

Gary Sinise Foundation and Subsidiary

Consolidated Financial Statements

December 31, 2020
(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gary Sinise Foundation and Subsidiary
Woodland Hills, California

We have audited the accompanying consolidated financial statements of Gary Sinise Foundation and Subsidiary (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 consolidated 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.



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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gary Sinise Foundation and Subsidiary as of December 31, 2020, and the changes in their net assets and their 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 Gary Sinise Foundation and Subsidiary's 2019 consolidated financial statements, and our report dated August 19, 2020 expressed an unmodified opinion on those audited consolidated financial statements. 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 consolidated financial statements from which it has been derived.



Armanino^{LLP}
Los Angeles, California

November 12, 2021

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Financial Position
December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 33,703,356	\$ 27,916,195
Investments	19,007,859	18,354,514
Grants receivable, current portion	3,399,348	2,313,575
Inventory	220,904	179,155
Prepaid and other current assets	452,940	331,583
Total current assets	56,784,407	49,095,022
Property and equipment, net	1,981,289	2,007,557
Other assets		
Grants receivable, net of current portion	2,587,021	448,878
Deposits	47,255	47,459
Total other assets	2,634,276	496,337
Total assets	\$ 61,399,972	\$ 51,598,916
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,476,748	\$ 2,711,482
Grants payable	-	200,000
Deferred rent	182,247	217,661
Total current liabilities	1,658,995	3,129,143
Net assets		
Without donor restrictions		
General or undesignated	35,694,255	29,084,509
Board-designated endowment	14,740,640	13,185,130
Total without donor restrictions	50,434,895	42,269,639
With donor restrictions	9,306,082	6,200,134
Total net assets	59,740,977	48,469,773
Total liabilities and net assets	\$ 61,399,972	\$ 51,598,916

The accompanying notes are an integral part of these consolidated financial statements.

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains, and other support				
Bequests	\$ 3,582,069	\$ -	\$ 3,582,069	\$ 1,050,481
Foundations	5,222,638	7,395,000	12,617,638	8,158,521
Individuals	14,116,671	9,245,986	23,362,657	21,284,459
Corporations	4,419,373	500,000	4,919,373	5,372,691
In-kind donations	3,163,340	-	3,163,340	4,731,239
Performances	18,500	-	18,500	83,250
Board contributions	-	-	-	13,424
Government grants	-	-	-	6,000
Indirect public support	1,442,887	539,067	1,981,954	1,329,181
Merchandise sales	144,700	-	144,700	241,602
Other income	2,335	-	2,335	-
Investment income, net of investment management fees of \$77,221	479,234	-	479,234	600,365
Realized and unrealized gains	1,233,693	-	1,233,693	1,677,791
Net assets released from restriction	<u>14,574,105</u>	<u>(14,574,105)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>48,399,545</u>	<u>3,105,948</u>	<u>51,505,493</u>	<u>44,549,004</u>
Functional expenses				
Program services	35,113,759	-	35,113,759	34,317,972
Management and general	3,107,932	-	3,107,932	3,027,484
Fundraising	<u>2,012,598</u>	<u>-</u>	<u>2,012,598</u>	<u>1,732,362</u>
Total functional expenses	<u>40,234,289</u>	<u>-</u>	<u>40,234,289</u>	<u>39,077,818</u>
Change in value of grants receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>(294,183)</u>
Change in net assets	8,165,256	3,105,948	11,271,204	5,177,003
Net assets, beginning of year	<u>42,269,639</u>	<u>6,200,134</u>	<u>48,469,773</u>	<u>43,292,770</u>
Net assets, end of year	<u>\$ 50,434,895</u>	<u>\$ 9,306,082</u>	<u>\$ 59,740,977</u>	<u>\$ 48,469,773</u>

The accompanying notes are an integral part of these consolidated financial statements.

