

The Intrepid Fallen Heroes Fund

Financial Statements

April 30, 2012

Independent Auditors' Report**Audit Committee
The Intrepid Fallen Heroes Fund**

We have audited the accompanying statement of financial position of The Intrepid Fallen Heroes Fund (the "Fund") as of April 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's April 30, 2011 financial statements and, in our report dated September 8, 2011 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Intrepid Fallen Heroes Fund as of April 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies, LLP

New York, New York
September 13, 2012

The Intrepid Fallen Heroes Fund

Statement of Financial Position

April 30, 2012

(with comparative amounts at April 30, 2011)

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 23,892,386	\$ 19,346,657
Pledges receivable, net	506,034	735,187
Contributions receivable	28,802	874,069
Prepaid expenses and other	21,192	17,594
Due from affiliates	-	476
Furniture and equipment, net	-	370
Construction in progress	<u>211,180</u>	<u>-</u>
	<u>\$ 24,659,594</u>	<u>\$ 20,974,353</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 56,799	\$ 70,176
Construction costs payable	<u>183,105</u>	<u>11,138</u>
Total Liabilities	<u>239,904</u>	<u>81,314</u>
Net Assets		
Unrestricted	24,419,690	20,793,039
Temporarily restricted	<u>-</u>	<u>100,000</u>
Total Net Assets	<u>24,419,690</u>	<u>20,893,039</u>
	<u>\$ 24,659,594</u>	<u>\$ 20,974,353</u>

See notes to financial statements

The Intrepid Fallen Heroes Fund

Statement of Activities
Year Ended April 30, 2012
(with summarized totals for the year ended April 30, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 4,171,884	\$ -	\$ 4,171,884	\$ 6,124,392
In-kind contributions	388,789	-	388,789	423,845
Special event revenue, net of direct costs of \$251,593	-	-	-	4,202,741
Interest and dividends	188,606	-	188,606	165,499
Net assets released from restrictions	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>4,849,279</u>	<u>(100,000)</u>	<u>4,749,279</u>	<u>10,916,477</u>
EXPENSES				
Program	355,401	-	355,401	56,709,735
Supporting services				
General and administrative	679,169	-	679,169	882,480
Fundraising	<u>188,058</u>	<u>-</u>	<u>188,058</u>	<u>133,076</u>
Total Expenses	<u>1,222,628</u>	<u>-</u>	<u>1,222,628</u>	<u>57,725,291</u>
Change in Net Assets	3,626,651	(100,000)	3,526,651	(46,808,814)
NET ASSETS				
Beginning of year	<u>20,793,039</u>	<u>100,000</u>	<u>20,893,039</u>	<u>67,701,853</u>
End of year	<u>\$ 24,419,690</u>	<u>\$ -</u>	<u>\$ 24,419,690</u>	<u>\$ 20,893,039</u>

The Intrepid Fallen Heroes Fund

Statement of Functional Expenses
 Year Ended April 30, 2012
 (with summarized totals for the year ended April 30, 2011)

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2012 Total</u>	<u>2011 Total</u>
Payroll and related expenses	\$ 123,903	\$ 434,391	\$ 88,266	\$ 646,560	\$ 627,747
Occupancy	-	37,926		37,926	35,607
Contracted services	-	12,640	-	12,640	10,290
Contributions and grants	226,250	-	-	226,250	56,615,330
Postage and delivery	-	1,057	3,344	4,401	3,914
Office expenses	-	8,791	-	8,791	9,052
Marketing	-	243	-	243	7,301
Design and printing	-	740	2,345	3,085	4,254
Public relations	-	8,640	27,360	36,000	36,000
Travel	-	750	2,377	3,127	7,315
Entertainment	-	58	284	342	717
Telephone and internet	-	843	2,670	3,513	3,520
Utilities	-	20,204	-	20,204	18,407
Insurance	-	25,406	-	25,406	23,592
Professional fees	-	108,675	35,246	143,921	164,423
Regulatory fees	5,248	-	-	5,248	5,548
Service charges	-	5,736	20,702	26,438	35,616
Bad debt expense	-	7,780	-	7,780	107,944
Other expenses	-	4,919	5,464	10,383	7,636
Depreciation	-	370	-	370	1,078
	<u>\$ 355,401</u>	<u>\$ 679,169</u>	<u>\$ 188,058</u>	<u>\$1,222,628</u>	<u>\$57,725,291</u>

