511
Insurance	-	3,307	-	3,307
	626,057	150,957	47,507	824,521
Depreciation	333	-	-	333
	$ 626,390	$ 150,957	$ 47,507	$ 824,854

See Accompanying Notes to the Financial Statements

THE HONOR FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Increase in Net Assets	$ 1,790,590
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	333
Change in Operating Assets and Liabilities:	
Contributions Receivable	(1,386,835)
Tuition Receivable	(1,500)
Prepaid Expenses	(9,068)
Accounts Payable	(18,097)
Accrued Liabilities	4,634
	(1,410,533)
NET CASH PROVIDED BY OPERATING ACTIVITIES	380,057
CASH FLOWS USED BY INVESTING ACTIVITIES	
Purchase of Property and Equipment	(88,465)
NET INCREASE IN CASH	291,592
CASH, BEGINNING OF YEAR	15,146
CASH, END OF YEAR	$ 306,738

NOTE 1 THE ORGANIZATON

The Honor Foundation (the "Organization"), is a California non-profit Organization that was incorporated in 2013. Headquartered in San Diego, California, with an additional campus in Virginia Beach, Virginia, the Organization's mission is to educate and provide Navy SEALs and U.S. Special Operations the tools to transition from active duty to private sectors. The Organization's support comes primarily from contributions including donated services and facilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are prepared using the accrual method in conformity with accounting principles generally accepted ("GAAP") in the United States of America.

Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Basis of Presentation - Under accounting standards on Financial Statements of Not-for-profit Organizations, 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.

Unrestricted Net Assets - Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of contributed amounts subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the amounts. There were $1,386,835 of temporarily restricted net assets as of December 31, 2015.

Permanently Restricted Net Assets - Permanently restricted amounts are those which are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization. There were no permanently restricted net assets as of December 31, 2015.

Cash - The Organization considers highly liquid financial instruments with an original fixed maturity date of less than three months to be cash equivalents.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization maintains its cash in one commercial bank. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization had funds in excess of the FDIC limit of approximately $45,000 as of December 31, 2015.

Contributions Receivable - Contributions receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. Contributions receivable that are expected to be received in excess of one year are reported at present value and a discount is recorded. All contributions receivable are considered collectible as of December 31, 2015.

Property and Equipment - Property and equipment are carried at cost if purchased, or at fair value at date of gift if donated, less depreciation. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of three years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. It is the Organization's policy to capitalize all property and equipment costs in excess of a cost or fair value of $1,000. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

Fair Value Measurement - The Organization follows accounting standards which define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements for all financial statement elements.

Revenue Recognition - Revenue is recognized when earned, which may be when cash is received, unconditional promises are made, ownership of assets are transferred or services rendered. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Functional Allocation of Expenses - The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donor-Imposed Restrictions - All contributions are considered to be unrestricted unless specifically restricted by the donor. Amounts received designated for future periods or restricted by the donor for specific purposes are reported as temporarily or permanently restricted, increasing those net asset classes. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as temporarily restricted and then released from restriction in the same period.

Donated Services and Facilities - The Organization follows standards relating to contributions received and contributions made as consistent with Financial Accounting Standards Board (FASB) codification. These standards require recording the value of donated services and facilities that create or enhance non-financial assets or require specialized skills. Donated services and facilities of $191,681 were required to be recognized for the year ended December 31, 2015, which included $75,150 for space usage to support training, $82,050 for advertising, $24,981 for training faculty services, and $9,500 to support the online virtual institute project. The fair value of donated services and facilities has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs).

Marketing - Marketing expenses are charged to expense as incurred.

Income Taxes - As a nonprofit organization, The Honor Foundation has obtained exempt status under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. Accordingly, the Organization has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

NOTE 3 CONTRIBUTIONS RECEIVABLE

Long-term contributions receivable is shown at present value using a discount rate of 0.885%. The Organization discounted one contribution which is due in two years. The discount on the contribution was $13,165 at December 31, 2015.

Contributions receivable consist of the following at December 31, 2015:

Gross Contributions Receivable	$ 1,400,000
Less: Discount to Net Present Value	(13,165)
Net Contributions Receivable	$ 1,386,835

NOTE 3 CONTRIBUTIONS RECEIVABLE (Continued)

Amounts Due In:	
Less Than One Year	$ 700,000
One To Two Years	700,000
	$ 1,400,000

NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

Software	$ 17,550
Accumulated Depreciation	(333)
	17,217
Work in Progress	70,915
	$ 88,132

Depreciation expense for the year ended December 31, 2015 is $333.

Costs associated with a current and ongoing online virtual institute project is $70,915. The purpose of the project is to create an online virtual institute to provide online courses to the fellows. The expected cost of the online virtual institute is $250,000. The project is estimated to be completed in September 2017.

NOTE 5 FAIR VALUE MEASUREMENT

The Organization follows the method of fair value measurement to value its financial assets and liabilities. Fair value is based on 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. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

NOTE 5 FAIR VALUE MEASUREMENT (Continued)

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial assets carried at fair value and measured on a non-recurring basis at December 31, 2015 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Contributions Receivable	$ -	$ -	$ 1,386,835	$ 1,386,835

Contributions receivable are valued annually and multi-year contributions are discounted using current applicable discount rates (see Note 3).

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2015:

	Contributions Receivable	Donated Collectibles	Total
Balance at January 1, 2015	$ -	$ -	$ -
New Contribution Received	2,000,000	-	2,000,000
Collections	(600,000)	-	(600,000)
Discount on Contribution	(13,165)	-	(13,165)
Balance at December 31, 2015	$ 1,386,835	$ -	$ 1,386,835

NOTE 6 NET ASSETS

Net assets consist of the following at December 31, 2015:

Unrestricted Net Assets	$ 390,325
Temporarily Restricted Net Assets:	
Navy SEAL Foundation Grant	1,386,835
	$ 1,777,160

The Navy SEAL Foundation granted funds to the Organization's programs and growth over the next several years.

NOTE 7 COMMITMENTS

The Organization has entered into two non-cancelable lease agreements for computer equipment. The leases will expire over the next three years. Minimum future lease payments under the remaining non-cancelable equipment leases for the years ended December 31 are as follows:

2016	$	3,826
2017		3,826
2018		2,784
	$	10,435

Total rental expense related to the equipment leases was $716 for the year ended December 31, 2015.

NOTE 8 SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 12, 2016, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.