

PAT TILLMAN FOUNDATION

Financial Statements
and
Independent Auditor's Report

December 31, 2022
(with comparative totals for 2021)

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Independent Auditor's Report

To the Board of Directors of
Pat Tillman Foundation
San Jose, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pat Tillman Foundation (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Pat Tillman Foundation as of December 31, 2022, 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.

Basis for 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 Pat Tillman 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.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pat Tillman Foundation's ability to continue as a going concern within one year after the date that the 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 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 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 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 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 Pat Tillman 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pat Tillman 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.

Emphasis of Matter

As discussed in Note 11 to the financial statements, in the year ended December 31, 2022, Pat Tillman Foundation changed its method of accounting for leases due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended using the modified retrospective approach. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Pat Tillman Foundation's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fester & Chapman, PLLC

June 14, 2023

Pat Tillman Foundation

STATEMENT OF FINANCIAL POSITION

December 31, 2022

(with comparative financial information as of December 31, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,560,788	\$ 2,791,271
Investments	1,216,699	1,457,201
Contributions receivable	1,742,321	1,580,011
Prepaid expenses	207,798	61,935
Refundable deposit	31,459	38,259
Operating lease - right-of-use asset	<u>643,719</u>	
Total assets	<u>\$ 6,402,784</u>	<u>\$ 5,928,677</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 229,279	\$ 131,569
Accrued payroll	110,628	124,128
Operating lease liability	<u>676,205</u>	
Total liabilities	1,016,112	<u>255,697</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,174,696	1,783,843
Designated by the Board of Directors:		
Scholarship renewals	<u>2,082,650</u>	<u>1,931,700</u>
Total without donor restrictions	3,257,346	3,715,543
With donor restrictions:		
Purpose restrictions	1,515,176	1,398,687
Time-restricted for future periods	<u>614,150</u>	<u>558,750</u>
Total with donor restrictions	<u>2,129,326</u>	<u>1,957,437</u>
Total net assets	<u>5,386,672</u>	<u>5,672,980</u>
Total liabilities and net assets	<u>\$ 6,402,784</u>	<u>\$ 5,928,677</u>

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

Pat Tillman Foundation

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

(with comparative financial information for the year ended December 31, 2021)

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	Without Donor Restrictions	With Donor Restrictions	<u>Totals</u>	
			<u>2022</u>	<u>2021</u>
Support, revenues, and (losses) gains:				
Special event - Pat's Run:				
Contributions, sponsorships and race entry fees	\$ 1,712,586	\$ 340,200	\$ 2,052,786	\$ 1,541,375
Contributed goods and services	405,625		405,625	298,459
Less direct benefits to participants and sponsors	(1,003,164)		(1,003,164)	(663,052)
Less direct in-kind benefits to participants and sponsors	<u>(405,625)</u>		<u>(405,625)</u>	<u>(298,459)</u>
	709,422	340,200	1,049,622	878,323
Contributions	2,576,736	1,431,650	4,008,386	4,066,411
In-kind contributions	37,907		37,907	28,640
Net (loss) gain on investments	(236,842)		(236,842)	159,893
Service fee income	8,000		8,000	
Forgiveness of Paycheck Protection Program loan				234,627
Net assets released from restrictions	<u>1,599,961</u>	<u>(1,599,961)</u>		
Total support, revenues, and (losses) gains	<u>4,695,184</u>	<u>171,889</u>	<u>4,867,073</u>	<u>5,367,894</u>
Functional expenses:				
Tillman Scholars	<u>3,791,259</u>		<u>3,791,259</u>	<u>2,803,655</u>
Supporting services:				
Management and general	475,949		475,949	396,349
Fundraising	886,173		886,173	820,128
Total supporting services	<u>1,362,122</u>		<u>1,362,122</u>	<u>1,216,477</u>
Total expenses	<u>5,153,381</u>		<u>5,153,381</u>	<u>4,020,132</u>
Change in net assets	(458,197)	171,889	(286,308)	1,347,762
Net assets, beginning of year	<u>3,715,543</u>	<u>1,957,437</u>	<u>5,672,980</u>	<u>4,325,218</u>
Net assets, end of year	<u>\$ 3,257,346</u>	<u>\$ 2,129,326</u>	<u>\$ 5,386,672</u>	<u>\$ 5,672,980</u>

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

Pat Tillman Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

(with comparative financial information for the year ended December 31, 2021)

