

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

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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

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GEORGEN SCARBOROUGH

ASSOCIATES, PC

Certified Public Accountants

243 Church Street, NW • Suite 100E • Vienna, VA 22180

phone: (703) 319-3990 • fax: (703) 319-3995

KATHY J. GEORGEN, CPA
D.H. SCARBOROUGH, RETIRED

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Operation Opportunity Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Operation Opportunity Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation Opportunity Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Operation Opportunity Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Operation Opportunity Foundation's ability to continue as a going concern for a reasonable period of time.


We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note G to the financial statements, the COVID-19 pandemic continues to have a material adverse impact on global economic and market conditions. Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time.


George Scarborough Associates, PC

March 21, 2022

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

STATEMENTS OF ACTIVITIES

Year ended December 31,

			2021	2020
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Comparative Total</u>
Support and revenue:				
Contributions:				
Corporate	\$ 57,003	\$	57,003	\$ 55,044
Individual	2,364,167		2,364,167	634,020
In-kind	162,348		162,348	3,924
Grants:				
Foundations	845,923	1,394,500	2,240,423	2,680,307
Investment income, net	204,585		204,585	155,172
Loan forgiveness	255,000		255,000	-
Net assets released from restrictions	1,382,341	(1,382,341)	-	-
Total support and revenue	5,271,367	12,159	5,283,526	3,528,467
Expenses:				
Program services	1,905,128		1,905,128	1,243,717
Support services	477,533		477,533	447,090
Fundraising services	275,232		275,232	292,253
Total expenses	2,657,893	-	2,657,893	1,983,060
Increase (decrease) in net assets	2,613,474	12,159	2,625,633	1,545,407
Net assets, beginning	3,901,127	2,248,779	6,149,906	4,604,499
Net assets, ending	\$ 6,514,601	\$ 2,260,938	\$ 8,775,539	\$ 6,149,906

See accompanying notes.

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

STATEMENTS OF FINANCIAL POSITION

December 31,

			2021	2020
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Comparative Total</u>
Assets				
Cash and cash equivalents	\$ 2,619,771	\$ 25,538	\$ 2,645,309	\$ 1,867,850
Prepaid expenses	26,304		26,304	85,677
Promises to give, net		2,292,850	2,292,850	2,200,505
Contributions receivable			-	33,028
Investments	3,853,450		3,853,450	2,268,296
Total assets	\$ 6,499,525	\$ 2,318,388	\$ 8,817,913	\$ 6,455,356
Liabilities and net assets				
Accounts payable & accrued expenses	\$ 42,374	\$	\$ 42,374	\$ 27,113
Unearned grant revenue			-	21,860
PPP Loan interest payable - long term			-	1,477
PPP Loan - long term			-	255,000
Total liabilities	42,374	-	42,374	305,450
Net assets:				
Without donor restrictions	5,514,601		5,514,601	3,401,127
Board designated - future program expansion	1,000,000		1,000,000	500,000
With donor restrictions		2,260,938	2,260,938	2,248,779
Total net assets	6,514,601	2,260,938	8,775,539	6,149,906
Total liabilities and net assets	\$ 6,556,975	\$ 2,260,938	\$ 8,817,913	\$ 6,455,356

See accompanying notes..

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

<i>Year ended December 31,</i>	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,625,633	\$ 1,545,407
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities		
Realized and unrealized loss (gain) on investments, net	(134,803)	(80,383)
Donated stock	(77,172)	(4,385)
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expenses	59,373	(59,058)
(Increase) decrease in promises to give, net	(92,345)	(849,005)
(Increase) decrease in contributions receivable	33,028	(4,642)
Increase (decrease) in unearned grant revenue	(21,860)	(24,140)
Increase (decrease) in accrued interest payable	(1,477)	1,477
Increase (decrease) in accounts payable & accrued expenses	15,261	(5,692)
Net cash provided (used) by operating activities	2,405,638	519,579
Cash flows from investing activities:		
Purchase of marketable securities	(1,845,287)	(141,000)
Proceeds from sale of marketable securities	472,108	704,075
Net cash provided (used) by investing activities	(1,373,179)	563,075
Cash flows from financing activities:		
Proceeds from PPP loan	(255,000)	255,000
Net cash provided (used) by financing activities	(255,000)	255,000
Net increase (decrease) in cash and cash equivalents	777,459	1,337,654
Cash and cash equivalents, <i>beginning of year</i>	1,867,850	530,196
Cash and cash equivalents, <i>end of year</i>	\$ 2,645,309	\$ 1,867,850

See accompanying notes.

