

**Naval Special Warfare Foundation, Inc.
Naval SEAL Foundation, Inc.
Financial Statements
December 31, 2010 and 2009**

Table of Contents

Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

E. Wayne Bostain, MBA, CPA

120 S. Lynnhaven Rd. Suite 203
Virginia Beach, Virginia 23452

PH. (757) 486-6767
FAX (757) 486-6931
e-mail:cpa@bostaincpa.com
www.bostaincpa.com

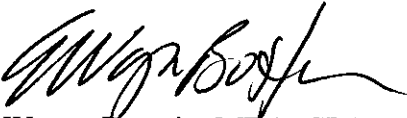
INDEPENDENT AUDITOR'S REPORT

To the Directors of the
Naval Special Warfare Foundation, Inc.
Navy SEAL Foundation, Inc.

I have audited the accompanying statements of financial position of the Naval Special Warfare Foundation, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audits. The prior year summarized comparative information has been derived from Naval Special Warfare Foundation, Inc.'s 2009 financial statements and in our report dated November 29, 2010, I expressed an unqualified opinion on those financial statements.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Naval Special Warfare Foundation, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



E. Wayne Bostain, MBA, CPA
Virginia Beach, VA
August 24, 2011

Member
American Institute of Certified Public Accountants
Virginia Society of Certified Public Accountants
Accountants Society of Virginia
Association of Certified Fraud Examiners
National Association of Enrolled Agents

Naval Special Warfare Foundation, Inc.
Statement of Financial Position
As of December 31, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current Assets:		
ABNB Checking	\$ 300,459	\$ 104,827
ABNB Savings	9	9
TowneBank Warrior Operating	31,171	-
TowneBank Operating	834,873	-
Total Current Assets	<u>1,166,512</u>	<u>104,836</u>
Investments (Note 2)	5,494,158	4,789,443
Building, net (Note 1)	4,555,174	-
Building Site Construction	-	1,328,397
Trade Receivable	1,379	-
Deposits-Utilities	500	500
Total Assets	<u>\$ 11,217,723</u>	<u>\$ 6,223,176</u>
<u>Liabilities and Net Assets</u>		
Long Term Liabilities		
Note Payable-TowneBank (Note 3)	\$ 825,000	-
Total Liabilities	<u>825,000</u>	<u>-</u>
Net Assets		
Unrestricted (Note 1)	10,385,244	6,088,970
Temporarily restricted (Note 1)	7,479	134,206
Total Net Assets	<u>10,392,723</u>	<u>6,223,176</u>
Total Liabilities and Net Assets	<u>\$ 11,217,723</u>	<u>\$ 6,223,176</u>

See Accompanying Notes to Financial Statements

Naval Special Warfare Foundation, Inc.
Statements of Activities
Years Ending December 31, 2010 and 2009

Unrestricted Net Assets	<u>2010</u>	<u>2009</u>
Unrestricted Revenues and Gains		
Contributions	\$ 4,853,053	\$ 2,379,708
Investment return	515,078	676,066
Total Unrestricted Revenues and Gains	<u>5,368,131</u>	<u>3,055,774</u>
Net Assets Released from Restrictions	1,236,985	655,000
	<u>6,605,116</u>	<u>3,710,774</u>
Expenses		
Program Services	1,452,596	955,150
Support Services	887,416	222,464
Total Expenses	<u>2,340,012</u>	<u>1,177,614</u>
Increase in Unrestricted Net Assets	4,265,104	2,533,160
Temporarily Restricted Net Assets		
Grant Income		
Navy SEAL Warrior Fund Grant	1,141,428	655,000
Net Assets Released from Restrictions		
Navy SEAL Warrior Fund Grant	(1,236,985)	(655,000)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(95,557)</u>	<u>0</u>
Increase in Net Assets	4,169,547	2,533,160
Net Assets at Beginning of Year	6,223,176	3,698,301
Prior Period Charge	-	(8,285)
Net Assets at End of Year	<u>\$ 10,392,723</u>	<u>\$ 6,223,176</u>

See Accompanying Notes to Financial Statements

Naval Special Warfare Foundation, Inc.
Statement of Functional Expenses
For the Years Ended December, 31 2009 and 2010

