

**THE HONOR FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

THE HONOR FOUNDATION

	<u>Pages</u>
I Index	1
II Independent auditor's report	2 - 3
III Consolidated statements of financial position	4
IV Consolidated statements of activities and changes in net assets	5 - 6
V Consolidated statements of functional expenses	7 - 8
VI Consolidated statements of cash flows	9
VII Notes to the consolidated financial statements	10 - 17

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Honor Foundation

We have audited the accompanying consolidated financial statements of The Honor Foundation, a nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Earning Your Trust Since 1946

Opinion

In our opinion, the consolidated 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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An accountancy corporation

October 5, 2020

THE HONOR FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

Page 4

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,329,306	\$ 1,569,207
Contributions receivable	8,200	51,500
Prepaid expenses	34,166	29,984
Other receivables	<u>-</u>	<u>930</u>
	1,371,672	1,651,621
PROPERTY AND EQUIPMENT (note 3)	<u>357,210</u>	<u>569,055</u>
TOTAL ASSETS	<u><u>1,728,882</u></u>	<u><u>2,220,676</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	32,502	76,837
Accrued liabilities	<u>67,316</u>	<u>42,520</u>
	99,818	119,357
NET ASSETS (note 4)		
Without donor restrictions	1,628,961	1,937,659
With donor restrictions	<u>103</u>	<u>163,660</u>
	1,629,064	2,101,319
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,728,882</u></u>	<u><u>\$ 2,220,676</u></u>

See accompanying notes

THE HONOR FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

Page 5

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUE			
Grants	\$ 56,500	\$ 1,078,060	\$ 1,134,560
Contributions	1,096,444	19,500	1,115,944
Donated services and facilities (note 5)	362,710	-	362,710
Other income	3,920	-	3,920
	<u>1,519,574</u>	<u>1,097,560</u>	<u>2,617,134</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions satisfied by payments	<u>1,261,117</u>	<u>(1,261,117)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	2,780,691	(163,557)	2,617,134
EXPENSES			
Program	2,292,211	-	2,292,211
Management and general	381,086	-	381,086
Development	416,092	-	416,092
TOTAL EXPENSES	<u>3,089,389</u>	<u>-</u>	<u>3,089,389</u>
CHANGE IN NET ASSETS	(308,698)	(163,557)	(472,255)
NET ASSETS, BEGINNING OF YEAR	<u>1,937,659</u>	<u>163,660</u>	<u>2,101,319</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,628,961</u></u>	<u><u>\$ 103</u></u>	<u><u>\$ 1,629,064</u></u>

See accompanying notes

THE HONOR FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

Page 6

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE AND SUPPORT			
Grants	\$ 500,000	\$ 963,500	\$ 1,463,500
Contributions	1,141,198	7,235	1,148,433
Donated services and facilities (note 5)	502,316	-	502,316
Other income	1,982	-	1,982
	2,145,496	970,735	3,116,231
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions satisfied by payments	1,347,053	(1,347,053)	-
TOTAL REVENUE AND SUPPORT	3,492,549	(376,318)	3,116,231
EXPENSES			
Program	1,920,847	-	1,920,847
Management and general	427,065	-	427,065
Development	391,628	-	391,628
TOTAL EXPENSES	2,739,540	-	2,739,540
CHANGE IN NET ASSETS	753,009	(376,318)	376,691
NET ASSETS, BEGINNING OF YEAR	1,184,650	539,978	1,724,628
NET ASSETS, END OF YEAR	<u>\$ 1,937,659</u>	<u>\$ 163,660</u>	<u>\$ 2,101,319</u>

