

OPERATION OPPORTUNITY FOUNDATION

Financial Statements

December 31, 2016 and 2015

DONALD L. PERLROTH & COMPANY

Certified Public Accountants

STURBRIDGE COMMONS • 250 STATE STREET, C-1 • NORTH HAVEN, CONNECTICUT 06473-2161

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OPERATION OPPORTUNITY FOUNDATION

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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Operation Opportunity Foundation
New Haven, Connecticut 06513

We have audited the accompanying financial statements of Operation Opportunity Foundation (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2016 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Opportunity Foundation as of December 31, 2016 and the changes in its net assets and its 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 Operation Opportunity Foundation's 2015 financial statements, and our report dated April 20, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



DONALD L. PERLROTH & COMPANY
Certified Public Accountants

May 30, 2017

OPERATION OPPORTUNITY FOUNDATION

Statement of Financial Position

as of December 31, 2016

with summarized comparative information as of December 31, 2015

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
ASSETS				
Cash and cash equivalents	\$ 1,201,633	\$ 25,000	\$ 1,226,633	\$ 600,583
Other receivables	13,892	-	13,892	11,402
Prepaid expenses	4,125	-	4,125	52,252
Promises to give, net	-	516,834	516,834	1,178,300
Security deposit	-	-	-	5,250
Investments	144,812	-	144,812	-
Total	\$ 1,364,462	\$ 541,834	\$ 1,906,296	\$ 1,847,787
LIABILITY AND NET ASSETS				
Liability - accounts payable	\$ 396	\$ -	\$ 396	\$ 1,353
Net assets:				
Unrestricted for current operations	1,364,066	-	1,364,066	668,134
Temporarily restricted	-	541,834	541,834	1,178,300
Total net assets	1,364,066	541,834	1,905,900	1,846,434
Total	\$ 1,364,462	\$ 541,834	\$ 1,906,296	\$ 1,847,787

OPERATION OPPORTUNITY FOUNDATION
Statement of Activities
for the year ended December 31, 2016
with summarized comparative information for the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
Revenue and support:				
Contributions:				
Corporate	\$ 4,634	\$ -	\$ 4,634	\$ 2,973
Individual	257,025	17,050	274,075	114,572
In-kind	84,022	-	84,022	90,375
Grants:				
Government	200,000	-	200,000	350,000
Foundations	737,023	25,000	762,023	716,075
Investment income (loss), net	(5,191)	-	(5,191)	60
Net assets released from restrictions	678,516	(678,516)	-	-
Total revenue and support	1,956,029	(636,466)	1,319,563	1,274,055
Expenses:				
Program services	1,083,001	-	1,083,001	991,896
Support services	171,995	-	171,995	130,030
Fundraising services	5,101	-	5,101	65,427
Total expenses	1,260,097	-	1,260,097	1,187,353
Change in net assets	695,932	(636,466)	59,466	86,702
Net assets - beginning	668,134	1,178,300	1,846,434	1,759,732
Net assets - ending	<u>\$ 1,364,066</u>	<u>\$ 541,834</u>	<u>\$ 1,905,900</u>	<u>\$ 1,846,434</u>

OPERATION OPPORTUNITY FOUNDATION
Statements of Cash Flows
for the years ended December 31:

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 59,466	\$ 86,702
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized losses (gains) on investments, net	6,083	-
Decrease (increase) in assets:		
Other receivables	(2,490)	(11,402)
Prepaid expenses	48,127	(52,252)
Promises to give, net	661,466	266,575
Security deposit	5,250	(5,250)
Website	-	12,000
Increase (decrease) in liability - accounts payable	(957)	1,353
Total adjustments	717,479	211,024
Net cash provided by operating activities	776,945	297,726
Cash flows from investing activities:		
Proceeds from sale of marketable securities	102,221	-
Purchase of marketable securities	(253,116)	-
Net cash used by investing activities	(150,895)	-
Net increase in cash and cash equivalents	626,050	297,726
Cash and cash equivalents - beginning	600,583	302,857
Cash and cash equivalents - ending	<u>\$ 1,226,633</u>	<u>\$ 600,583</u>

