

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

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

**CONTENTS**

**Independent auditors' report ..... 1-2**

**Financial Statements**

Statements of Activities ..... **3**

Statements of Financial Position ..... **4**

Statements of Cash Flows ..... **5**

Statements of Functional Expenses ..... **6**

Notes to Financial Statements ..... **7-10**



# GEORGEN SCARBOROUGH

ASSOCIATES, PC

*Certified Public Accountants*

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

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

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

## INDEPENDENT AUDITORS' REPORT

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

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, 2018, and the related statements of activities, functional expenses, 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.

### Auditors' 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 auditors' 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, 2018 and 2017 and the related statements of activities, functional expenses, and 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 the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*George Scarborough Associates, PC*

May 14, 2019

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

**STATEMENTS OF ACTIVITIES**

*Year ended December 31,*

			<b>2018</b>	2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	Comparative Total
<b>Support and revenue:</b>				
Contributions:				
Corporate	\$ 55,800	\$	\$ 55,800	\$ 62,762
Individual	273,954		273,954	255,791
In-kind	324,354		324,354	205,444
Grants:				
Government	-		-	100,000
Foundations	886,423	1,750,000	2,636,423	1,729,698
Investment income (loss), net	(31,972)		(31,972)	(6,529)
Net assets released from restrictions	709,913	(709,913)	-	-
<b>Total support and revenue</b>	<b>2,218,472</b>	<b>1,040,087</b>	<b>3,258,559</b>	<b>2,347,166</b>
<b>Expenses:</b>				
Program services	1,455,811		1,455,811	1,091,005
Support services	153,490		153,490	116,182
Fundraising services	59,104		59,104	37,691
<b>Total expenses</b>	<b>1,668,405</b>	<b>-</b>	<b>1,668,405</b>	<b>1,244,878</b>
<b>Increase (decrease) in net assets</b>	<b>550,067</b>	<b>1,040,087</b>	<b>1,590,154</b>	<b>1,102,288</b>
<b>Net assets, beginning</b>	<b>1,999,494</b>	<b>1,008,694</b>	<b>3,008,188</b>	<b>1,905,900</b>
<b>Net assets, ending</b>	<b>\$ 2,549,561</b>	<b>\$ 2,048,781</b>	<b>\$ 4,598,342</b>	<b>\$ 3,008,188</b>

*See accompanying notes.*

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

**STATEMENTS OF FINANCIAL POSITION**

*December 31,*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Comparative Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 936,233	\$ 850,538	\$ 1,786,771	\$ 1,376,357
Other receivables	2,076		2,076	9,415
Prepaid expenses	15,386		15,386	1,863
Promises to give, net		1,198,243	1,198,243	1,007,094
Contributions receivable	134,525		134,525	-
Investments	1,467,976		1,467,976	635,920
<b>Total assets</b>	<b>\$ 2,556,196</b>	<b>\$ 2,048,781</b>	<b>\$ 4,604,977</b>	<b>\$ 3,030,649</b>
<b>Liabilities and net assets</b>				
Accounts payable & accrued expenses	\$ 6,246	\$	\$ 6,246	\$ 4,290
Accrued payroll liabilities	389		389	18,171
<b>Total liabilities</b>	<b>6,635</b>	<b>-</b>	<b>6,635</b>	<b>22,461</b>
<b>Net assets:</b>				
Without donor restrictions	2,549,561		2,549,561	1,999,494
With donor restrictions		2,048,781	2,048,781	1,008,694
<b>Total net assets</b>	<b>2,549,561</b>	<b>2,048,781</b>	<b>4,598,342</b>	<b>3,008,188</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,556,196</b>	<b>\$ 2,048,781</b>	<b>\$ 4,604,977</b>	<b>\$ 3,030,649</b>