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	R.I.S.E	Relief and Resiliency	Community Outreach and Education	First Responders	Military Support Concerts	Total Program Services	Management and General	Fundraising	2020 Total	2019 Total
Salaries, payroll taxes, and employee benefits	\$ 524,036	\$ 658,942	\$ 734,337	\$ 169,600	\$ 302,863	\$ 2,389,778	\$ 1,007,593	\$ 985,473	\$ 4,382,844	\$ 4,193,123
Accounting	-	2,500	-	-	-	2,500	229,500	-	232,000	233,109
Advertising and promotion	-	1,400	-	-	-	1,400	265,939	1,930	269,269	294,549
Commissions	-	300	-	-	-	300	-	-	300	-
Computer	23,353	65,869	35,849	7,556	14,381	147,008	148,176	106,073	401,257	232,315
Construction costs	11,701,241	900	-	-	-	11,702,141	-	-	11,702,141	11,018,455
Contributions	533,380	8,991,908	2,096,314	1,461,272	-	13,082,874	-	-	13,082,874	6,974,861
Depreciation and amortization	59,525	74,855	83,415	19,261	34,391	271,447	114,372	111,884	497,703	441,912
Equipment rental	5,327	47,539	1,398	-	52,656	106,920	-	5,382	112,302	1,432,809
Furnishings - in-kind	1,882,148	-	-	-	-	1,882,148	-	-	1,882,148	270,000
Insurance	39,513	10,305	11,484	2,652	18,442	82,396	15,746	15,404	113,546	76,821
Legal	336,125	43,618	16,830	-	-	396,573	197,514	87,251	681,338	784,598
Merchandise cost	-	-	3,944	-	-	3,944	115,407	-	119,351	252,094
Merchant fees	17,782	9,251	4,207	17,295	621	49,156	330,126	63,667	442,949	337,659
Miscellaneous	11,226	16,929	16,228	3,633	6,486	54,502	68,522	28,250	151,274	131,613
Occupancy	57,591	72,422	179,769	18,635	33,274	361,691	110,655	108,247	580,593	525,905
Outside services	1,262,414	1,681,389	74,583	8,500	376,489	3,403,375	266,655	306,782	3,976,812	4,589,995
Postage	8,799	137,540	15,188	5,599	2,693	169,819	24,449	51,818	246,086	156,408
Printing	1,395	263	718	68	121	2,565	25,955	78,065	106,585	137,468
Repairs and maintenance	32,048	6,096	23,206	1,569	3,457	66,376	9,315	9,111	84,802	42,048
Supplies	34,758	152,792	108,375	4,614	2,973	303,512	7,699	14,154	325,365	426,613
Taxes and licenses	109,712	-	-	-	-	109,712	12,195	1,252	123,159	136,236
Telephone	2,608	6,137	3,655	844	1,507	14,751	6,237	6,791	27,779	27,048
Travel and entertainment	125,028	73,229	59,701	1,652	28,722	288,332	139,561	11,679	439,572	3,885,907
Venue fees	-	191,308	-	-	-	191,308	-	7,337	198,645	2,412,326
Website	6,410	8,061	8,983	2,074	3,703	29,231	12,316	12,048	53,595	63,946
	<u>\$16,774,419</u>	<u>\$12,253,553</u>	<u>\$ 3,478,184</u>	<u>\$ 1,724,824</u>	<u>\$ 882,779</u>	<u>\$35,113,759</u>	<u>\$ 3,107,932</u>	<u>\$ 2,012,598</u>	<u>\$40,234,289</u>	<u>\$39,077,818</u>

The accompanying notes are an integral part of these consolidated financial statements.

