

Gary Sinise Foundation and Subsidiary

Consolidated Financial Statements

December 31, 2021
(With Comparative Totals for 2020)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gary Sinise Foundation and Subsidiary
Franklin, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Gary Sinise Foundation and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2021, 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.

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, 2021, 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.

Basis of Opinion

We conducted our audit 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 Gary Sinise Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Summarized Comparative Information

We have previously audited Gary Sinise Foundation's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 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 consolidated financial statements from which it has been derived.

Responsibilities of Management 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, and for 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.



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 Gary Sinise 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gary Sinise 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.



Armanino^{LLP}
Los Angeles, California

October 31, 2022

Gary Sinise Foundation and Subsidiary
Consolidated Statement of Financial Position
December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 29,277,265	\$ 33,703,356
Investments	43,536,326	19,007,859
Contributions and grants receivable, current portion	4,641,382	3,399,348
Inventory	307,453	220,904
Prepaid expenses and other current assets	357,064	452,940
Total current assets	78,119,490	56,784,407
Property and equipment, net	1,548,435	1,981,289
Other assets		
Contributions and grants receivable, net of current portion	-	2,587,021
Deposits	47,255	47,255
Total other assets	47,255	2,634,276
Total assets	\$ 79,715,180	\$ 61,399,972
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 864,307	\$ 1,476,748
Deferred rent	158,113	182,247
Total current liabilities	1,022,420	1,658,995
Net assets		
Without donor restrictions		
General or undesignated	56,073,924	35,694,255
Board-designated endowment	16,722,709	14,740,640
Total without donor restrictions	72,796,633	50,434,895
With donor restrictions	5,896,127	9,306,082
Total net assets	78,692,760	59,740,977
Total liabilities and net assets	\$ 79,715,180	\$ 61,399,972

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, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains, and other support				
Bequests	\$ 4,252,710	\$ 60,000	\$ 4,312,710	\$ 3,582,069
Foundations	3,085,949	3,155,719	6,241,668	12,617,638
Individuals	34,080,764	3,727,195	37,807,959	23,362,657
Corporations	1,654,026	2,528,192	4,182,218	4,919,373
In-kind donations	2,275,282	-	2,275,282	3,163,340
Performances	-	-	-	18,500
Board contributions	-	101,228	101,228	-
Government grants	-	90,364	90,364	-
Indirect public support	1,656,508	38,003	1,694,511	1,981,954
Merchandise sales	142,974	-	142,974	144,700
Other income	-	-	-	2,335
Investment income, net of investment management fees of \$105,994	2,437,271	-	2,437,271	1,712,927
Net assets released from restriction	<u>11,110,656</u>	<u>(11,110,656)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>60,696,140</u>	<u>(1,409,955)</u>	<u>59,286,185</u>	<u>51,505,493</u>
Functional expenses				
Program services	30,235,960	-	30,235,960	35,113,759
Management and general	5,283,442	-	5,283,442	3,107,932
Fundraising	<u>2,019,394</u>	<u>-</u>	<u>2,019,394</u>	<u>2,012,598</u>
Total functional expenses	<u>37,538,796</u>	<u>-</u>	<u>37,538,796</u>	<u>40,234,289</u>
Change in net assets from operations	<u>23,157,344</u>	<u>(1,409,955)</u>	<u>21,747,389</u>	<u>11,271,204</u>
Non-operating				
Decrease in value of contributions and grants receivable	-	(2,000,000)	(2,000,000)	-
Extraordinary expense (Note 11)	<u>(795,606)</u>	<u>-</u>	<u>(795,606)</u>	<u>-</u>
Total non-operating	<u>(795,606)</u>	<u>(2,000,000)</u>	<u>(2,795,606)</u>	<u>-</u>
Change in net assets	22,361,738	(3,409,955)	18,951,783	11,271,204
Net assets, beginning of year	<u>50,434,895</u>	<u>9,306,082</u>	<u>59,740,977</u>	<u>48,469,773</u>
Net assets, end of year	<u>\$ 72,796,633</u>	<u>\$ 5,896,127</u>	<u>\$ 78,692,760</u>	<u>\$ 59,740,977</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, 2021
(With Comparative Totals for 2020)