*See accompanying notes..*

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

<i>Year ended December 31,</i>	<b>2018</b>	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,590,154	\$ 1,102,288
Adjustments to reconcile change in net assets to net cash (used by) provided by operating activities		
Realized and unrealized loss (gain) on investments, net	73,655	7,434
Changes in operating assets and liabilities:		
(Increase) decrease in other receivables	7,339	4,477
(Increase) decrease in prepaid expenses	(13,523)	2,262
(Increase) decrease in promises to give, net	(191,149)	(490,260)
(Increase) decrease in contributions receivable	(134,525)	-
Increase (decrease) in accrued payroll liabilities	(17,782)	18,171
Increase (decrease) in accounts payable & accrued expenses	1,956	3,894
<b>Net cash provided (used) by operating activities</b>	<b>1,316,125</b>	648,266
<b>Cash flows from investing activities:</b>		
Purchase of marketable securities	(1,419,181)	(999,204)
Proceeds from sale of marketable securities	513,470	500,662
<b>Net cash provided (used) by investing activities</b>	<b>(905,711)</b>	(498,542)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>410,414</b>	149,724
<b>Cash and cash equivalents, <i>beginning of year</i></b>	<b>1,376,357</b>	1,226,633
<b>Cash and cash equivalents, <i>end of year</i></b>	<b>\$ 1,786,771</b>	\$ 1,376,357

*See accompanying notes.*

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

	2018				2017
	Program Services	Support Services	Fundraising services	Total	Comparative Total
Salaries	\$ 588,981	\$ 75,076	\$ -	\$ 664,057	\$ 482,518
Payroll taxes	55,120	7,026		62,146	44,664
Employee benefits	14,039	1,790		15,829	1,046
Total salaries and related expenses	658,140	83,892		742,032	528,228
Advertising	30,569			30,569	35,602
Bank charges		255		255	53
Computer and software	312	14,686	226	15,224	2,529
Conferences and meetings	75			75	908
Donation fees			571	571	1,011
Facility fees	50,462			50,462	50,650
Fees and registrations		439	24	463	1,289
Fundraising expenses			54,893	54,893	26,478
Insurance	4,635	1,410		6,045	6,105
Meals and entertainment	63,730	2,253		65,983	56,696
Miscellaneous	20	333		353	989
Office supplies	3,977	1,521	2,124	7,622	12,537
Payroll fees	26,738	3,409		30,147	25,425
Professional fees		7,751		7,751	8,425
Program development				-	1,145
Program execution	60,072	31		60,103	16,488
Program supplies	23,068			23,068	26,019
Rent and storage	3,900	27,048		30,948	30,201
Student expenses	14,304			14,304	6,192
Student housing and meals	359,966			359,966	283,188
Subcontracted services	82,800			82,800	69,350
Telecommunications	6,100	3,944	263	10,307	5,933
Travel	66,943	6,070	1,003	74,016	47,311
Website		448		448	2,126
<b>Totals for year ended December 31, 2018</b>	<b>\$ 1,455,811</b>	<b>\$ 153,490</b>	<b>\$ 59,104</b>	<b>\$ 1,668,405</b>	
Totals for year ended December 31, 2017	\$ 1,091,005	\$ 116,182	\$ 37,691	\$ 1,244,878	

*See accompanying notes.*



# OPERATION OPPORTUNITY FOUNDATION DBA WARRIOR-SCHOLAR PROJECT

## NOTES TO FINANCIAL STATEMENTS

### Note A - Summary of Significant Accounting Policies

<b>Nature of Organization</b>	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.
<b>Basis of Accounting</b>	The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with the standards promulgated by the American Institute of Certified Public Accountants.
<b>Estimates</b>	The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
<b>Basis of Presentation</b>	<p>Established standards for external financial reporting by not-for-profit organizations require that resources be classified for accounting and reporting purposes into net asset categories according to donor-imposed restrictions. A description of the net asset categories follows:</p> <p><i>Net Assets Without Donor Restrictions:</i> Net assets without donor restrictions are available for use in general operations.</p> <p><i>Net Assets With Donor Restrictions:</i> Net assets with donor restrictions consist of amounts that are subject to donor restrictions that may or will be met by expenditure or actions of the Organization and/or the passage of time.</p>
<b>Comparative Total</b>	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, 2017, from which the summarized information was derived.
<b>Contributions</b>	All contributions, including unconditional promises 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.
<b>Promises to Give</b>	Contributions to be received after one year are discounted at a risk-adjusted rate of 2.76% and 1.52% for the years ended December 31, 2018 and 2017, respectively.

