

GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of The Gary Sinise Foundation and Subsidiary (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2019, 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Gary Sinise Foundation and Subsidiary as of December 31, 2019, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* and 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 2 to the financial statements, 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 ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Gary Sinise Foundation and Subsidiary's 2018 consolidated financial statements, and our report dated August 5, 2019 expressed an unmodified opinion on those audited consolidated financial statements.



Armanino^{LLP}

Woodland Hills, California

August 19, 2020

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,262,999	\$ 22,160,986
Investments	19,007,710	15,894,640
Grants receivable, current	2,219,302	4,790,362
Beneficial interests in grants receivable	-	70,465
Inventory	179,155	138,829
Prepaid expenses and other current assets	331,583	842,352
Total Current Assets	49,000,749	43,897,634
Property and equipment, net	2,007,557	1,678,863
Grants receivable, net of current portion and discount	543,151	1,071,949
Deposits	47,459	40,073
TOTAL ASSETS	\$ 51,598,916	\$ 46,688,519

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,711,482	\$ 3,125,536
Grant payable	200,000	15,000
Deferred rent	217,661	255,213
Total Current Liabilities	3,129,143	3,395,749
TOTAL LIABILITIES	3,129,143	3,395,749

COMMITMENTS AND CONTINGENCIES (Note 6, 11 AND 13)

NET ASSETS		
Without donor restrictions		
General or undesignated	29,084,509	21,865,114
Board-designated endowment	13,185,130	11,193,846
Total without donor restrictions	42,269,639	33,058,960
With donor restrictions	6,200,134	10,233,810
TOTAL NET ASSETS	48,469,773	43,292,770
TOTAL LIABILITIES AND NET ASSETS	\$ 51,598,916	\$ 46,688,519

See independent auditor's report and accompanying notes.

THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE				
Bequests	\$ 1,050,481	\$ -	\$ 1,050,481	\$ 393,295
Foundations	4,255,748	3,902,773	8,158,521	10,872,073
Individuals	17,518,401	3,766,058	21,284,459	13,936,972
Corporations	2,564,835	2,807,856	5,372,691	3,372,738
In-kind donations	4,731,239	-	4,731,239	6,007,480
Performances	83,250	-	83,250	296,500
Board contributions	13,424	-	13,424	1,504,192
Government grants	6,000	-	6,000	-
Indirect public support	1,301,274	27,907	1,329,181	977,289
Merchandise sales	241,602	-	241,602	82,907
Other income	-	-	-	34,774
Investment income, net of investment management fees of \$66,215	600,365	-	600,365	468,095
Realized/unrealized gain (loss) on investments	1,677,791	-	1,677,791	(939,353)
Total Support and Revenue	34,044,410	10,504,594	44,549,004	37,006,962
Net Assets Released from Restrictions	14,244,087	(14,244,087)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	48,288,497	(3,739,493)	44,549,004	37,006,962
FUNCTIONAL EXPENSES				
Program services	34,317,972	-	34,317,972	27,003,488
General and administrative	3,027,484	-	3,027,484	1,915,915
Fundraising	1,732,362	-	1,732,362	1,130,329
Total Functional Expenses	39,077,818	-	39,077,818	30,049,732
Change in net assets from operations	9,210,679	(3,739,493)	5,471,186	6,957,230
Decrease in value of grants receivable	-	(294,183)	(294,183)	-
CHANGE IN NET ASSETS	9,210,679	(4,033,676)	5,177,003	6,957,230
BEGINNING NET ASSETS	33,058,960	10,233,810	43,292,770	36,335,540
ENDING NET ASSETS	\$ 42,269,639	\$ 6,200,134	\$ 48,469,773	\$ 43,292,770

See independent auditor's report and accompanying notes.

**THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019										
	Program Services					Supporting Services					
	R.I.S.E.	Relief and Resiliency	Community Outreach and Education	First Responders	Military Support Concerts	Total	General and Administrative	Fund Raising	Total	2019	2018
Salaries, payroll taxes and employee benefits	\$ 742,524	\$ 657,535	\$ 613,213	\$ 160,458	\$ 278,933	\$ 2,452,663	\$ 1,119,248	\$ 621,212	\$ 1,740,460	\$ 4,193,123	\$ 2,745,682
Accounting	-	-	-	-	-	-	233,109	-	233,109	233,109	237,900
Advertising and promotion	-	-	-	-	-	-	294,549	-	294,549	294,549	174,228
Commissions	-	-	-	-	-	-	-	-	-	-	20,500
Computer	9,374	24,353	10,794	1,992	3,654	50,167	109,158	72,989	182,147	232,314	159,424
Construction costs	11,010,955	7,500	-	-	-	11,018,455	-	-	-	11,018,455	10,656,415
Contributions	558,704	3,208,381	997,443	2,210,334	-	6,974,862	-	-	-	6,974,862	2,366,366
Depreciation and amortization	84,803	75,125	70,043	18,339	31,862	280,172	90,769	70,971	161,740	441,912	387,056
Equipment rental	56,147	579,302	19,140	-	705,702	1,360,291	5,749	66,770	72,519	1,432,810	780,341
Furnishings - In-kind	270,000	-	-	-	-	270,000	-	-	-	270,000	335,000
Insurance	10,984	12,100	9,070	2,375	19,485	54,014	13,614	9,192	22,806	76,820	61,960
Legal	483,288	19,564	12,143	-	1,399	516,394	177,722	90,481	268,203	784,597	583,101
Merchandise cost	-	21,047	-	-	-	21,047	131,047	100,000	231,047	252,094	140,139
Merchant fees	25,209	15,958	8,691	4,921	2,507	57,286	230,451	49,924	280,375	337,661	207,154
Miscellaneous	17,352	18,049	18,742	3,752	6,531	64,426	43,269	23,917	67,186	131,612	92,585
Occupancy	105,055	69,284	161,054	16,485	28,640	380,518	81,591	63,795	145,386	525,904	375,139
Outside services	563,334	2,455,841	535,333	4,000	518,899	4,077,407	275,409	237,178	512,587	4,589,994	3,586,639
Postage	9,428	49,277	25,234	2,265	8,740	94,944	8,195	53,270	61,465	156,409	83,925
Printing	11,825	39,626	9,714	247	432	61,844	1,791	73,833	75,624	137,468	115,609
Repairs and maintenance	26,763	1,845	8,234	451	783	38,076	2,230	1,743	3,973	42,049	20,672
Supplies	31,456	200,130	123,825	4,938	12,227	372,576	12,976	41,061	54,037	426,613	286,201
Taxes and licenses	129,610	1,695	418	-	856	132,579	1,624	2,032	3,656	136,235	122,271
Telephone	4,217	6,059	3,483	912	1,584	16,255	5,348	5,445	10,793	27,048	16,110
Travel and entertainment	272,953	1,708,380	1,117,694	8,605	487,282	3,594,914	173,849	117,146	290,995	3,885,909	4,383,968
Venue costs	-	2,361,903	26,638	-	-	2,388,541	2,652	21,133	23,785	2,412,326	2,020,992
Website	12,271	10,871	10,135	2,654	4,610	40,541	13,134	10,270	23,404	63,945	90,355
TOTAL EXPENSES	\$ 14,436,252	\$ 11,543,825	\$ 3,781,041	\$ 2,442,728	\$ 2,114,126	\$ 34,317,972	\$ 3,027,484	\$ 1,732,362	\$ 4,759,846	\$ 39,077,818	\$ 30,049,732

See independent auditor's report and accompanying notes.