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTALS	
	Tillman Scholars Program	Management and general	Fundraising	Total	2022	2021
Expenses:						
Salaries and personnel services	\$ 930,954	\$ 189,284	\$ 414,509	\$ 603,793	\$ 1,534,747	\$ 1,225,123
Employee benefits	142,639	18,611	54,035	72,646	215,285	130,335
Payroll taxes	70,188	11,654	30,965	42,619	112,807	89,508
Total salaries and related expenses	1,143,781	219,549	499,509	719,058	1,862,839	1,444,966
Scholarships and program support	1,539,874				1,539,874	1,418,588
Professional services	240,288	71,673	27,170	98,843	339,131	365,156
Professional services (in-kind)	37,907				37,907	28,640
Public relations	29,498				29,498	75,520
Travel, training and meeting	464,525	69,443	58,320	127,763	592,288	182,049
Fundraising and database	41,342	10,435	171,717	182,152	223,494	187,620
Telephone and internet	11,317	957	2,004	2,961	14,278	19,005
Occupancy	118,307	12,048	63,977	76,025	194,332	122,230
Administrative fees		18,660		18,660	18,660	10,460
Printing	70,369	300	3,529	3,829	74,198	31,780
Postage and shipping	39,982	2,398	15,233	17,631	57,613	67,503
Miscellaneous	39,738	43,976	37,584	81,560	121,298	45,541
Office	6,101	25,405	2,312	27,717	33,818	10,213
Insurance	8,230	1,105	4,818	5,923	14,153	10,861
Total expenses	\$ 3,791,259	\$ 475,949	\$ 886,173	\$ 1,362,122	\$ 5,153,381	\$ 4,020,132
Percentage of total	<u>74%</u>	<u>9%</u>	<u>17%</u>	<u>26%</u>	<u>100%</u>	

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

Pat Tillman Foundation

STATEMENT OF CASH FLOWS

Year Ended December 31, 2022

(with comparative financial information for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (286,308)	\$ 1,347,762
Adjustments to reconcile change in net assets to net cash and cash equivalents (used) provided by operating activities:		
Unrealized and realized loss (gain) on investments	270,861	(116,915)
Net change in operating lease - right-of-use asset and operating lease liability	32,486	
Gain on forgiveness of Paycheck Protection Program loan		(234,627)
Change in:		
Contributions receivable	(162,310)	(687,663)
Prepaid expenses	(145,863)	3,732
Refundable deposit	6,800	(31,459)
Accounts payable and accrued expenses	97,710	44,886
Accrued payroll	<u>(13,500)</u>	<u>56,855</u>
Net cash and cash equivalents (used) provided by operating activities	<u>(200,124)</u>	<u>382,571</u>
Cash flows from investing activities:		
Purchases of investments	(30,359)	
Proceeds from sale of investments		<u>2,032</u>
Net cash and cash equivalents (used) provided by investing activities	<u>(30,359)</u>	<u>2,032</u>
Change in cash and cash equivalents	(230,483)	384,603
Cash and cash equivalents, beginning of year	<u>2,791,271</u>	<u>2,406,668</u>
Cash and cash equivalents, end of year	<u>\$ 2,560,788</u>	<u>\$ 2,791,271</u>
<u>Supplemental disclosure of cash flow information:</u>		
Cash paid for interest	\$ 0	\$ 0
Cash paid for operating lease payments	\$ 70,349	\$ 0
<u>Supplemental disclosures of noncash investing and financing activities</u>		
Leased asset obtained in exchange for new operating lease liability	\$ 779,839	\$ 0

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In 2004, the Pat Tillman Foundation (the Foundation) was created by Tillman family and friends to honor Pat's legacy, as a 501(c)(3) nonprofit public benefit corporation. Pat Tillman was born in San Jose, California in 1976. He attended Arizona State University, and in 1998 was drafted by the Arizona Cardinals in the seventh round. In July of 2002, Pat placed his NFL career on hold to serve his country. Following Pat's death in 2004, while serving with the U.S. Army's 75th Ranger Regiment in Afghanistan, his family and friends established the Pat Tillman Foundation.

The significant accounting policies of the Foundation are as follows:

Basis of Presentation - The Foundation follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by accounting principles generally accepted in the United States of America. In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, the Foundation reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include those net assets over which the Board of Directors has discretionary control in carrying out the operations of the Foundation. Under this category the Foundation maintains an operating fund, plus any net assets designated by the Board for specific purposes. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Net assets with donor restrictions include those net assets which are subject to donor or time restrictions, and for which the applicable restrictions were not met as of the end of the fiscal year.