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 11,271,204	\$ 5,177,003
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Discount on grants receivable	194,155	(13,424)
Depreciation and amortization	497,703	441,912
Donated land	(94,640)	-
Realized and unrealized gains	(1,233,693)	(1,677,791)
Donated investments	(762,960)	(1,567,083)
Reinvested dividends and interest, net	(17,470)	(445,112)
Change in allowance for doubtful accounts	-	224,183
Changes in operating assets and liabilities		
Grants receivable	(3,418,071)	2,889,099
Beneficial interest in grants receivable	-	70,465
Inventory	(41,749)	(40,326)
Prepaid expenses and other current assets	(121,357)	510,769
Deposits	204	(7,386)
Accounts payable and accrued liabilities	(1,234,734)	(423,303)
Deferred revenue	-	9,250
Grants payable	(200,000)	185,000
Deferred rent	(35,414)	(37,552)
Net cash provided by operating activities	4,803,178	5,295,704
Cash flows from investing activities		
Purchases of property and equipment	(376,795)	(770,607)
Proceeds from sale of investments	6,182,510	4,628,510
Purchases of investments	(4,821,732)	(6,626,407)
Redemption of money market funds	-	1,985,472
Net cash provided by (used in) investing activities	983,983	(783,032)
Net increase in cash and cash equivalents	5,787,161	4,512,672
Cash and cash equivalents, beginning of year	27,916,195	23,403,523
Cash and cash equivalents, end of year	\$ 33,703,356	\$ 27,916,195

The accompanying notes are an integral part of these consolidated financial statements.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

1. NATURE OF OPERATIONS

Gary Sinise Foundation ("GSF"), a Delaware nonprofit corporation, was formed in October 2010 with a mission to serve America by honoring its defenders, veterans, first responders, their families and those in need. GSF does this by creating and supporting unique programs designed to entertain, educate, inspire, strengthen and build communities.

GSF believes the cost of providing the blanket of freedom at home and abroad leaves an indelible impact on all service members, veterans, first responders and their families. It furthermore believes it is the individual responsibility of each citizen to support America's defenders. GSF is committed to ensuring the sacrifices made by all of our nation's heroes are honored and remembered.

R.I.S.E. (Restoring Independence Supporting Empowerment) builds mortgage-free, specially adapted smart homes for our most severely wounded heroes and their loved ones. In addition, the program provides adapted vehicles, mobility devices, wheelchairs, and home modifications for our injured, wounded, ill and/or aging defenders. Through *R.I.S.E.*, GSF provides our heroes with the resources necessary to overcome their new life challenges and reclaim their independence.

Relief and Resiliency lifts spirits and provides complete support to injured, wounded (visible and invisible), ill and/or aging veterans, their loved ones, and gold star families as they cope with trauma and loss during their time of urgent need. GSF is also hosting day-long *Invincible Spirit Festivals* at America's military centers to boost the morale and spirits of the patients, families and staff. GSF's *Mentorship Program* is a seven-day retreat pairing post-9/11 heroes at the beginning of their rehabilitation with wounded veterans from the Vietnam and Korean Wars who have successfully overcome similar struggles. Heal, Overcome, Persevere and Excel, the H.O.P.E. initiative, provides complete support to those who have experienced trauma, illness, injury, or loss during their times of urgent need, sometimes with assistance as simple as help paying bills or buying groceries. Snowball Express focuses on serving the children and surviving spouses or guardians of our fallen military heroes by providing guilt-free, fun and beneficial resources in a stress-free environment, we are creating a community to learn, grow, and make lasting memories with new friends.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

1. NATURE OF OPERATIONS (continued)

GSF's *Community Outreach and Education* programs honor our active duty service members as well as the generations that have served before us. *Serving Heroes* shows appreciation by serving hearty, classic American meals to our defenders all across the world. *Arts and Entertainment Outreach* offers free dinner and performances to local veterans at the Steppenwolf Theatre in Chicago and additional theatres across the country. *Soaring Valor* provides WWII veterans a chance to visit The National WWII Museum and sponsors a historian to document their first-hand accounts of the war. In 2017, the program expanded by inviting students to join the veterans for an educational experience. With an impressive panel of individuals, the *Ambassador Council* inspires, educates, and reminds communities to remember the sacrifices made by all American defenders. A small fraction of our population volunteers to protect our nation, the *Education and Outreach Center* provides a place to bring civilians and defenders together. The Center will host educational speaking series, workshops, and summits with character building exercises for civilians, students, injured heroes, first responders, and their families/caregivers.