The Intrepid Fallen Heroes Fund

Statement of Cash Flows
Year Ended April 30, 2012
(with comparative amounts for year ended April 30, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,526,651	\$ (46,808,814)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	370	1,078
Bad debt expense	7,780	107,944
Donation of marketable securities	(5,388)	(6,008)
Proffer of the NICoE to the United States Department of the Navy	-	56,425,080
Changes in operating assets and liabilities		
Pledges receivable	221,373	82,967
Contributions receivable	845,267	(639,268)
Prepaid expenses and other	(3,598)	(9,537)
Accounts payable and accrued expenses	(13,377)	9,758
Net Cash from Operating Activities	4,579,078	9,163,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayments from affiliates	476	233,470
Proceeds from sale of investments	5,388	6,008
Payments for construction-in-progress	(39,213)	(12,649,962)
Net Cash from Investing Activities	(33,349)	(12,410,484)
Net Change in Cash and Cash Equivalents	4,545,729	(3,247,284)
CASH AND CASH EQUIVALENTS		
Beginning of year	19,346,657	22,593,941
End of year	\$ 23,892,386	\$ 19,346,657
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non cash investing activities		
Construction-in-progress costs payable to contractors	\$ 183,105	\$ 11,138

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2012

1. Organization and Tax Status

The Intrepid Fallen Heroes Fund (the "Fund") was formed on October 30, 2003 as a not-for-profit Corporation organized under the laws of the State of New York.

Through May 12, 2005, the Fund provided support for dependent family members of military personnel who had given their lives in defense of the United States of America. Specifically, the Fund provided unrestricted grants and scholarships to dependent family members of U.S. or U.K. military personnel ("Beneficiaries") who have given their lives in operations in Iraq and Afghanistan. With the May 12, 2005 signing of a new federal law, the United States Government significantly increased the support provided to families of military personnel lost in Iraq and Afghanistan. Accordingly, effective May 31, 2005 and with the approval of the Board of Trustees ("Board"), the Fund embarked on a new mission and directed its efforts to the construction of the Center for the Intrepid (the "Center"), a world-class, state-of-the-art national physical rehabilitation facility at Brooke Army Medical Center in San Antonio, Texas. The Center serves military personnel who have been catastrophically disabled in operations in Iraq and Afghanistan, as well as military personnel severely injured in the normal performance of their duties. Upon completion of the Center in January 2007, the Center was donated to the United States Army ("Army"), which now assumes responsibility for its operations and maintenance.

Upon completion of the Center the Fund embarked on the construction and equipping of the National Intrepid Center of Excellence ("NICoE"), a 72,000-square-foot facility, located at the National Military Medical Center in Bethesda, MD. Upon completion of the NICoE the facility was officially turned over to the United States Department of the Navy on June 24, 2010, for staffing and operation. The NICoE is dedicated to research, diagnosis and treatment of traumatic brain injury. Traumatic brain injury afflicts as many as several hundred thousand veterans of the Iraq and Afghanistan conflicts.

During November 2011, the Board of Trustees voted unanimously to embark on a new program which will expand the capabilities of the NICoE by constructing a series of NICoE Satellite Centers ("Satellite Centers") at major military deployment bases around the United States, allowing care to be given close to home for troops returning from deployment. Each Satellite Center will be digitally tethered to NICoE to enable sharing of advances in the development of diagnostic and treatment techniques and lessons learned in application of care at the Satellite Centers. The Fund has launched a \$100 million campaign to raise funds for the construction of the Satellite Centers. Funds have been raised to construct the first two Satellite Centers located at Fort Belvoir, Virginia and Camp Lejeune, North Carolina. Construction of both these Satellite Centers began in June 2012. It is estimated that each Satellite Center will cost approximately \$10 million to \$12 million to construct and that in total nine Satellite Centers will be built.