Use of Estimates - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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 those estimates.

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation maintains its cash and cash equivalents in bank deposit accounts, which at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Management believes it is not exposed to any significant risks on cash accounts.

Investments - Investments are recorded at fair value. Unrealized and realized gains and losses are accounted for as investment income.

Contributions Receivable - Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Management considers its contributions receivable to be fully collectible, and accordingly, no allowance for doubtful accounts has been recorded.

Prepaid Expenses - Prepaid expenses consist of amounts paid in advance for expenses relating to the Pat's Run event to be held in the subsequent year, as well as business liability and Directors and Officers liability insurance premiums.

Furniture and Equipment - Furniture and equipment costing more than \$5,000 is capitalized and stated at historical cost. Donated furniture and equipment meeting the capitalization threshold is stated at estimated fair value at the date of donation. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets is expensed as incurred. Furniture and equipment is depreciated over 5 years using the straight-line method.

Revenue Recognition - The Foundation recognizes support and revenue on the accrual basis of accounting. Entry fees received for events held in a subsequent fiscal year are recorded as deferred event revenue when received, and recognized as revenue in the period in which the event occurs.

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED

Contributions - Contributions are reported in accordance with the FASB ASC topic of *Not-for-Profit Entities*. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as with donor restrictions or without donor restrictions depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. Restricted contributions are reported as increases in net assets without restrictions if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in net assets with donor restrictions. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Contributions In-Kind - Contributions in-kind are also recognized in accordance with the provisions of the FASB ASC topic of *Not-for-Profit Entities*. Use of donated equipment, goods and services are recorded at their estimated fair value at the date of donation. Donated services are recognized in the financial statements at their estimated fair value if the following criteria are met:

- i) The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
- ii) The services enhance or create an asset.

The Foundation also receives donated services that do not require specific expertise, but which are nonetheless central to the Foundation's operations. No volunteer services are recognized in the accompanying financial statements as they do not meet the above criteria; however, a substantial number of volunteers have donated significant amounts of their time to the Foundation.

Income Taxes - The Foundation is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED

Functional Expense Allocation - The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: salaries and related expenses, professional services, public relations, travel, fundraising, printing, postage and shipping, telephone and internet, occupancy, office, insurance and other miscellaneous are allocated on the basis of estimates of time and effort.

Prior Year Summarized 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 accounting principles generally accepted in the United States of America. Accordingly, such information should only be read in conjunction with the Foundation's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Change in Accounting Principle: In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights of obligations created by leases that extended more than twelve months on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Foundation has elected the package of practical expedients permitted in ASU 2016-02. Accordingly, The Foundation accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASU 2016-02, (b) whether classification of the operating leases would be different in accordance with ASU 2016-02, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2015) would have met the definition of initial direct costs in ASU 2016-02 at lease commencement. No changes to beginning net assets were necessary as The Foundation implemented this change in accounting principle on a modified retrospective basis.

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The Foundation has the following financial assets that could readily be made available within one year of each fiscal year end to fund expenses without limitations:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 2,560,788	\$ 2,791,271
Investments	1,216,699	1,457,201
Contributions receivable	<u>1,742,321</u>	<u>1,580,011</u>
Total financial assets	5,519,808	5,828,483
Less amounts unavailable for general expenditure within one year:		
Board-designated:		
Scholarship renewals	(2,082,650)	(1,931,700)
With donor restrictions:		
Purpose restrictions	(1,515,176)	(1,398,687)
Time-restricted for future periods	<u>(614,150)</u>	<u>(558,750)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,307,832</u>	<u>\$ 1,939,346</u>

In addition to financial assets available to meet general expenditures over the year, the Foundation operates with a balanced budget and anticipates covering its general expenditures by collecting contributions, grants, and other revenues and by utilizing donor-restricted resources from current and prior years gifts. As part of the liquidity management plan, the Foundation has invested amounts in short-term investments and money market funds.

NOTE 3 - PROGRAM SERVICES

The programmatic pillar of the Pat Tillman Foundation is the Tillman Scholars (TS) Program. Founded in 2008, the TS Program supports our nation's active-duty service members, veterans and their spouses with an academic scholarship and programmatic support. The scholarship covers direct study-related expenses, including tuition and fees, books and living expenses, for scholars who are pursuing undergraduate, graduate or professional degrees as a full-time student at a public or private, U.S.-based accredited institution. Each year, the Foundation selects up to 60 Tillman Scholars who embody Pat's commitment to service, learning and action. The Scholars chosen demonstrate extraordinary academic and leadership potential, a track record of perseverance, and a deep desire to create positive change through their work in the fields of medicine, law, business, policy, technology, education, and the arts.