# OPERATION OPPORTUNITY FOUNDATION DBA WARRIOR-SCHOLAR PROJECT

## NOTES TO FINANCIAL STATEMENTS

### Note A - Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of donor restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

#### 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 \$2,999 and \$2,099 for 2018 and 2017, respectively. The value of donated services and facilities was \$321,355 and \$203,345 for 2018 and 2017, respectively.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringe benefits are allocated based on employee time and effort. Common costs such as occupancy, depreciation and the like are allocated pro-rata based on headcount or total costs incurred.

#### Tax Status

The Organization is a non-stock, not-for-profit corporation, exempt from income tax under section 501(c)(3) of the Internal Revenue Code; contributions to it are tax deductible within the limitations prescribed by the Code. Each year the Organization evaluates its tax position. As of December 31, 2018, the Organization determined it has no uncertainties regarding income taxes.

#### Cash and Cash Equivalents

Cash and cash equivalents include all checking and interest-bearing cash accounts from highly liquid investments with maturity dates of less than three months. As of December 31, 2018 and 2017, \$328,373 and \$760,571 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.

#### 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.

#### Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined by using quoted market prices. Donated investments are recorded at their estimated fair value at date of receipt.

# OPERATION OPPORTUNITY FOUNDATION DBA WARRIOR-SCHOLAR PROJECT

## NOTES TO FINANCIAL STATEMENTS

### Note A - Summary of Significant Accounting Policies (continued)

#### Fair Values of Financial Instruments

The Organization has adopted the fair value measurements and disclosures required by current accounting standards. The major categories of financial assets must be measured at fair value using quoted prices in active markets (Level 1), significant observable inputs for similar assets (Level 2), and significant unobservable inputs (Level 3). The investments at December 31, 2018 and 2017 were considered Level 1 investments. The carrying amount of cash and cash equivalents, receivables, and liabilities approximates fair value.

#### New Accounting Pronouncements

In 2016, Accounting Standards Update (ASU) 2016-14 was issued by the Financial Accounting Standards Board. ASU 2016-14 changes the net asset classification scheme and requires additional information regarding board designated net assets and underwater endowments, now requires expenses to be listed by function and nature, requires netting of investment expenses with investment income and disclosure of the details, the addition of qualitative and quantitative disclosures about liquidity and eliminates the reconciliation of the indirect cash flow presentation. ASU 2016-14 becomes effective for fiscal years beginning after December 15, 2017.

#### Note B Date of Management's Review

Subsequent events have been evaluated through May 14, 2019 the date financial statements were available to be issued.

#### Note C Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible promises to give. 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:

	2018	2017
Less than one year	\$ 854,500	\$ 754,000
One to five years	353,500	257,000
Allowance	(9,757)	(3,906)
<b>Promises to give, net</b>	<b>\$ 1,198,243</b>	<b>\$ 1,007,094</b>

# OPERATION OPPORTUNITY FOUNDATION DBA WARRIOR-SCHOLAR PROJECT

## NOTES TO FINANCIAL STATEMENTS

**Note D  
Investments**

Investments are stated at fair value and are summarized as follows for years ended December 31, 2018 and 2017:

	2018	2017
Certificates of Deposit	\$ 588,278	\$ 95,505
Equities -ETF	285,276	98,990
Corporate Bonds	544,292	441,425
Fixed Income - ETF	50,130	-
	\$ 1,467,976	\$ 635,920

The following schedule summarizes the investment income for the years ended December 31, 2018 and 2017:

	2018	2017
Interest Income	\$ 33,100	\$ 534
Dividend Income	8,583	371
Realized gains (losses), net	(1,515)	(1,211)
Unrealized gains (losses), net	(72,140)	(6,223)
	\$ (31,972)	\$ (6,529)

**Note E  
Net Assets with Donor  
Restrictions**

Unconditional promises to give described in Note C above are designated for future summer programs.

**Note F  
Liquidity and  
Availability of  
Resources**

The following table represents the Organization's financial assets available to meet cash needs for general expenditures within one year of December 31, 2018:

Total assets at end of year	\$ 4,604,977
Less nonfinancial assets:	
Prepaid expenses and deposits	15,386
Total financial assets at end of year	\$ 4,589,591
Less amounts unavailable for general expenditures within one year:	
Contributions receivable due in more than one year	353,500
Total financial assets available for general expenditures within one year	\$ 4,236,091

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.