First Responder Outreach provides grants for equipment, training, and wellness to ensure our firefighters, police, and EMTs have the tools they need to perform to the best of their abilities.

The Lt. Dan Band ("LDB"), a Delaware limited liability company, is wholly owned by GSF and was formed in March 2011. Its proceeds help support GSF's mission. Gary Sinise and the Lt. Dan Band continue to bring their exhilarating performances to our nation's service members and their families across the world. Whether boosting morale on military bases at home and abroad or raising awareness and funding through benefit concerts, the band entertains, educates, inspires and builds communities with its explosive live show.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The accompanying consolidated financial statements include the accounts of GSF and LDB (collectively referred to as the "Organization"). All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of accounting and financial statement presentation

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* - Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Board-designated Endowment* - The Board of Directors, as part of the Organization's long-term strategic plan, has established a board designated endowment fund. All investment earnings and gains/losses for the year are reported as part of the endowment.
- *Net assets with donor restrictions* - Include gifts and grants received that are restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to net assets without donor restrictions. Restricted gifts and grants received are reported as net assets without donor restrictions if the restriction is met in the same reporting period.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of risk

Occasionally the Organization's cash balances exceed Federal Deposit Insurance Corporation ("FDIC") insured limits. The Organization has not experienced and does not anticipate any losses related to these balances.

Cash and cash equivalents

The Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents. At December 31, 2020, the Organization's cash and cash equivalents balance includes \$23,087,637 in short-term money market funds.

Investments

Investments primarily include corporate stocks, mutual funds, and government and corporate bonds. Purchased investments in equity and debt securities with readily determinable fair values are reported at fair value based upon quoted market prices. Investments received by donation are recorded at the fair value at the date of donation.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities according to the following valuation techniques:

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 1* - Fair value is determined using quoted market prices in active markets for identical assets and liabilities.
- *Level 2* - Fair value is determined using quoted market prices in active markets for similar assets and liabilities.
- *Level 3* - Fair value is determined using unobservable market prices in a market that is typically inactive.

Contributions and grants receivable

Contributions and grants received are recorded either with or without donor restrictions depending on the existence or absence of any donor-imposed restrictions. Contributions are recognized as revenue in the period received. Pledges for future contributions are recorded as receivables and reported at estimated net realizable values. Management has reviewed all contributions and grants receivable and determined, based upon history, that an allowance for doubtful accounts should generally be established. However at December 31, 2020, there was no allowance for doubtful accounts.

Inventory

Inventory consists of t-shirts and other merchandise and is stated at the lower of cost or market on a first-in, first-out basis.

Smart Homes

Through GSF's *R.I.S.E.* program, GSF builds specially adapted Smart Homes for pre-selected, severely wounded heroes and their families. GSF incurs all expenditures related to the acquisition of the land, and the design, construction, furnishings and fixtures related to the home. The costs are included within the program expenses as they are incurred.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset as follows:

Computer equipment	3 years
Furniture and fixtures	3 - 7 years
Website	3 years
Leasehold improvements	Lesser of useful life or life of lease
Vehicle	5 years
Equipment	5 - 7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually.

Deferred rent

Deferred rent represents the difference between the lease payments and the lease expense. The lease expense is recognized on a straight-line basis giving consideration to planned lease escalations and free rent concessions.