**THE GARY SINISE FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 5,177,003	\$ 6,957,230
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Discount on grants receivable	(13,424)	107,697
Depreciation and amortization	441,912	387,056
Realized/Unrealized (gains)/losses on investments	(1,677,791)	939,353
Donated investments	(1,567,083)	(738,852)
Reinvested dividends and interest, net	(445,112)	(468,095)
Change in allowance for doubtful accounts	224,183	-
(Increase) decrease in operating assets		
Grants receivable	2,889,099	(2,396,588)
Receivable from outside organization, net	-	1,250,000
Beneficial interest in grants receivable	70,465	-
Inventory	(40,326)	(45,598)
Prepaid expenses and other current assets	510,769	(321,501)
Deposits	(7,386)	(15,662)
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	(423,303)	2,622,191
Deferred income	9,250	(9,250)
Grants payable	185,000	(144,379)
Deferred rent	(37,552)	(14,160)
	5,295,704	8,109,442
Cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(770,607)	(375,123)
Proceeds from sale of investments	4,628,510	5,709,214
Purchases of investments	(6,626,407)	(6,109,085)
Redemption of money market funds	2,247,140	463,816
Transfer to operating account	327,673	130,226
Cash provided (used) by investing activities	(193,691)	(180,952)
Increase in cash and cash equivalents	5,102,013	7,928,490
Cash and cash equivalents, beginning of year	22,160,986	14,232,496
Cash and cash equivalents, end of year	\$ 27,262,999	\$ 22,160,986

See independent auditor's report and accompanying notes.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 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 ramifications of war leave an indelible impact on all service members. 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, our 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.

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 *Center for Education and Outreach* 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, 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.

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – NATURE OF OPERATIONS (Continued)

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle

Effective for entities for annual reporting periods beginning after December 15, 2018, the Organization has adopted the Financial Accounting Standards Board Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. This standard clarifies that when both a barrier to be overcome and a right of return exist, a donor-imposed condition exists and contribution revenue should not be recognized until the condition has been met. A probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining whether an agreement contains a barrier. The adoption of ASU-2018-08 did not result in any adjustments to beginning net assets.

Effective for private companies for annual reporting periods beginning after December 15, 2018, the Company adopted Financial Accounting Standards Board Accounting Standards Updated (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaced existing revenue recognition guidance and outlines a single set of comprehensive principles for recognizing revenue under U.S. GAAP. Among other things, ASU No. 2014-09 requires entities to assess the products or services promised in contracts with customers at contract inception to determine the appropriate unit at which to record revenue, which is referred to as a performance obligation. Revenue is recognized when control of the promised products or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled for the products or services. The adoption of ASU No. 2014-09 did not result in any changes to the Company’s revenue recognition policy.

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.

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2016 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, 2015 and subsequent.

Basis of 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.

- *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.

Cash and Cash Equivalents

For the purpose of the financial statement, the Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents. At December 31, 2019, the Organization's cash and cash equivalents balance includes \$14,148,633 in short-term money market funds.

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of 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.

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 be established. The allowance for doubtful accounts is \$224,183.

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.

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:

Furniture and office equipment	3-7 years
Computer equipment	3 years
Website	3 years
Leasehold improvements	10 years
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.

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 would typically need to be purchased if not provided by donation.

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

Donated services			
Construction costs – labor	\$	559,748	
Legal fees		446,924	
Professional fees		33,504	
Travel – charter flights and miles		<u>2,506,703</u>	
Total Donated Services			\$ 3,546,879
Donated materials			
Catering – food		13,151	
Construction costs – material and supplies		838,740	
Construction costs – land		60,000	
Furnishings		270,000	
Program supplies		<u>2,469</u>	
Total Donated Materials			<u>1,184,360</u>
Total In-kind Donations			<u>\$ 4,731,239</u>

All of these expenses are included within program expenses.

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.

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.