OPERATION OPPORTUNITY FOUNDATION
Notes to Financial Statements
for the years ended December 31, 2016 and 2015

1. Description of organization

Operation Opportunity Foundation is a not-for-profit corporation founded in 2011. The mission of the Organization is to ensure educational opportunity for American heroes. The Foundation pursues this goal by running a program called the Warrior-Scholar Project. Hosted at top universities, the project enables veterans to reach full academic and leadership potential under the guidance of student-veterans and world-renowned professors.

2. Summary of significant accounting policies

A. Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

B. Basis of presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification 958. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. This pronouncement establishes standards for external financial reporting by not-for-profit organizations. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Unrestricted

Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

OPERATION OPPORTUNITY FOUNDATION
Notes to Financial Statements
for the years ended December 31, 2016 and 2015

2. Summary of significant accounting policies - continued

Temporarily restricted

Net assets whose use by the Organization is subject to explicit donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time.

Permanently restricted

Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets. Such assets primarily represent the historic dollar amount (principal portion) of the Organization's restricted endowment funds.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

C. Cash and cash equivalents

Cash and cash equivalents include all checking and interest bearing cash accounts from highly liquid investments with maturity dates of less than three months. As of December 31, 2016 and 2015, \$820,663 and \$350,583 of excess cash was held in a checking account, respectively. At times, the organization maintains deposits with financial institutions which exceed federally insured limits. The organization has not experienced any losses from such concentrations.

OPERATION OPPORTUNITY FOUNDATION
Notes to Financial Statements
for the years ended December 31, 2016 and 2015

2. Summary of significant accounting policies - continued

D. Investments

Investments, if any, are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined by using quoted market prices.

E. Fixed assets

The Organization capitalizes donated or purchased assets in excess of \$2,500. Equipment is recorded at cost with useful lives from five to seven years. Donated assets are capitalized at the estimated fair value at the date of receipt.

Maintenance, repairs and minor renewals are charged to operations as incurred.

F. Contributions and promises to give

All contributions, including unconditional promise to give, are considered to be available for the general programs of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions to be received after one year are discounted at a risk adjusted rate of 1.66% and 1.56% for the years ended December 31, 2016 and 2015, respectively.

OPERATION OPPORTUNITY FOUNDATION
Notes to Financial Statements
for the years ended December 31, 2016 and 2015

2. Summary of significant accounting policies - continued

G. Donated materials, services and facilities

The Organization records donated materials, services and use of facilities when received, as contributions in the accompanying statements at their estimated value at the date of receipt. The value of donated materials was \$3,112 and \$2,451 for 2016 and 2015, respectively. The value of donated services and facilities was \$80,910 and \$87,924 for 2016 and 2015, respectively.

H. Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

I. Subsequent events

The Organization has determined that there are no subsequent events required to be disclosed through May 30, 2017.

J. Fair values of financial instruments

Accounting Standards Codifications have established a framework for measuring fair value under accounting principles generally accepted in the United States of America. The new definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability which is referred to as the exit price. This establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels (Level 1, 2 and 3).

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date.

OPERATION OPPORTUNITY FOUNDATION
Notes to Financial Statements
for the years ended December 31, 2016 and 2015

2. Summary of significant accounting policies - continued

J. Fair values of financial instruments - continued

Level 2 - Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities.

Level 3 - Unobservable inputs reflecting the Organization's estimates of the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Organization has classified its publicly traded investments as Level 1 as these investments are primarily traded on a national exchange and therefore have quoted market prices that are assessable and utilized by the Organization to measure fair value.

The carrying amount of cash and cash equivalents, receivables and liabilities approximates fair value.

3. Tax status

The Organization is a non-stock, not-for-profit corporation, exempt from income tax under section 501(c) (3) of the Internal Revenue Code, and contributions to it are tax deductible within the limitations prescribed by the Code.