	R.I.S.E.	Relief and Resiliency	Community Outreach and Education	First Responders Outreach	Military Support Concerts	Total Program Services	Management and General	Fundraising	2021 Total	2020 Total
Salaries, payroll taxes, and employee benefits	\$ 552,838	\$ 848,750	\$ 948,223	\$ 36,779	\$ 20,783	\$ 2,407,373	\$ 1,527,650	\$ 871,245	\$ 4,806,268	\$ 4,382,844
Accounting	-	-	-	-	-	-	434,965	-	434,965	232,000
Advertising and promotion	-	20,000	11,902	-	-	31,902	280,488	500	312,890	269,269
Computer	58,802	156,872	102,899	7,156	2,936	328,665	523,975	156,408	1,009,048	401,257
Construction costs	7,492,113	-	-	-	-	7,492,113	-	-	7,492,113	11,702,141
Contributions	1,092,827	7,994,910	1,629,650	2,197,001	3,200	12,917,588	44,466	3,200	12,965,254	13,082,874
Depreciation and amortization	60,658	93,098	104,027	4,024	2,285	264,092	137,064	95,632	496,788	497,703
Equipment rental	8,000	203,089	-	-	-	211,089	5,002	914	217,005	112,302
Furnishings - in-kind	1,330,925	-	-	-	-	1,330,925	-	-	1,330,925	1,882,148
Insurance	8,313	12,762	14,258	553	313	36,199	22,969	13,100	72,268	113,546
Legal	94,872	18,506	24,297	-	397	138,072	544,949	16,880	699,901	681,338
Merchandise cost	-	-	-	-	-	-	57,437	-	57,437	119,351
Merchant fees	18,729	9,503	4,431	18,216	654	51,533	347,710	5,637	404,880	442,949
Miscellaneous	10,187	16,961	19,687	676	384	47,895	119,786	45,548	213,229	151,574
Occupancy	71,432	109,634	122,886	4,739	2,691	311,382	161,409	112,617	585,408	580,593
Outside services	1,382,075	1,864,184	246,145	13,000	113,838	3,619,242	609,427	343,378	4,572,047	3,976,812
Postage	9,290	156,981	13,890	3,045	164	183,370	13,524	87,751	284,645	246,086
Printing	-	4,766	990	-	-	5,756	1,053	188,474	195,283	106,585
Repairs and maintenance	9,906	34,396	21,358	657	373	66,690	22,384	15,616	104,690	84,802
Supplies	11,879	155,617	39,628	7,141	352	214,617	47,089	11,860	273,566	325,365
Taxes and licenses	145,869	-	-	-	1,022	146,891	10,041	1,326	158,258	123,159
Telephone	4,123	8,418	7,295	273	155	20,264	11,190	8,675	40,129	27,779
Travel and entertainment	170,683	87,134	72,380	-	454	330,651	341,053	28,953	700,657	439,572
Venue fees	-	41,400	6,000	-	-	47,400	3,072	-	50,472	198,645
Website	7,408	11,369	12,704	491	279	32,251	16,739	11,680	60,670	53,595
	<u>\$12,540,929</u>	<u>\$11,848,350</u>	<u>\$ 3,402,650</u>	<u>\$ 2,293,751</u>	<u>\$ 150,280</u>	<u>\$30,235,960</u>	<u>\$ 5,283,442</u>	<u>\$ 2,019,394</u>	<u>\$37,538,796</u>	<u>\$40,234,289</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, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 18,951,783	\$ 11,271,204
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Discount on contributions and grants receivable	(288,428)	194,155
Depreciation and amortization	496,788	497,703
Donated land	-	(94,640)
Realized and unrealized gains	(1,723,745)	(1,233,693)
Donated investments	(972,469)	(762,960)
Changes in operating assets and liabilities		
Contributions and grants receivable	1,633,415	(3,418,071)
Inventory	(86,549)	(41,749)
Prepaid expenses and other current assets	95,876	(121,357)
Deposits	-	204
Accounts payable and accrued liabilities	(612,441)	(1,234,734)
Grants payable	-	(200,000)
Deferred rent	(24,134)	(35,414)
Net cash provided by operating activities	17,470,096	4,820,648
Cash flows from investing activities		
Purchases of property and equipment	(63,934)	(376,795)
Proceeds from sale of investments	8,760,397	6,182,510
Purchases of investments	(30,592,650)	(4,839,202)
Net cash provided by (used in) investing activities	(21,896,187)	966,513
Net increase (decrease) in cash and cash equivalents	(4,426,091)	5,787,161
Cash and cash equivalents, beginning of year	33,703,356	27,916,195
Cash and cash equivalents, end of year	\$ 29,277,265	\$ 33,703,356