	2010			2009		
	Program Services	Supporting Service	Total	Program Services	Supporting Service	Total
Education & Motivation	\$ 481,972	\$ -	\$ 481,972	\$ 434,247	\$ -	\$ 434,247
Health & Welfare	884,521	-	884,521	420,568	-	420,568
History & Heritage	86,103	-	86,103	100,335	-	100,335
Bank Service Charges	-	4,065	4,065	-	70	70
Contract Labor	-	62,496	62,496	-	61,700	61,700
Payroll Expenses	-	60,603	60,603	-	-	-
Dues and Subscriptions	-	1,036	1,036	-	1,360	1,360
Fundraising	-	592,510	592,510	-	83,090	83,090
Management Fee to Advisor	-	21,090	21,090	-	15,141	15,141
Office Supplies	-	4,422	4,422	-	684	684
Postage and Delivery	-	4,256	4,256	-	2,128	2,128
Printing and Reproduction	-	1,667	1,667	-	84	84
Professional Fees	-	10,872	10,872	-	8,820	8,820
Supplies	-	19,644	19,644	-	40,521	40,521
Telephone	-	2,409	2,409	-	858	858
Travel and Entertainment	-	16,103	16,103	-	7,589	7,589
Other Expenses	-	-	-	-	419	419
Building Expenses	-	22,013	22,013	-	-	-
Board Meetings	-	340	340	-	-	-
Insurance	-	18,976	18,976	-	-	-
Miscellaneous	-	9,252	9,252	-	-	-
Utilities	-	1,918	1,918	-	-	-
Depreciation Expense	-	33,451	33,451	-	-	-
Repairs	-	293	293	-	-	-
Total	<u>\$ 1,452,596</u>	<u>\$ 887,416</u>	<u>\$ 2,340,012</u>	<u>\$ 955,150</u>	<u>\$ 222,464</u>	<u>\$ 1,177,614</u>

See Accompanying Notes to Financial Statements

Naval Special Warfare Foundation, Inc.
Statement of Cash Flows
For the Year Ending December, 31 2010

	2010	2009
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 4,169,547	\$ 2,533,360
Adjustments to reconcile increase in net assets to cash provided to operating activities:		
Depreciation expense	33,451	-
Net realized and unrealized loss (gain) on sales of investment securities	(301,651)	349,659
Accrued Payroll	(1,379)	-
Net cash provided by Operating Activities	3,899,968	2,883,019
Cash Flow From Investing Activities:		
Building	(3,260,228)	(938,539)
Proceeds from sales of investments	511,908	2,253,460
Purchase of investment securities	(914,972)	(4,373,076)
Net cash used by investing activities	(3,663,292)	(3,058,155)
Cash Flow From Financing Activities:		
Building Construction Loan	1,000,000	-
Repayment of Construction Loan	(175,000)	-
Unrestricted Funds	-	(8,285)
Net cash flow from financing activities	825,000	(8,285)
Net Increase (Decrease) in Cash	1,061,676	(183,421)
Cash and cash equivalents, beginning of year	104,836	288,257
Cash and cash equivalents, end of year	\$ 1,166,512	\$ 104,836

See Accompanying Notes to Financial Statements

Naval Special Warfare Foundation, Inc.
Notes to Financial Statements
December 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Naval Special Warfare Foundation, Inc. (NSW) was established to support the active duty U.S. Navy SEALs, Special Warfare Combatant Craft operators and military support personnel at Naval Special Warfare commands, and their families. NSW focuses on supporting health and welfare programs, education and motivational programs, and perpetuating the history and heritage of Naval Special Warfare. NSW provides financial assistance to families suffering the loss or injury of an active duty Naval Special Warfare service member. They aid the Naval Special Warfare commands with command events and family programs. NSW awards scholarships for the children and spouses of active duty Naval Special Warfare servicemen as well as tuition assistance for the active duty member. The Foundation also promotes the preservation of the history and heritage of the NSW community through monuments at national sites. The Foundation support comes primarily from individual donors' contributions.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

Basis of Presentation: Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NSW and changes therein are classified and reported as follows:

Unrestricted funds include funds that impose no restrictions on NSW as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Directors and for operating purposes.

Temporarily restricted net assets are subject to donor-imposed stipulations that will be met either by actions of NSW and/or the passage of time. These net assets represent contributions and other income, which must be spent for the purpose designated by the donors. Expirations of temporary restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Temporary restrictions on contributions to acquire long-lived assets are considered met in the period in which the assets are acquired or placed into service.