In-kind donations

In-kind donations consist of contributed assets and contributed services. Contributed assets are recognized at the asset's fair value on the date of contribution. Contributed services are recognized if the services received: a) create or enhance long-lived assets or b) require specialized skills, are provided by individuals possessing those skills, and c) would typically need to be purchased if not provided by donation.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind donations (continued)

The amounts recognized as in-kind donations are as follows:

Contributed services	
Construction costs - labor	\$ 635,840
Legal fees	426,651
Travel - charter flights and miles	118,500
Professional fees	<u>4,303</u>
	<u>1,185,294</u>
Contributed assets	
Catering - food	1,188
Construction - material and supplies	1,882,218
Land	<u>94,640</u>
	<u>1,978,046</u>
	<u>\$ 3,163,340</u>

All of these expenses are included within program expenses.

Functional expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated accordingly.

Comparative financial information

The consolidated 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 consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Income tax status

GSF is a nonprofit public benefit corporation organized under the laws of Delaware and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

LDB is a single member limited liability company that is a disregarded entity under the Internal Revenue Code. However, LDB is subject to a California state income tax as well as other state and tax jurisdictions. For California income tax purposes, a limited liability company is required to pay a fee based on its gross receipts as defined, plus \$800 annually.

The Organization's federal income tax and informational returns for tax years ending December 31, 2017 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization's most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending December 31, 2016 and subsequent.

Reclassifications

Certain amounts presented in the prior year consolidated financial statements and footnotes have been reclassified in order to be consistent with current year's presentation.

Subsequent events

Subsequent events have been evaluated through November 12, 2021, which is the date the consolidated financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that would require recognition or additional disclosure in the consolidated financial statements, except as disclosed in Note 13.

3. GRANTS RECEIVABLE

Grants receivable consisted of the following:

Amounts due in one year	\$ 3,399,348
Amounts due in two to five years	<u>2,875,449</u>
	6,274,797
Discount to net present value	<u>(288,428)</u>
	<u><u>\$ 5,986,369</u></u>

The Organization uses 3% as its present value discount factor.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 94,640
Computer equipment	371,159
Furniture and fixtures	711,307
Website	111,410
Leasehold improvements	2,092,411
Vehicle	40,624
Equipment	<u>203,678</u>
	3,625,229
Accumulated depreciation	<u>(1,643,940)</u>
	<u>\$ 1,981,289</u>

Depreciation and amortization expense for the year ended December 31, 2020 was \$497,703.

5. COMMITMENTS AND CONTINGENCIES

Smart Home Construction

Through its R.I.S.E. program, the Organization is committed to building 31 Smart Homes. The total budgeted cost of those Smart Homes total \$28,192,832. As of December 31, 2020, the Organization had expended \$26,528,844 on those homes, resulting in a remaining net commitment of \$1,663,988.

Leases

The Organization leases its offices under an operating lease agreement which expires on November 2025.

The scheduled minimum lease payments under the lease term are as follows:

<u>Year ending December 31,</u>	
2021	\$ 606,496
2022	626,318
2023	603,718
2024	658,209
2025	<u>638,573</u>
	<u>\$ 3,133,314</u>

Total rent expense was \$573,295 in 2020.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

6. RELATED PARTY

The founder of the Organization made a pledge in 2018 of \$1,500,000 payable over 5 years at \$300,000 per year to underwrite the rent for the Center for Education and Outreach. The present value of the pledge is \$649,669 and is included in the amount reported in Note 2 – Grants Receivable. The founder also does not receive any salary or other form of compensation from the Organization.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2020:

Smart Homes and Home Modifications (R.I.S.E. Program)	\$ 5,484,746
Center for Education and Outreach	1,490,907
Snowball Express	1,511,597
First Responders	725,780
Hurricane relief	<u>93,052</u>
	<u><u>\$ 9,306,082</u></u>

Included within net assets with donor restrictions above are grants receivable totaling \$5,986,369 that are also purpose restricted.