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

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

Fair Value Measurements

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

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.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable by year are as follows:

Amounts due in one year	\$ 2,326,726
Amounts due in two to five years	<u>787,000</u>
	3,113,726
Discount to net present value	<u>(127,090)</u>
	2,986,636
Allowance for doubtful accounts	<u>(224,183)</u>
	<u>\$ 2,762,453</u>

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

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and office equipment	\$ 702,781
Computer equipment	293,226
Leasehold improvements	1,802,075
Website	111,410
Vehicle	40,624
Equipment	203,678
	<hr/>
	3,153,794
Accumulated depreciation and amortization	(1,146,237)
Net property and equipment	<hr/> <u>\$ 2,007,557</u>

Depreciation and amortization expense for the year ended December 31, 2019 was \$441,912.

NOTE 5 – GRANT PAYABLE

The Organization entered into a \$200,000 grant agreement to an organization that will be paid in 2020.

NOTE 6 - COMMITMENTS

Smart Home Construction

Through its R.I.S.E. program, the Organization is committed to building 25 Smart Homes. The total budgeted cost of those Smart Homes total \$27,496,309. As of December 31, 2019, the Organization had expended \$8,543,268 on those homes, resulting in a remaining net commitment of \$18,953,041.

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>	
2020	\$ 590,356
2021	606,496
2022	626,318
2023	603,715
2024	658,209
2025	638,573
	<hr/>
	<u>\$ 3,723,667</u>

Total rent expense was \$519,510 in 2019.

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 7 – RELATED PARTIES

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 \$911,581 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.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2019:

Smart Homes and Home Modifications (R.I.S.E. Program)	\$ 4,756,616
Center for Education and Outreach	1,273,449
Hurricane relief	96,839
Snowball Express	30,000
General support	43,230
Totals	<u>\$ 6,200,134</u>

Included within net assets with donor restrictions above are grants receivable totaling \$2,762,453 that are also purpose restricted.

NOTE 9 – 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 2019.

Activity in the 2019 Board-Designated endowment was as follows:

Balance, December 31, 2018	\$ 11,193,846
Purchases of investments	3,234,679
Proceeds from sale of investments	(2,553,054)
Liquidation of money market funds	(681,625)
Reinvested dividends and interest, net	327,464
Unrealized gain	1,581,047
Realized gain	82,773
Balance, December 31, 2019	<u>\$ 13,185,130</u>

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10 – INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, investments at fair value as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 653,196	\$ -	\$ -	\$ 653,196
Mutual funds	3,457,563	-	-	3,457,563
Corporate stocks	3,565,857	-	-	3,565,857
Corporate bonds	-	8,703,004	-	8,703,004
U.S. Treasury notes	1,457,428	-	-	1,457,428
Other marketable security funds	<u>1,170,662</u>	<u>-</u>	<u>-</u>	<u>1,170,662</u>
	<u>\$10,304,706</u>	<u>\$8,703,004</u>	<u>\$ -</u>	<u>\$ 19,007,710</u>

Activity in the investments during the year was as follows:

Balance, December 31, 2018	\$ 15,894,640
Purchases of investments	6,626,407
Donated investments	1,567,083
Proceeds from sales of investments	(4,628,510)
Transfer to operating cash account	(327,673)
Liquidation of money market funds	(2,247,140)
Reinvested dividends and interest, net	445,112
Unrealized gains	1,594,922
Realized gains	<u>82,869</u>
Balance, December 31, 2019	<u>\$ 19,007,710</u>

NOTE 11 – 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, 2019 was \$43,249.

See independent auditor's report.

**GARY SINISE FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 12 – AVAILABILITY OF FINANCIAL ASSETS

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, 2019.

Liquidity of financial assets as of December 31, 2019 is as follows:

Cash and cash equivalents	\$ 27,262,999
Investments	19,007,710
Grants receivable	<u>2,762,453</u>
	49,033,162
Net assets subject to expenditures (Note 8)	(6,200,134)
Long-term portion of grants receivable	(543,151)
Board designated endowment	<u>(13,185,130)</u>
	<u>\$ 29,104,747</u>

NOTE 13 – SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to December 31, 2019, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through August 12, 2020, the date the consolidated financial statements were available to be issued, and one item was noted as described below.

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 and the short-term market volatility. 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.

See independent auditor's report.