See accompanying notes

THE HONOR FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Page 7

	PROGRAM	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Personnel	\$ 980,056	\$ 290,321	\$ 331,947	\$ 1,602,324
Event specific	487,439	1,614	18,573	507,626
Facilities and equipment	353,452	18,177	18,177	389,806
Meetings and travel	129,681	5,385	24,569	159,635
Professional fees	89,225	53,260	5,441	147,926
Marketing	33,485	190	4,342	38,017
Administrative	6,631	1,913	3,539	12,083
Insurance	-	9,220	-	9,220
Bank and merchant fees	-	513	7,895	8,408
	<u>2,079,969</u>	<u>380,593</u>	<u>414,483</u>	<u>2,875,045</u>
Depreciation	<u>212,242</u>	<u>493</u>	<u>1,609</u>	<u>214,344</u>
TOTAL EXPENSES	<u><u>\$ 2,292,211</u></u>	<u><u>\$ 381,086</u></u>	<u><u>\$ 416,092</u></u>	<u><u>\$ 3,089,389</u></u>

See accompanying notes

THE HONOR FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Page 8

	PROGRAM	MANAGEMENT AND GENERAL	DEVELOPMENT	TOTAL
EXPENSES				
Personnel	\$ 842,372	\$ 266,727	\$ 275,739	\$ 1,384,838
Event specific	421,685	15,390	8,232	445,307
Facilities and equipment	326,119	56,941	17,263	400,323
Meetings and travel	127,332	4,346	42,770	174,448
Professional fees	75,390	60,051	2,100	137,541
Marketing	24,633	2,984	22,066	49,683
Administrative	7,634	9,427	6,536	23,597
Bank and merchant fees	10	1,213	8,360	9,583
Insurance	-	8,350	-	8,350
	<u>1,825,175</u>	<u>425,429</u>	<u>383,066</u>	<u>2,633,670</u>
Depreciation	<u>95,672</u>	<u>1,636</u>	<u>8,562</u>	<u>105,870</u>
TOTAL EXPENSES	<u><u>\$ 1,920,847</u></u>	<u><u>\$ 427,065</u></u>	<u><u>\$ 391,628</u></u>	<u><u>\$ 2,739,540</u></u>

See accompanying notes

THE HONOR FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Page 9

	<u>2019</u>	<u>2018</u>
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (472,255)	\$ 376,691
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation expense	214,344	105,870
Donated services	-	(105,430)
Change in operating assets and liabilities:		
Contributions receivable	43,300	203,500
Other receivables	930	570
Prepaid expenses	(4,182)	(10,354)
Accounts payable	(44,335)	52,483
Accrued liabilities	<u>24,796</u>	<u>187</u>
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	(237,402)	623,517
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(2,499)</u>	<u>(104,107)</u>
NET INCREASE/(DECREASE) IN CASH	(239,901)	519,410
CASH, BEGINNING OF YEAR	<u>1,569,207</u>	<u>1,049,797</u>
CASH, END OF YEAR	<u><u>\$ 1,329,306</u></u>	<u><u>\$ 1,569,207</u></u>
NON-CASH INVESTING ACTIVITIY (note 6)		

See accompanying notes

THE HONOR FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 10

NOTE 1 THE ORGANIZATION

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 to educate and provide Navy SEALs and U.S. Special Operations the tools to transition from active duty to the private sector. The Organization's support comes primarily from contributions including donated services and facilities.

The Honor for Life Foundation (the "HFLF") is a California non-profit organization that was incorporated in 2018. Headquartered in San Diego, California, the HFLF's mission is to support the Organization. The HFLF is managed by a board of directors appointed by the Organization's board of directors and has no members. The HFLF's support comes primarily from contributions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation – In 2018, the Organization formed Honor for Life Foundation, LLC, a single-member LLC, to operate a future endowment for the Organization. The consolidated financial statements include the accounts of the Organization and HFLF. All significant interorganization balances and transactions have been eliminated.

Estimates – The preparation of the consolidated 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets without restriction amounts consist of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize for its programs and supporting services.

Net assets with donor restriction – Net assets with donor restrictions consist of contributed funds 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 funds. At December 31, 2019 and 2018 there were \$978,020 and \$163,660, respectively, of net assets with donor restrictions.

Cash – The Organization considers financial instruments with a fixed maturity date of less than three months from the statement of financial position date to be cash equivalents.

THE HONOR FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 11

The Organization maintained its cash in one commercial bank as of December 31, 2019 and 2018. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and 2018, the Organization had balances in its bank of approximately \$997,260 and \$1,263,000, respectively, which was in excess of the FDIC limit.

