

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

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

**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, 2020, 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, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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

May 12, 2021

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

STATEMENTS OF ACTIVITIES

Year ended December 31,

2020

2019

**Without Donor
Restrictions**

**With Donor
Restrictions**

Total

Comparative
Total

Support and revenue:

Contributions:

Corporate	\$ 55,044	\$	\$ 55,044	\$ 43,129
Individual	634,020		634,020	404,511
In-kind	3,924		3,924	333,309

Grants:

Foundations	48,800	2,631,507	2,680,307	1,567,657
Investment income, net	155,172		155,172	194,469
Net assets released from restrictions	2,122,027	(2,122,027)	-	-

Total support and revenue

3,018,987 509,480 **3,528,467** 2,543,075

Expenses:

Program services	1,243,717		1,243,717	1,935,108
Support services	447,090		447,090	415,675
Fundraising services	292,253		292,253	186,135
Total expenses	1,983,060	-	1,983,060	2,536,918

Increase (decrease) in net assets

1,035,927 509,480 **1,545,407** 6,157

Net assets, beginning

2,865,200 1,739,299 **4,604,499** 4,598,342

Net assets, ending

\$ 3,901,127 **\$ 2,248,779** **\$ 6,149,906** \$ 4,604,499

See accompanying notes.

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

STATEMENTS OF FINANCIAL POSITION

December 31,

			2020	2019
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	Comparative Total
Assets				
Cash and cash equivalents	\$ 1,821,409	\$ 46,441	\$ 1,867,850	\$ 530,196
Prepaid expenses	85,677		85,677	26,619
Promises to give, net		2,200,505	2,200,505	1,351,500
Contributions receivable	33,028		33,028	28,386
Investments	2,268,296		2,268,296	2,746,603
Total assets	\$ 4,208,410	\$ 2,246,946	\$ 6,455,356	\$ 4,683,304
Liabilities and net assets				
Accounts payable & accrued expenses	\$ 27,113	\$	\$ 27,113	\$ 32,805
Unearned grant revenue	21,860		21,860	46,000
PPP Loan interest payable - long term	1,477		1,477	-
PPP Loan - long term	255,000		255,000	-
Total liabilities	305,450	-	305,450	78,805
Net assets:				
Without donor restrictions	3,401,127		3,401,127	2,365,200
Board designated - future program expansion	500,000		500,000	500,000
With donor restrictions		2,248,779	2,248,779	1,739,299
Total net assets	3,901,127	2,248,779	6,149,906	4,604,499
Total liabilities and net assets	\$ 4,206,577	\$ 2,248,779	\$ 6,455,356	\$ 4,683,304

See accompanying notes..

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

<i>Year ended December 31,</i>	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,545,407	\$ 6,157
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities		
Realized and unrealized loss (gain) on investments, net	(80,383)	(125,165)
Donated stock	(4,385)	(54,253)
Changes in operating assets and liabilities:		
(Increase) decrease in other receivables	-	2,076
(Increase) decrease in prepaid expenses	(59,058)	(11,233)
(Increase) decrease in promises to give, net	(849,005)	(153,257)
(Increase) decrease in contributions receivable	(4,642)	106,139
Increase (decrease) in unearned grant revenue	(24,140)	46,000
Increase (decrease) in accrued payroll liabilities	-	(389)
Increase (decrease) in accrued interest payable	1,477	-
Increase (decrease) in accounts payable & accrued expenses	(5,692)	26,559
Net cash provided (used) by operating activities	519,579	(157,366)
Cash flows from investing activities:		
Purchase of marketable securities	(141,000)	(1,628,169)
Proceeds from sale of marketable securities	704,075	528,960
Net cash provided (used) by investing activities	563,075	(1,099,209)
Cash flows from financing activities:		
Proceeds from PPP loan	255,000	-
Net cash provided (used) by financing activities	255,000	-
Net increase (decrease) in cash and cash equivalents	1,337,654	(1,256,575)
Cash and cash equivalents, <i>beginning of year</i>	530,196	1,786,771
Cash and cash equivalents, <i>end of year</i>	\$ 1,867,850	\$ 530,196

See accompanying notes.