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

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

1. NATURE OF OPERATIONS

Gary Sinise Foundation ("GSF"), a Delaware charitable nonstock corporation, was formed in April 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. In December 2021 the Organization moved office locations from Woodland Hills, California to Franklin, Tennessee.

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, 2021

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 financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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, 2021

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 U.S. GAAP 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, 2021, the Organization's cash and cash equivalents balance includes \$2,036,851 in short-term money market funds.

Investments

The Organization accounts for investments in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 958-320, *Not-for-Profit Entities: Investments - Debt and Equity Securities* ("ASC 958-320"). ASC 958-320 requires that investments in debt and equity securities with readily determinable fair values be reported at fair market value in the consolidated statements of financial position.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Sales and purchases of securities are recorded on the trade date, which results in receivables and payables on trades that have not yet settled at the financial statement date. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the exdividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in the consolidated statement of activities and represent the difference between the cost and current market quotations of investments held at the end of the fiscal year. Net investment return (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Investments in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements

Investments are made according to the investment policies, guidelines, and objectives adopted by the Organization's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities. Market values of such investments are routinely reviewed by the finance committee of the Board of Directors.

Fair value measurements

The Organization's consolidated statement of financial position include the following financial instruments: cash and cash equivalents, contributions and grants receivable, accounts payable, and accrued liabilities. The Organization considers the carrying amounts of its assets and liabilities noted herein to approximate fair value because of the relatively short period of time between origination of the instrument and its expected realization.

The Organization follows Accounting Standards Codification No. 820-10, *Fair Value Measurements and Disclosures* ("ASC Topic 820") which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC Topic 820 are described below:

- *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.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 3* - Fair value is determined using unobservable market prices in a market that is typically inactive.

Contributions and grants receivable

Contributions, including unconditional promises to give are recognized as revenue in the period received. Contributions and grants received, including unconditional promises to give, are recorded as net assets with or without donor restrictions depending on the existence or absence of any donor-imposed restrictions and are then reclassified to net assets without donor restrictions upon satisfaction of any restrictions through the net assets released from restriction. Pledges for future contributions, including unconditional promises to give are recorded as receivables and reported at estimated net realizable values. Management has reviewed all contributions and grants receivable and determined no allowance for doubtful accounts was necessary at December 31, 2021. All contributions and grants receivable are expected to be collected during 2022.

Contributions that are considered conditional promises to give which contain barriers and a right of return or right of release are not recognized until the conditions on which they depend are met, at which time, the gift is recognized as either contribution revenue with or without donor restrictions.

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 *R.I.S.E.* program expenses as they are incurred.

Gary Sinise Foundation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

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. No impairment provision was recorded by the Organization during the year ended December 31, 2021.

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, 2021

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	\$ 670,506
Legal fees	239,027
Travel - charter flights and miles	33,600
Professional fees	<u>1,225</u>
	<u>944,358</u>
Contributed assets	
Construction - material and supplies	<u>1,330,925</u>
	<u>1,330,925</u>
	 <u>\$ 2,275,283</u>

All of these expenses are included within program expenses, except for legal fees which has been included within management and general.

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 based on management estimates.

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, 2020, from which the summarized information was derived.

Income tax status

GSF is a charitable nonstock 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, 2021

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 Delaware state income tax as well as other state and tax jurisdictions. For Delaware income tax purposes, a limited liability company is required to pay a fee based on its gross receipts as defined, plus \$800 annually.

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 October 31, 2022, 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.

3. PROPERTY AND EQUIPMENT

Property and equipment net consisted of the following:

Land	\$ 94,640
Computer equipment	435,093
Furniture and fixtures	711,307
Website	111,410
Leasehold improvements	2,092,411
Vehicle	40,624
Equipment	<u>203,678</u>
	3,689,163
Accumulated depreciation and amortization	<u>(2,140,728)</u>
	<u>\$ 1,548,435</u>

Depreciation and amortization expense for the year ended December 31, 2021 was \$496,788.