Each year, the Organization evaluates its tax position. As of December 31, 2016, the Organization determined it has no uncertainties regarding income taxes.

4. Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or

OPERATION OPPORTUNITY FOUNDATION
Notes to Financial Statements
for the years ended December 31, 2016 and 2015

4. Promises to give - continued

permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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

	<u>2016</u>	<u>2015</u>
Promises receivable in less than one year	\$ 504,050	\$ 690,000
Promises receivable in one to five years	13,000	500,000
Less allowance for uncollectible promises	<u>(216)</u>	<u>(11,700)</u>
Promises to give, net	<u>\$ 516,834</u>	<u>\$1,178,300</u>

5. Marketable securities

Investments in marketable securities are presented in the financial statements at fair value. A comparison of cost and fair value is as follows for the year ended December 31, 2016:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	\$ 100,000	\$ 94,580
Mutual funds	<u>50,282</u>	<u>50,232</u>
Totals	<u>\$ 150,282</u>	<u>\$ 144,812</u>

Investment income consists of the following for the year ended December 31, 2016:

Interest income	\$ 609
Dividend income	283
Realized gains (losses), net	(612)
Unrealized gains (losses), net	<u>(5,471)</u>
Total	<u>\$ (5,191)</u>

OPERATION OPPORTUNITY FOUNDATION
Notes to Financial Statements
for the years ended December 31, 2016 and 2015

6. Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

SUPPLEMENTARY INFORMATION

OPERATION OPPORTUNITY FOUNDATION
Schedule of Functional Expenses
for the year ended December 31, 2016
with summarized comparative information for the year ended December 31, 2015

	Programs	General and	Fundraising	Totals	
	Services	Administrative	Services	2016	2015
Salaries	\$ 404,969	\$ 94,993	\$ -	\$ 499,962	\$ 436,926
Payroll taxes	43,318	8,173	-	51,491	42,567
Employee benefits	2,136	866	-	3,002	5,934
Total salaries and related expenses	450,423	104,032	-	554,455	485,427
Advertising	29,969	-	-	29,969	4,126
Bank charges	-	1,039	115	1,154	341
Computer and software	5,261	4,451	405	10,117	12,315
Conferences and meetings	700	45	-	745	400
Donation fees	-	-	1,104	1,104	753
Facility fees	51,196	-	-	51,196	77,071
Fees and registrations	404	-	-	404	1,733
Fundraising expenses	-	-	1,221	1,221	-
Insurance	4,449	1,410	-	5,859	5,346
Meals and entertainment	47,402	19	6	47,427	57,487
Miscellaneous	-	378	-	378	1,144
Office supplies	6,200	2,137	987	9,324	7,917
Payroll fees	23,473	10,291	-	33,764	14,602
Professional fees	-	8,475	-	8,475	8,088
Program development	7,881	-	-	7,881	6,461
Program execution	19,651	-	-	19,651	11,232
Program supplies	24,944	-	-	24,944	36,792
Rent and storage	2,160	35,001	-	37,161	19,526
Student expenses	3,701	-	-	3,701	6,294
Student housing and meals	301,378	-	-	301,378	279,317
Subcontracted services	67,844	1,576	-	69,420	82,851
Telecommunications	3,704	1,672	1,063	6,439	5,192
Travel	32,261	1,469	200	33,930	60,174
Website	-	-	-	-	2,764
Totals year ended June 30, 2016	<u>\$ 1,083,001</u>	<u>\$ 171,995</u>	<u>\$ 5,101</u>	<u>\$ 1,260,097</u>	
Totals year ended June 30, 2015	<u>\$ 991,896</u>	<u>\$ 130,030</u>	<u>\$ 65,427</u>		<u>\$ 1,187,353</u>

The accompanying comments are an integral part of this statement
DONALD L. PERLROTH & COMPANY, *Certified Public Accountants*