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

Year ended December 31,

2020

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising Services</u>	<u>Total</u>
Salaries and benefits	\$ 974,516	\$ 296,197	\$ 263,453	\$ 1,534,166
Subcontracted services	106,850			106,850
Campus expenses	894			894
Travel, meal & entertainment	23,624	1,831	1,281	26,736
Professional fees	8,650	74,772	7,400	90,822
Supplies & printing	53,379	847	1,349	55,575
Fees & registrations	20,606	18,625	2,292	41,523
Rent & storage	1,650	15,600		17,250
Telecommunications	26,140	30,832	7,410	64,382
Insurance	4,400	2,015		6,415
Fundraising fees			878	878
Bad debt				-
Miscellaneous	23,008	6,371	8,190	37,569
Total	\$ 1,243,717	\$ 447,090	\$ 292,253	\$ 1,983,060

Year ended December 31,

2019

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising Services</u>	<u>Total</u>
Salaries and benefits	\$ 1,046,728	\$ 143,332	\$ 126,781	\$ 1,316,841
Subcontracted services	98,650			98,650
Campus expenses	462,369			462,369
Travel, meal & entertainment	190,724	43,515	16,975	251,214
Professional fees	28,707	56,764		85,471
Supplies & printing	47,900	11,288	4,782	63,970
Fees & registrations	24,127	16,242	2,642	43,011
Rent & storage	2,910	48,677		51,587
Telecommunications	11,384	38,875	2,786	53,045
Insurance	4,323	1,790		6,113
Fundraising fees			28,432	28,432
Bad debt		50,842		50,842
Miscellaneous	17,286	3,509	4,578	25,373
Total	\$ 1,935,108	\$ 414,834	\$ 186,976	\$ 2,536,918

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	<p>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:</p> <p><i>Net Assets Without Donor Restrictions:</i> Net assets without donor restrictions are available for use in general operations.</p> <p><i>Net Assets With Donor Restrictions:</i> 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.</p>
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, 2019, 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, 2020, contributions approximating \$21,860, 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, \$21,860 depend on performance-specific outcomes which will be met in 2021.

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.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on financial position or operating results as previously reported.

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 \$0 and \$2,236 for 2020 and 2019, respectively. The value of donated services and facilities was \$3,924 and \$331,073 for 2020 and 2019, 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, 2020, 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, 2020 and 2019, \$1,101,410 and \$189,232 of excess cash was held at three banks, 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, 2020 and 2019 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 May 12, 2021, 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, the Organization's level of risk of .5% as deemed appropriate by management, and management's analysis of specific promises made. Contributions to be received after one year are discounted by applying the risk-free rate at the date of the pledge and the length closest to the term of the pledge per the Treasury website. At December 31, 2020 the discount rate was .13%.

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

	2020	2019
Less than one year	\$ 1,052,000	\$ 1,401,500
One to five years	1,150,000	-
Discount greater than one year pledge	(1,495)	-
Allowance for doubtful accounts	-	(50,000)
Promises to give, net	\$ 2,200,505	\$ 1,351,500

Note D Investments

Investments are stated at fair value and are summarized as follows for years ended December 31, 2020 and 2019:

	2020	2019
Certificates of Deposit	\$ 201,042	\$ 555,701
Equities - ETF	447,087	361,123
Corporate Bonds	1,364,302	1,576,540
Mutual funds	154,285	152,379
Fixed Income - ETF	101,580	100,860
	\$ 2,268,296	\$ 2,746,603

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, 2020 and 2019:

	2020	2019
Interest Income	\$ 65,008	\$ 48,574
Dividend Income	9,782	20,730
Realized gains (losses), net	19	(301)
Unrealized gains (losses), net	80,363	125,466
	\$ 155,172	\$ 194,469

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:

	2020	2019
Total assets at end of year	\$ 6,455,356	\$ 4,683,304
Less nonfinancial assets:		
Prepaid expenses and deposits	85,677	26,619
Total financial assets at end of year	\$ 6,369,679	\$ 4,656,685
Less amounts unavailable for general expenditures within one year:		
Contributions receivable due in more than one year	1,150,000	-
Total financial assets available for general expenditures within one year	\$ 5,219,679	\$ 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 **COVID-19 Financial** **Statement Effects**

As a result of the COVID-19 pandemic, in March 2020, the Organization determined that it would not be able to hold its annual summer program on college campuses. Keeping the health and safety of its community top of mind, the Organization conducted all of their summer courses online for the program participants in the summer of 2020. There was no cost to the program participants for the online program courses. The Organization's operations are heavily dependent on private and public donations from individuals, corporations and foundations. The outbreak has had a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. This situation is expected to depress donations during calendar year 2021. As such, this may hinder the ability of the Organization to advance its mission. The Organization will continue to evaluate the financial implications of COVID-19 to the financial statements and will mitigate lost contribution revenue by implementing cost-savings strategies. The Organization has \$5,219,679 of financial assets available for general expenditures within one year (see Note F) and management does not foresee the need to find alternative sources of revenue or financing should the summer program be held on college campuses, instead of online, in 2021.

Note H **Payroll Protection Program** **Loan**

On June 3, 2020, the Organization received loan proceeds in the amount of \$255,000 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying organizations in amounts up to 2.5 times the organization's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, the Organization will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of June 3, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended December 31, 2020. The Organization is required to repay any remaining balance of \$255,000, plus interest accrued at 1% per annum in monthly payments beginning on September 17, 2021. Principal and interest payments will be required through the maturity date of June 3, 2022.