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4. COMMITMENTS AND CONTINGENCIES

Smart Home Construction

Through its *R.I.S.E.* program, the Organization is committed to building 17 Smart Homes. The total budgeted cost of those Smart Homes is approximately \$19,895,000. As of December 31, 2021, the Organization had expended approximately \$15,990,000 on those homes, resulting in a remaining net commitment of approximately \$3,905,000.

Leases

The Organization leases two offices under operating lease agreements which expire in November 2025 and October 2026.

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

Year ending December 31,

2022	\$ 938,230
2023	958,835
2024	1,080,869
2025	1,070,834
2026	<u>368,030</u>
	<u>\$ 4,416,798</u>

Total rent expense was \$584,143 for the year ended December 31, 2021.

5. 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 amount of payments were accelerated in 2021 and the pledge has been fully paid as of year end. The founder also does not receive any salary or other form of compensation from the Organization.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2021:

Smart Homes and Home Modifications (<i>R.I.S.E. Program</i>)	\$ 2,902,544
Center for Education and Outreach	1,420,162
Relief and Resiliency	928,970
First Responders	585,934
Other	<u>58,517</u>
	<u>\$ 5,896,127</u>

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6. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

Smart Homes and Home Modifications (<i>R.I.S.E. Program</i>)	\$ 7,524,140
Center for Education and Outreach	235,758
Relief and Resiliency	2,504,686
First Responders	768,710
Other	<u>77,362</u>
	<u><u>\$ 11,110,656</u></u>

Included within net assets with donor restrictions above are contributions and grants receivable totaling \$1,790,000 that are also purpose restricted.

7. 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 2021.

Activity in the 2021 Board-Designated endowment was as follows:

Balance, beginning of year	\$ 14,740,640
Realized and unrealized gains	1,687,701
Dividends and interest income	355,865
Investment expenses	<u>(61,497)</u>
Balance, end of year	<u><u>\$ 16,722,709</u></u>

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8. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Fair Value
Mutual funds	\$ 27,465,670	\$ -	\$ -	\$ 27,465,670
Corporate stocks	6,397,954	-	-	6,397,954
Corporate bonds	-	7,751,167	-	7,751,167
U.S. Treasury notes	1,405,829	-	-	1,405,829
Other marketable security funds	515,706	-	-	515,706
	<u>\$ 35,785,159</u>	<u>\$ 7,751,167</u>	<u>\$ -</u>	<u>\$ 43,536,326</u>

Activity in the investments during the year was as follows:

Balance, beginning of year	\$ 19,007,859
Proceeds from sales of investments	(8,760,397)
Purchases of investments	29,879,124
Reinvested dividends and interest	819,520
Donated investments	972,469
Realized and unrealized gains	1,723,745
Investment expenses	(105,994)
Balance, end of year	<u>\$ 43,536,326</u>

9. RETIREMENT PLAN

The Organization has a retirement plan providing benefits to all eligible employees. The Organization makes matching contributions of 3% of eligible compensation 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, 2021 was \$52,956.

10. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets reported on the consolidated 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, 2021.

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10. LIQUIDITY AND AVAILABILITY (continued)

Liquidity of financial assets as of December 31, 2021 is as follows:

Cash and cash equivalents	\$ 29,277,265
Investments	43,536,326
Contributions and grants receivable	<u>1,790,000</u>
	74,603,591
Net assets with donor restrictions (Note 6)	(5,896,127)
Board designated endowment (Note 7)	<u>(16,722,709)</u>
	<u><u>\$ 51,984,755</u></u>

11. EXTRAORDINARY EXPENSE

In March 2021, the Organization 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 \$1,151,380, was criminally seized in the first quarter of 2021. As of the date of these consolidated financial statements, the Organization has recovered \$355,774 and has deemed the remaining amount to be unrecoverable and recognized a loss of \$795,606 which has been included as a non-operating item in the accompanying consolidated statement of activities.

Subsequent to the discovery, the Organization 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, several changes in management have been made in 2021, including the departure of the COO and the appointment of a CFO. Subsequent to year end, the Organization appointed a new Controller in February 2022.