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 3 - PROGRAM SERVICES - CONTINUED

Since its inception, the TS Program has evolved into a community of military veterans and spouses, accepting applicants based on merit and potential for impact. Overall, since inception the Foundation has invested over \$25 million in Tillman Scholar scholarships and has named over 810 Tillman Scholars at more than 120 academic institutions nationwide. Tillman Scholars represent all five branches of the United States military, including the National Guard and reserves, as well as military spouses.

Aided by a grassroots marketing effort, the Foundation received nearly 1,500 complete applications during the month-long submission window during the year ended December 31, 2022. After careful review and consideration among regional and final selection committees, 60 candidates were selected to join the tenth class of Tillman Scholars. During the years ended December 31, 2022 and 2021, the Foundation awarded \$1,311,803 and \$1,281,500, respectively, in scholarships. As of December 31, 2022 and 2021, the Board has designated \$2,082,650 and \$1,931,700, respectively, in funds for anticipated scholarship fund renewals for current Tillman Scholars. Prior to focusing on veterans' education, the Foundation fully endowed the Leadership Through Action™ program at Arizona State University, serving promising undergraduate students with a unique personal development and leadership curriculum.

NOTE 4 - CASH AND CASH EQUIVALENTS

The Foundation's cash and cash equivalents consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash in bank	\$ 2,445,466	\$ 2,704,933
Money market funds	<u>115,322</u>	<u>86,338</u>
	<u>\$ 2,560,788</u>	<u>\$ 2,791,271</u>

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes 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 and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities, and they are considered to be the most reliable evidence of fair value.

Level 2 inputs are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. The Foundation currently does not have any financial instruments it values based on Level 2 inputs.

Level 3 inputs are unobservable and are used to measure fair value only when observable inputs are not available. The Foundation currently does not have any financial instruments it values based on Level 3 inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Mutual funds: Valued as the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS - CONTINUED

Fair value of assets measured on a recurring basis was as follows at December 31:

	<u>Level 1</u>	
	<u>2022</u>	<u>2021</u>
Mutual funds:		
US fixed income	\$ 151,001	\$ 176,784
Non-US fixed income	104,582	110,895
US fund bonds	123,418	142,258
International equities	75,188	82,452
Large cap equity	453,051	562,979
Other	<u>309,459</u>	<u>381,833</u>
Total investments	<u>\$ 1,216,699</u>	<u>\$ 1,457,201</u>

Investments consist of shares in mutual funds, and are stated at fair value. Net (loss) gain on investments consisted of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 34,019	\$ 42,978
Unrealized and realized (loss) gain	<u>(270,861)</u>	<u>116,915</u>
	<u>\$ (236,842)</u>	<u>\$ 159,893</u>

NOTE 6 - CONTRIBUTIONS RECEIVABLE, NET

The Foundation's contributions receivable totaling \$1,742,321 and \$1,580,011 at December 31, 2022 and 2021, respectively, were due in less than one year.

At December 31, 2022 and 2021, 45% and 49%, respectively, of contributions receivable was due from one donor. The Foundation considers the balances to be fully collectible and has not recorded an allowance for doubtful accounts at December 31, 2022 or 2021.

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 7 - PAYCHECK PROTECTION PROGRAM

In April 2020, the Foundation received loan proceeds in the amount of \$234,627, under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was scheduled to bear interest at a rate of 1% and mature in August 2023. Payments were to be due beginning in September 2021. Forgiveness of the loan was subject to compliance and approval based on the timing and use of funds in accordance with the program requirements.

In May 2021, the Foundation received loan forgiveness in the amount of \$234,627. The forgiveness is recognized as gain on forgiveness of loan on the statement of activities for the year ended December 31, 2021.

NOTE 8 - BOARD RESTRICTED NET ASSETS

The Foundation's Board of Directors has established funds designated for anticipated scholarship renewals for current Tillman Scholars. These amounts have been included in net assets without donor restrictions as designations imposed by the Board and are not donor restricted.