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, 2019 and 2018.

Prepaid expenses – Prepaid expenses are stated at cost less applicable amortization and includes expenses prepaid for events that will occur in the next fiscal year and for insurance premiums, which are expensed over their useful lives using the straight-line method.

Property and equipment – Property and equipment are recorded at cost if purchased, or at fair value at date of gift if donated, less depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives of three to thirty-nine years. Maintenance and repairs are charged to 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 \$2,000. 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 consistent with the Financial Accounting Standards Board (FASB) Codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Revenue recognition – Contributions received are recorded as, without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in with or without donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets are reclassified to without donor restricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958), *Clarifying the Scope* and the *Accounting Guidance for Contributions Received and Contributions Made*. The ASU includes clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions. The Organization adopted ASU 2018-08, under the modified prospective approach to agreements that were either not completed as a January 1, 2019 or entered into after January 1, 2019. The adoption of the ASU did not have a material effect on the financial statement for contributions received. The Organization does not make significant contributions and the impact of ASU 2018-08 related to contributions made is not expected to be material to the financial statements or disclosures.

THE HONOR FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 12

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 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. The costs include:

- Depreciation – which is allocated based on an estimated percentage determined by the Organization’s management.
- Personnel expenses – which are allocated based on time spent.
- Professional services – which are allocated based on the number of fellows participating in each cohort.
- Rent, utilities, and janitorial services – which are allocated based on square footage and class days.

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 with donor restrictions, increasing that net asset class. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as with donor restrictions 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 FASB codification. These standards require recording the value of donated services and facilities that create or enhance non-financial assets or require specialized skills. The fair value donated services and facilities has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive market (level 2 inputs).

Marketing – Marketing expenses are charged to expense as incurred.

Income taxes – As a nonprofit organization, the Organization has obtained exempt status. Under Internal Revenue Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code, the Organization is not subject to income taxes for operations related to its exempt purpose.

Management has considered its tax positions taken in its exempt Organization tax returns are more than likely than not to be sustained upon examination. As of December 31, 2019 and 2018, the Organization believes it does not have any taxable unrelated business income, and accordingly, 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.

Not-for-profit accounting update – The Organization follows accounting standards that were issued in August 2016. FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities. The update addresses the complexity and understandability of new asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

THE HONOR FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 13

Recent accounting pronouncement - Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, provides guidance for revenue recognition. This ASC's core principle requires the Organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the Organization expects to be entitled in exchange for those goods or services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer. The new standard permits the use of either the modified retrospective or full retrospective transition method.

The Organization has performed a review of the new guidance as compared to its current accounting policies, and evaluated all services rendered to its customers as well as underlying contracts to determine the impact of this standard to its revenue recognition process. Upon completion of its review of relevant contracts, the Organization has made a determination that there is no material impact to revenue recognition upon adoption of the new standard.

There was not a material impact to fiscal 2019 revenues as a result of applying ASC 606, and there have not been significant changes to the Organization's business processes, systems, or internal controls as a result of implementing the standard. The Organization adopted the standard on January 1, 2019, using the modified retrospective transition method.

NOTE 3 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	2019	2018
Software	\$ 583,495	\$ 568,137
Website	72,010	72,010
Furniture and fixtures	41,794	41,794
Equipment	29,808	29,809
	<u>727,107</u>	<u>711,750</u>
Accumulated depreciation	(377,854)	(163,510)
	<u>349,253</u>	<u>548,240</u>
Work in progress	7,957	20,815
	<u><u>\$ 357,210</u></u>	<u><u>\$ 569,055</u></u>

Depreciation expense was \$214,344 and \$105,870 for the years ended December 31, 2019 and 2018, respectively.