The Fund is supported by public contributions which are used specifically for construction of the NICoE Satellite Centers and any other mission related costs. Administrative and fundraising costs are funded using contributions made by members of the Board of Trustees and/or their affiliates, interest earned on savings and checking accounts, and unrestricted non-affiliated donor funds.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2012

1. Organization and Tax Status (*continued*)

The Fund has been determined by the Internal Revenue Service to be a charitable organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as a publicly supported organization and not as a private foundation under Section 509(a)(1) of the IRC, and qualifies for the maximum charitable contribution deduction by donors.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the period then ended. Actual results could differ from those estimates.

Basis of Presentation

The financial statements report net assets separately by class of net assets. Unrestricted net assets are those that are not subject to donor-imposed or time restriction stipulations. Temporarily restricted net assets represent contributions with donor imposed restrictions that have not yet been satisfied. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Permanently restricted net assets are those which are established by donor gifts to provide a permanent endowment.

Cash and Cash Equivalents

The Fund considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Pledges Receivable

Pledges receivable are stated net of an allowance for doubtful accounts. Bad debts are provided for on the allowance method based on historical experience and management's estimation of collection losses on outstanding receivables. The Fund recognizes unconditional pledges at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable in the years in which the pledge was received. Amortization of discounts is included in contribution revenue when applicable.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2012

2. Summary of Significant Accounting Policies (continued)

Furniture and Equipment

Office furniture and equipment are carried at cost and depreciated on a straight-line basis over the assets' estimated useful lives of five years. The Fund follows the practice of charging repairs and maintenance to expense as incurred.

Construction in Progress

Construction in progress is stated at cost, which includes the cost of construction and other costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and placed in service.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are classified as unrestricted, temporarily restricted, or permanently restricted support. If donor restrictions are met within the same reporting period as when the contribution was made, those contributions are recorded as unrestricted support.

In-kind Contributions

The free use of facilities, donated professional services and goods donated as part of program services, fundraising activity, or general and administrative expenses are recorded in the accompanying financial statements at their fair value on date of use or receipt to the extent that such amounts can be reasonably estimated.

In addition, a number of volunteers have made significant contributions of their time. The value of such contributions does not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America and, accordingly, is not reflected in the accompanying financial statements.

Prior Year Summarized 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Fund's audited financial statements for the year ended April 30, 2011.

Accounting for Uncertainty in Income Taxes

The Fund recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Fund had no uncertain tax positions that would require financial statement recognition. The Fund is no longer subject to audits by the applicable taxing jurisdictions for fiscal years prior to 2010.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2012

2. Summary of Significant Accounting Policies (*continued*)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 13, 2012.

3. Concentrations of Credit Risk

The Fund maintains its cash in accounts which, at times, may exceed federal insured limits. The Fund has not experienced any losses in such accounts.

4. Pledges Receivable

Pledges and contributions receivable include unconditional promises to give and are all due in less than one year. The allowance for doubtful accounts was \$107,944 at April 30, 2012.

5. Construction in Progress

Through April 30, 2012, the Fund has incurred \$211,180 in construction costs related to the Satellite Centers (Note 1).

6. Transactions with Intrepid Museum Foundation (the 'Intrepid')

An agreement between the Fund and the Intrepid provides for the exchange of certain services, including payroll, between the two organizations. During the year ended April 30, 2012, the Fund had transactions with the Intrepid as follows:

The Intrepid provided management, general and administrative services, and fund-raising support to the Fund, free of charge. These costs, in the amount of \$388,781, have been reported as in-kind contributions and are appropriately allocated among program, general and administrative, and fund-raising expenses.

The Fund provided personnel to support the Intrepid on an as-needed basis, free of charge. The costs relating to these services amounted to \$140,363 and are included in payroll and related expenses under general and administrative on the statement of functional expenses.

The Intrepid Fallen Heroes Fund

Notes to the Financial Statements
April 30, 2012

7. Related Party Transactions

The Fund had transactions with related parties as follows:

A member of the Fund's Board is an officer in a law firm which provides legal services to the Fund. Legal service fees totaling \$40,000 were paid to the law firm.

Certain members of the Board of Trustees and their affiliates made contributions to the Fund amounting to approximately \$100,000.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets were released from donor restrictions during fiscal 2012 by incurring expenses which satisfied the Operation Mend Program.

9. Tax Sheltered Salary Reduction Plan

The Fund offers a tax-sheltered salary reduction plan sponsored by the Intrepid to its employees. The Fund makes no contributions to the plan.

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