

**OPERATION OPPORTUNITY FOUNDATION
DBA WARRIOR-SCHOLAR PROJECT**

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

**OPERATION OPPORTUNITY FOUNDATION
DBA WARRIOR-SCHOLAR PROJECT**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Operation Opportunity Foundation
Washington, D.C.

We have audited the accompanying financial statements of Operation Opportunity Foundation (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Operation Opportunity Foundation as of December 31, 2019 and 2018 and the related statements of activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Note G to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

George Scarborough Associates, PC
April 6, 2020

**OPERATION OPPORTUNITY FOUNDATION
DBA WARRIOR-SCHOLAR PROJECT**

STATEMENTS OF ACTIVITIES

<i>Year ended December 31,</i>			2019	2018
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Comparative Total</u>
Support and revenue:				
Contributions:				
Corporate	\$ 43,129	\$	\$ 43,129	\$ 55,800
Individual	404,511		404,511	273,954
In-kind	333,309		333,309	324,354
Grants:				
Foundations	264,057	1,303,600	1,567,657	2,636,423
Investment income (loss), net	194,469		194,469	(31,972)
Net assets released from restrictions	1,613,082	(1,613,082)	-	-
Total support and revenue	2,852,557	(309,482)	2,543,075	3,258,559
Expenses:				
Program services	1,935,108		1,935,108	1,455,811
Support services	415,675		415,675	153,490
Fundraising services	186,135		186,135	59,104
Total expenses	2,536,918	-	2,536,918	1,668,405
Increase (decrease) in net assets	315,639	(309,482)	6,157	1,590,154
Net assets, beginning	2,549,561	2,048,781	4,598,342	3,008,188
Net assets, ending	\$ 2,865,200	\$ 1,739,299	\$ 4,604,499	\$ 4,598,342

See accompanying notes.

**OPERATION OPPORTUNITY FOUNDATION
DBA WARRIOR-SCHOLAR PROJECT**

STATEMENTS OF FINANCIAL POSITION

December 31,

			2019	2018
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Comparative Total</u>
Assets				
Cash and cash equivalents	\$ 142,397	\$ 387,799	\$ 530,196	\$ 1,786,771
Other receivables			-	2,076
Prepaid expenses	26,619		26,619	15,386
Promises to give, net		1,351,500	1,351,500	1,198,243
Contributions receivable	28,386		28,386	134,525
Investments	2,746,603		2,746,603	1,467,976
Total assets	\$ 2,944,005	\$ 1,739,299	\$ 4,683,304	\$ 4,604,977
Liabilities and net assets				
Accounts payable & accrued expenses	\$ 32,805	\$	\$ 32,805	\$ 6,246
Unearned grant revenue	46,000		46,000	-
Accrued payroll liabilities	-		-	389
Total liabilities	78,805	-	78,805	6,635
Net assets:				
Without donor restrictions	2,365,200		2,365,200	2,549,561
Board designated - future program expansion	500,000		500,000	-
With donor restrictions		1,739,299	1,739,299	2,048,781
Total net assets	2,865,200	1,739,299	4,604,499	4,598,342
Total liabilities and net assets	\$ 2,944,005	\$ 1,739,299	\$ 4,683,304	\$ 4,604,977

See accompanying notes..

**OPERATION OPPORTUNITY FOUNDATION
DBA WARRIOR SCHOLAR PROJECT
STATEMENTS OF CASH FLOWS**

<i>Year ended December 31,</i>	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 6,157	\$ 1,590,154
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities		
Realized and unrealized loss (gain) on investments, net	(125,165)	73,655
Donated stock	(54,253)	(53,560)
Changes in operating assets and liabilities:		
(Increase) decrease in other receivables	2,076	7,339
(Increase) decrease in prepaid expenses	(11,233)	(13,523)
(Increase) decrease in promises to give, net	(153,257)	(191,149)
(Increase) decrease in contributions receivable	106,139	(134,525)
Increase (decrease) in unearned grant revenue	46,000	-
Increase (decrease) in accrued payroll liabilities	(389)	(17,782)
Increase (decrease) in accounts payable & accrued expenses	26,559	1,956
Net cash provided (used) by operating activities	(157,366)	1,262,565
Cash flows from investing activities:		
Purchase of marketable securities	(1,626,169)	(1,365,621)
Proceeds from sale of marketable securities	528,960	513,470
Net cash provided (used) by investing activities	(1,097,209)	(852,151)
Net increase (decrease) in cash and cash equivalents	(1,254,575)	410,414
Cash and cash equivalents, <i>beginning of year</i>	1,786,771	1,376,357
Cash and cash equivalents, <i>end of year</i>	\$ 532,196	\$ 1,786,771

See accompanying notes.