THE HONOR FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 14

NOTE 4 NET ASSETS

Net assets were available for the following purposes as of December 31:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:		
Unrestricted and undesignated	\$ 1,206,506	\$ 1,494,538
Board designated - operations and general reserves	<u>422,455</u>	<u>443,121</u>
	1,628,961	1,937,659
With donor restrictions:		
Subject to expenditure for specific purpose:		
Program support	<u>103</u>	<u>163,660</u>
Total net assets	<u><u>\$ 1,629,064</u></u>	<u><u>\$ 2,101,319</u></u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose of by occurrence of the passage of time or other events specified by donors during the years ended December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished		
Marine Raider Foundation program grant	\$ 345,560	\$ -
Program - Honor Institute	144,960	90,025
Program - alumni	70,597	41,730
Other	<u>-</u>	<u>15,298</u>
	561,117	147,053
Expiration of time restrictions		
Navy SEAL Foundation grant	700,000	700,000
Marine Raider Foundation grant	<u>-</u>	<u>500,000</u>
	<u>700,000</u>	<u>1,200,000</u>
	<u><u>\$ 1,261,117</u></u>	<u><u>\$ 1,347,053</u></u>

THE HONOR FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 15

NOTE 5 DONATED SERVICES AND FACILITIES

The following summarizes donated services and facilities as of December 31:

	2019	2018
Space usage	\$ 287,856	\$ 287,206
Training faculty services	74,854	105,430
Travel services	-	4,636
Professional services	-	33,849
Team development	-	7,500
Work in progress		
Data Dashboard	-	51,900
Video equipment	-	7,957
Virtual Institute	-	3,838
Total work in progress	-	63,695
	<u>\$ 362,710</u>	<u>\$ 502,316</u>

NOTE 6 NON-CASH INVESTING ACTIVITY

The Organization received donated services of \$0 and \$63,695 related to property and equipment for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 COMMITMENTS

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

2020 \$ 1,629

Total rental expense related to the equipment leases was \$5,824 and \$5,824 for the years ended December 31, 2019 and 2018, respectively.

On July 20, 2017, the Organization entered into a lease agreement with a third party. The sixty month lease commenced on February 12, 2018. Monthly rent expense includes base rent and general operating costs. The base rent portion of monthly rent expense begins in year three and cannot exceed \$2,500, \$2,575, and \$2,652 per month for the years three, four, and five, respectively. General operating costs are paid monthly by the Organization for the entirety of the lease.

THE HONOR FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 16

Minimum future lease payments, including general operating costs, for the years ended December 31 are as follows:

2020	\$	57,289
2021		61,210
2022		62,742
2023		5,287
	\$	<u>186,528</u>

NOTE 8 RETIREMENT PLAN

In March 2018, the Organization created a 401(k) plan for its employees. The Organization provides for discretionary matching contributions. The total matching contribution for the years ended December 31, 2019 and 2018 was \$0. All contributions to the plan are 100% vested.

NOTE 9 LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Organization does not intend to spend from its board designated endowment fund other than the amounts appropriated for general expenditures as part of its annual budget and approval process, amounts from the fund could be made available in the event of an unanticipated liquidity need.

The following reflects the Organization's financial assets as of December 31, 2019, reduced by the amounts not available for general use because of board designated and donor-imposed restrictions within one year of the statement of financial position date:

THE HONOR FOUNDATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Page 17

Financial assets, at year-end:	
Cash	\$ 1,329,306
Contributions receivable	8,200
	<u>1,371,672</u>
Less those unavailable for general expenditures within one year due to contractual or donor imposed restrictions:	
Board designated - future endowment fund	(443,121)
Donor-restricted to specified programs	(103)
	<u>(443,224)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 928,448</u></u>

NOTE 10 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 14, 2020, the date the consolidated financial statements were ready to be issued. As a result of the spread of the COVID-19 Coronavirus and the resulting health orders issued by the State of California, the state in which the Organization operates, the Organization is experiencing reduced revenues. The duration of the reduction in revenues may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.

On April 19, 2020, the Organization received loan proceeds in the amount of approximately \$264,400 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after up to twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower reduces salaries or employee counts during the twenty-four week period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot be assured that the Organization will not take actions that could cause it to be ineligible for forgiveness of the loan, in whole or in part.