8. BOARD-DESIGNATED ENDOWMENT

In the February 2016, the Board of Directors established a board designated endowment fund in the amount of \$10,000,000 as part of the Organization’s long-term strategic plan. The Organization has adopted an endowment investment policy, approved by the Board, for endowment assets that attempt to maximize the return on invested assets while minimizing risk and expenses. This is to be done through prudent investing and planning, as well as through the maintenance of a diversified portfolio. The Organization targets a diversified asset allocation that places an emphasis on fixed income securities and equity investments with approximately 5% to be held in cash and cash equivalents accounts to be available for program expenditures, administrative costs, and other anticipated expenses. Five percent (5%) of the total market value of the fund as of September 30 of each year may be utilized over the course of the following calendar year for the Organization’s administrative and overhead expenses. No such allocation was made in 2020.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

8. BOARD-DESIGNATED ENDOWMENT (continued)

Activity in the 2020 Board-Designated endowment was as follows:

Balance, beginning of year	\$ 13,185,130
Realized losses	(229,811)
Unrealized gains	1,470,267
Dividends and interest income	369,123
Investment expenses	<u>(54,069)</u>
Balance, end of year	<u>\$ 14,740,640</u>

9. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds	\$ 5,018,006	\$ -	\$ -	\$ 5,018,006
Corporate stocks	3,901,549	-	-	3,901,549
Corporate bonds	-	8,711,409	-	8,711,409
U.S. Treasury notes	964,994	-	-	964,994
Other marketable security funds	<u>411,901</u>	<u>-</u>	<u>-</u>	<u>411,901</u>
	<u>\$ 10,296,450</u>	<u>\$ 8,711,409</u>	<u>\$ -</u>	<u>\$ 19,007,859</u>

Activity in the investments during the year was as follows:

Balance, beginning of year	\$ 18,354,514
Purchases of investments	4,821,732
Reinvested dividends and interest, net	17,470
Donated investments	762,960
Proceeds from sales of investments	(6,182,510)
Realized losses	(231,144)
Unrealized gains	<u>1,464,837</u>
Balance, end of year	<u>\$ 19,007,859</u>

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10. RETIREMENT PLAN

The Organization has a retirement plan providing benefits to all eligible employees. The Organization makes matching contributions of 3% of salary of those employees who elected to contribute to the plan. Employees are eligible to participate upon start of service and are vested in their accounts upon enrollment. Retirement plan expense for the year ended December 31, 2020 was \$47,146.

11. LIQUIDITY AND AVAILABILITY

The following reflects the Organization’s financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions. Consequently, amounts available exclude net assets with donor restrictions as of December 31, 2020.

Liquidity of financial assets as of December 31, 2020 is as follows:

Cash and cash equivalents	\$ 33,703,356
Investments	19,007,859
Grants receivable	<u>5,986,369</u>
	58,697,584
Net assets subject to expenditures (Note 7)	(9,306,082)
Board designated endowment	<u>(14,740,640)</u>
	<u><u>\$ 34,650,862</u></u>

12. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter-in-place orders.

While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter-in-place orders. It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.

13. SUBSEQUENT EVENT

In March 2021, the Foundation discovered that it had been the victim of wire fraud. Following an extensive review, it was determined that the data breach occurred in late December 2020 but the outlay of cash, totaling \$1,150,000, was criminally seized in the first quarter of 2021. As of the date of these consolidated financial statements, the Foundation has recovered approximately \$355,000 and is currently working with the financial institution and insurance carriers in an attempt to recover more. At this time, there are no assurances that the Foundation will receive additional funds based upon these efforts.

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13. SUBSEQUENT EVENT (continued)

Subsequent to the discovery, the Foundation has implemented additional internal control measures to prevent any future data breach attempts, moved funds to a more secure financial institution and onboarded a new IT company and a new accounting service provider. In addition, in June 2021, upon the then CEO's retirement, the Foundation appointed a new CEO. Several other changes in management, including the departure of the COO and the appointment of a CFO, have also occurred subsequent to the December 31, 2020 year end.