**OPERATION OPPORTUNITY FOUNDATION
DBA WARRIOR-SCHOLAR PROJECT
STATEMENTS OF FUNCTIONAL EXPENSES**

	2019			2018	
	Program Services	Support Services	Fundraising services	Total	Comparative Total
Salaries	\$ 922,003	\$ 126,214	\$ 110,550	\$ 1,158,767	\$ 664,057
Payroll taxes	85,497	6,791	9,031	101,319	62,146
Employee benefits	39,228	10,327	7,199	56,754	15,829
Total salaries and related expenses	1,046,728	143,332	126,780	1,316,840	742,032
Advertising	19,929			19,929	30,569
Uncollectible pledges		50,000		50,000	-
Bad debt		842		842	-
Facility fees	51,382			51,382	50,462
Fees and registrations		10,264	1,305	11,569	463
Fundraising expenses			28,432	28,432	54,893
Insurance	4,323	1,790		6,113	6,105
Meals and entertainment	62,735	11,432	333	74,500	65,983
Miscellaneous	4,926	4,350	3,738	8,088	1,254
Office supplies	24,127	11,288	4,782	20,996	7,622
Payroll fees		5,978	1,337	31,442	30,147
Professional fees		56,764		56,764	7,751
Program execution	40,416			40,416	60,103
Program supplies	28,622			28,622	23,068
Rent and storage	2,910			51,587	30,948
Student expenses	13,407	48,677		13,407	6,192
Student housing and meals	397,580			397,580	359,966
Subcontracted services	98,650			98,650	85,800
Telecommunications	11,384	38,875	2,786	53,045	25,979
Travel	127,989	32,083	16,642	176,714	74,016
Totals for year ended December 31, 2019	\$ 1,935,108	\$ 415,675	\$ 186,135	\$ 2,536,918	
Totals for year ended December 31, 2018	\$ 1,455,811	\$ 153,490	\$ 59,104	\$ 1,668,405	

See accompanying notes.

OPERATION OPPORTUNITY FOUNDATION DBA WARRIOR-SCHOLAR PROJECT

NOTES TO FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies

Nature of Organization

Operation Opportunity Foundation is a not-for-profit corporation founded in 2011. The mission of the Organization is to ensure educational opportunity for American heroes. The Foundation pursues this goal by running a program called the Warrior-Scholar Project. Hosted at top universities, the project enables veterans to reach full academic and leadership potential under the guidance of student-veterans and world-renowned professors.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with the standards promulgated by the American Institute of Certified Public Accountants.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Presentation

Established standards for external financial reporting by not-for-profit organizations require that resources be classified for accounting and reporting purposes into net asset categories according to donor-imposed restrictions. A description of the net asset categories follows:

Net Assets Without Donor Restrictions: Net assets without donor restrictions are available for use in general operations.

Net Assets With Donor Restrictions: Net assets with donor restrictions consist of amounts that are subject to donor restrictions that may or will be met by expenditure or actions of the Organization and/or the passage of time.

Comparative Total

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Revenue & Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at December 31, 2019, contributions approximating \$46,000, have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not yet been met. Of the total conditional contributions, \$46,000 depend on performance-specific outcomes which will be met in 2020.

OPERATION OPPORTUNITY FOUNDATION DBA WARRIOR-SCHOLAR PROJECT

NOTES TO FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies (continued)

Revenue & Revenue Recognition (con't)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of donor restrictions on net assets; that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

New Accounting Pronouncements

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606) and Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Donated Materials, Services and Facilities

The Organization records donated materials, services and use of facilities when received, as contributions in the accompanying statements at their estimated value at the date of receipt. The value of donated materials was \$2,236 and \$2,999 for 2019 and 2018, respectively. The value of donated services and facilities was \$331,073 and \$321,355 for 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringe benefits are allocated based on employee time and effort. Common costs such as occupancy, depreciation and the like are allocated pro-rata based on headcount or total costs incurred.

Tax Status

The Organization is a non-stock, not-for-profit corporation, exempt from income tax under section 501(c)(3) of the Internal Revenue Code; contributions to it are tax deductible within the limitations prescribed by the Code. Each year the Organization evaluates its tax position. As of December 31, 2019, the Organization determined it has no uncertainties regarding income taxes.