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions activity for the year ended December 31, 2022 is as follows:

	Beginning <u>Balance</u>	<u>Contributions</u>	<u>Releases</u>	Ending <u>Balance</u>
Time restriction on contributions receivable	\$ 558,750	\$ 542,900	\$ (487,500)	\$ 614,150
Pat's Run sponsorships and registrations	238,500	340,200	(238,500)	340,200
Other event sponsorships	150,000	200,000	(171,250)	178,750
Scholarships	610,000	540,000	(545,000)	605,000
Other program expenses	400,187	148,750	(157,711)	391,226
	<u>\$ 1,957,437</u>	<u>\$ 1,771,850</u>	<u>\$(1,599,961)</u>	<u>\$ 2,129,326</u>

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 9 - NET ASSETS RELEASED FROM RESTRICTIONS - CONTINUED

Net assets with donor restrictions activity for the year ended December 31, 2021 is as follows:

	Beginning <u>Balance</u>	<u>Contributions</u>	<u>Releases</u>	Ending <u>Balance</u>
Time restriction on contributions receivable		\$ 558,750		\$ 558,750
Pat's Run sponsorships and registrations	\$ 197,000	228,500	\$ (187,000)	238,500
Other event sponsorship	200,000	150,000	(200,000)	150,000
Scholarships	520,000	590,000	(500,000)	610,000
Other program expenses	<u>298,800</u>	<u>144,000</u>	<u>(42,613)</u>	<u>400,187</u>
	<u>\$ 1,215,800</u>	<u>\$ 1,671,250</u>	<u>\$ (929,613)</u>	<u>\$ 1,957,437</u>

NOTE 10 - CONTRIBUTIONS IN-KIND

The Foundation records various types of in-kind support, including rent, supplies and professional services. Contributed in-kind support is recognized in accordance with accounting principles generally accepted in the United States of America. This requires recognition of certain services received if those services (a) create or enhance long-lived assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Donated facility, general support and professional services are valued based on amounts estimated by donors that would otherwise be paid at fair market value. Event related and other in-kind contributions include donated advertising, gift certificates, and supplies, and are valued based on estimated retail pricing.

	<u>2022</u>	<u>2021</u>
Donated supplies	\$ 37,907	\$ 28,640
Special event support	<u>405,625</u>	<u>298,459</u>
	<u>\$ 443,532</u>	<u>\$ 327,099</u>

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 11 - LEASES

The Foundation has an operating lease for the Chicago office that expires in July 2029. Rental expense for the Chicago lease was \$102,836 for the year ended December 31, 2022, and is included in the occupancy expenses in the statement of functional expenses.

During the year ended December 31, 2022, the components of the lease expense were as follows:

Operating lease cost:	
Rent expense:	\$ 102,836

Supplemental information for the statement of activities for the year ended December 31, 2022 related to lease was as follows:

Operating lease right-of-use assets, net	\$ 643,719
Operating lease liabilities:	\$ 676,205

Weighted average remaining lease term:	
Operating leases	7 years

During the year ended December 31, 2022, the Foundation had the following cash and non-cash activities associated with leases:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 70,349

Non-cash investing and financing activities	
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	\$ 779,839

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

Pat Tillman Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

(with comparative financial information as of and for the year ended December 31, 2021)

NOTE 11 - LEASES - CONTINUED

Future minimum operating lease commitments are as follows:

Year ending December 31,	
2023	\$ 72,098
2024	92,376
2025	113,638
2026	116,465
2027	119,375
Thereafter	<u>195,538</u>
	709,490
Less: interest	<u>33,285</u>
Present value of lease liabilities	<u>\$ 676,205</u>

Because the Foundation does not have access to the rate implicit in the lease, the Foundation utilizes the appropriate US Treasury Bill rate relative to the lease terms as the discount rate. As of December 31, 2022, the weighted average discount rate on the operating lease was 1.358%.

NOTE 12 - CONCENTRATIONS

The Foundation sponsors several fundraising events each year to help fund its Tillman Scholars Program. The largest event, Pat's Run, is a 4.2 mile run/walk held in Tempe, Arizona annually. During the years ended December 31, 2022 and 2021, net proceeds of \$1,049,622 and \$878,323, respectively, excluding in-kind contributions, comprised 22% and 16%, respectively, of total revenue and support each year.

NOTE 13 - CONFLICT OF INTEREST POLICY

Included among the Foundation's Board of Directors and officers are volunteers from the community who provide valuable assistance to the Foundation in the development of policies and programs and in the evaluation of business transactions. The Foundation has adopted a conflict of interest policy whereby Board members are disqualified from participation in the final decisions regarding any action affecting their related companies or agencies.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 14, 2023, which was the date the Foundation's financial statements were issued.

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