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

Year ended December 31,

2021

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising Services</u>	<u>Total</u>
Salaries and benefits	\$ 1,317,724	\$ 311,220	\$ 249,176	\$ 1,878,120
Subcontracted services	159,268			159,268
Campus expenses	158,454			158,454
Travel, meals & entertainment	55,509	9,071	1,690	66,270
Professional fees	29,427	82,623	4,590	116,640
Supplies & printing	67,858	1,718	2,079	71,655
Fees & registrations	29,109	26,945	2,568	58,622
Rent & storage	1,950	15,600		17,550
Telecommunications	39,982	15,929	9,118	65,029
Insurance	4,400	1,916		6,316
Fundraising fees				-
Miscellaneous	41,447	12,511	6,011	59,969
Total	\$ 1,905,128	\$ 477,533	\$ 275,232	\$ 2,657,893

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, meals & 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
Miscellaneous	23,008	6,371	8,190	37,569
Total	\$ 1,243,717	\$ 447,090	\$ 292,253	\$ 1,983,060

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, 2020, 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. No conditional contributions exist at 12/31/2021.

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 \$0 for 2021 and 2020, respectively. The value of donated services and facilities was \$162,348 and \$3,924 for 2021 and 2020, 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, 2021, 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, 2021 and 2020, \$2,142,309 and \$1,101,410 of excess cash was held at two 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, 2021 and 2020 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 March 21, 2022, 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, 2021 the discount rate was .04%.

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

	2021	2020
Less than one year	\$ 1,793,450	\$ 1,052,000
One to five years	500,000	1,150,000
Discount greater than one year pledge	(600)	(1,495)
Allowance for doubtful accounts	-	-
<u>Promises to give, net</u>	<u>\$ 2,292,850</u>	<u>\$ 2,200,505</u>

Note D Investments

Investments are stated at fair value and are summarized as follows for years ended December 31, 2021 and 2020:

	2021	2020
Certificates of Deposit	\$ 94,300	\$ 201,042
Equities - ETF	1,712,207	447,087
Corporate Bonds	1,641,529	1,364,302
Mutual funds	253,973	154,285
Fixed Income - ETF	151,440	101,580
	<u>\$ 3,853,449</u>	<u>\$ 2,268,296</u>

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, 2021 and 2020:

	2021	2020
Interest Income	\$ 50,751	\$ 65,008
Dividend Income	17,402	9,782
Realized gains (losses), net	3,862	19
Unrealized gains (losses), net	132,570	80,363
	\$ 204,585	\$ 155,172

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:

	2021	2020
Total assets at end of year	\$ 8,817,913	\$ 6,455,356
Less nonfinancial assets:		
Prepaid expenses and deposits	26,304	85,677
Total financial assets at end of year	\$ 8,791,609	\$ 6,369,379
Less amounts unavailable for general expenditures within one year:		
Contributions receivable due in more than one year	500,000	1,150,000
Total financial assets available for general expenditures within one year	\$ 8,291,609	\$ 5,219,679

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, the Organization determined that it would not be able to hold its annual program on all college campuses that participated in 2021. Of the twenty-one campuses involved, only five were able to hold in-person learning with the remaining campuses conducting the program virtually. The Organization's operations are heavily dependent on private and public donations from individuals, corporations and foundations. While the outbreak has had a continued material adverse impact on global economic and market conditions, the Organization's donor base has continued their financial support, allowing the Organization's reserves to grow significantly. The Organization does not expect donations to decrease during calendar year 2022.

The Organization will continue to evaluate the financial implications of COVID-19 to the financial statements and will mitigate any lost contribution revenue by implementing cost-savings strategies. The Organization has \$8,291,609 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 all participating college campuses, instead of online, in 2022.

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 initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released. The Organization recognized \$255,000 of loan forgiveness income for the year ended December 31, 2021. The PPP loan was fully forgiven on June 17, 2021.