Cash and Cash Equivalents

Cash and cash equivalents include all checking and interest-bearing cash accounts from highly liquid investments with maturity dates of less than three months. As of December 31, 2019 and 2018, \$189,232 and \$328,373 of excess cash was held in a checking account, respectively. At times, the Organization maintains deposits with financial institutions which exceed federally insured limits. The Organization has not experienced any losses from such concentrations.

Fixed Assets

The Organization capitalizes donated or purchased assets in excess of \$2,500. Equipment is recorded at cost with useful lives from five to seven years. Donated assets are capitalized at the estimated fair value at the date of receipt. Maintenance, repairs and minor renewals are charged to operations as incurred.

OPERATION OPPORTUNITY FOUNDATION DBA WARRIOR-SCHOLAR PROJECT

NOTES TO FINANCIAL STATEMENTS

Note A - Summary of Significant Accounting Policies (continued)

Investments

Investments are reported at fair value. Fair value is 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. Fair value is determined by using quoted market prices. Donated investments are recorded at their estimated fair value at date of receipt.

Fair Values of Financial Instruments

The Organization has adopted the fair value measurements and disclosures required by current accounting standards. The major categories of financial assets must be measured at fair value using quoted prices in active markets (Level 1), significant observable inputs for similar assets (Level 2), and significant unobservable inputs (Level 3). The investments at December 31, 2019 and 2018 were considered Level 1 investments, where the quoted prices are available in an active market for identical assets. The carrying amount of cash and cash equivalents, receivables, and liabilities approximates fair value.

Note B Date of Management's Review

Subsequent events have been evaluated through April 6, 2020, the date the financial statements were available to be issued.

Note C Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Contributions to be received after one year are discounted at a risk-adjusted rate of 2.76% for the years ended December 31, 2019 and 2018.

The following unconditional promises to give have been received as of December 31:

	2019	2018
Less than one year	\$ 1,401,500	\$ 854,500
One to five years	-	353,500
Discount greater than one year pledge	-	(9,757)
Allowance for doubtful accounts	(50,000)	-
Promises to give, net	\$ 1,351,500	\$ 1,198,243

Note D Investments

Investments are stated at fair value and are summarized as follows for years ended December 31, 2019 and 2018:

	2019	2018
Certificates of Deposit	\$ 555,701	\$ 588,278
Equities - ETF	361,123	285,276
Corporate Bonds	1,576,540	544,292
Mutual funds	152,379	-
Fixed Income - ETF	100,860	50,130
	\$ 2,746,603	\$ 1,467,976

OPERATION OPPORTUNITY FOUNDATION DBA WARRIOR-SCHOLAR PROJECT

NOTES TO FINANCIAL STATEMENTS

Note D Investments (continued)

The following schedule summarizes the investment income for the years ended December 31, 2019 and 2018:

	2019	2018
Interest Income	\$ 48,574	\$ 33,100
Dividend Income	20,730	8,583
Realized gains (losses), net	(301)	(1,515)
Unrealized gains (losses), net	125,466	(72,140)
	\$ 194,469	\$ (31,972)

Note E Net Assets

Net assets with temporary donor restrictions consist of unconditional promises to give as described in Note C above and cash, and are designated for future summer programs.

Net assets without donor restrictions consist of board designated assets and undesignated net assets. The Organization's Board of Directors has designated a portion of net assets without donor restrictions to maintain cash flow and financial flexibility, to support future program expansion, and to enable the organization to sustain operations through delays in payments of committed funding. Authority over the investment, designation, and release of the funds rests with the Board of Directors. The funds may be commingled with other funds of the Organization.

Note F Liquidity and Availability of Resources

The following table represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2019:

Total assets at end of year	\$ 4,683,304
Less nonfinancial assets:	
Prepaid expenses and deposits	26,619
Total financial assets at end of year	\$ 4,656,685
Less amounts unavailable for general expenditures within one year:	
Contributions receivable due in more than one year	-
Total financial assets available for general expenditures within one year	\$ 4,656,685

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. In addition, the Organization invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.

**OPERATION OPPORTUNITY FOUNDATION
DBA WARRIOR-SCHOLAR PROJECT**

NOTES TO FINANCIAL STATEMENTS

Note G

Subsequent Events

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Operation Opportunity Foundation, its performance, and its financial results.