Permanently restricted net assets are subject to donor-imposed stipulations that require the principal be invested and the income be used either for a designated purpose or for general operations of NSW. Generally, the donors of these assets permit NSW to use all of, or part of, the income earned on related investments for general or specific purposes.

Naval Special Warfare Foundation, Inc.
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies, Continued:

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 are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Gains and losses in the present value of contributions receivable are included as contributions revenue or loss. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Cash and Cash Equivalents: For purposes of the statements of cash flows, NSW considers all highly liquid securities not included in the investment portfolio that were purchased with a maturity of three months or less to be cash equivalents.

Credit Risk: Financial instruments that potentially subject NSW to concentrations of credit risk consist principally of cash and cash equivalents. NSW maintains its cash and cash equivalents in a financial institution with balances that periodically exceed federally insured limits.

Contributions: Contributions are recorded as revenue in the year made. Contributions are solicited from entities and individuals primarily throughout the United States.

Investments and Investment Income: NSW accounts for long-term investments at fair value. Certain less marketable securities are generally carried at values determined by the respective investment managers. Investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the risks in the near term could materially affect amounts reported on the financial statements.

Property and Equipment: Property and equipment are stated at cost, less accumulated depreciation. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 40 years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

	2010	2009
Buildings and Improvements	\$ 4,588,625	\$ -
Less: Accumulated Depreciation	(33,451.00)	-
Net	\$ 4,555,174	\$ -

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.

Naval Special Warfare Foundation, Inc.
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies, Continued:

Income Taxes: NSW received a favorable determination letter from the Internal Revenue Service, stating that it is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Contributed Services: NSW receives services from volunteers for support of NSW activities. The value of these services is not clearly measurable and is not recorded in the financial statements.

Use of Estimates: Management of NSW has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expense and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates.

Adoption of New Accounting Principles: During 2010, NSW adopted FASB Staff Position FAS 117-1, Endowments of Non-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures of All Endowment Funds ("FSP"). The FSP requires expanded disclosures for all endowment funds (see Endowment Funds below). NSW also adopted for 2010 certain provisions of Statement of Financial Accounting Standard No. 157, Fair Value Measurements ("SFAS 157"), related to disclosures for financial assets and liabilities and any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements.

Endowment Funds: These funds represent designated funds by the Board of Directors that are set-aside from net assets to be used for a specific purpose. These internally-restricted funds are classified as Unrestricted-Designated and remain a portion of unrestricted net assets. As of December 31, 2010, there were no donor-restricted Endowment Funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund was as follows as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily</u>	<u>Permanently</u>
Unrestricted	\$ 8,679,031	\$ 7,479	\$ -
Board-designated Endowment	1,706,213	-	
Net Assets	<u>\$ 10,385,244</u>	<u>\$ 7,479</u>	<u>\$ -</u>

Naval Special Warfare Foundation, Inc.
Notes to Financial Statements
December 31, 2010

1. Summary of Significant Accounting Policies, Continued:

Interpretation of Relevant Law: The Board of Directors of NSW has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NSW classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the portion of the donor restricted endowment funds that are not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts appropriated for expenditure are disbursed in accordance with the donor restrictions in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, NSW considers the following factors in making a determination to appropriate or accumulate funds in the endowment funds designated by the Board of Directors:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Return Objectives and Risk Parameters: NSW has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to produce results exceeding the Consumer Price Index while assuming a low level of investment risk. NSW expects its endowment funds over time to provide an average rate of return of 2.35 percent over the Consumer Price Index.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, NSW relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NSW targets a diversified asset allocation comprised of equity and debt based investments to achieve its long-term objectives.

Investments: Investments are composed of investing in debt and equity securities and are carried at fair value.

Per Period Adjustments: Expense checks from a prior period (2009) were voided through the accounting software QuickBooks, therefore changing the balance in the Net Assets from the prior period.

Naval Special Warfare Foundation, Inc.
Notes to Financial Statements
December 31, 2010

Note 2: INVESTMENTS

	Fair Value	
	2010	2009
TowneBank Building Acct	\$ 15,415	\$ -
NSF Scholarship 6121	647,105	570,058
NSF Warrior Schwab One Acct	7,479	134,206
Charles Schwab Building Fund	30,626	495,818
NSF 5894	3,087,320	2,150,952
NSF Endowment Society 1503	1,706,213	1,438,409
	\$ 5,494,158	\$ 4,789,443

The following Schedule summarizes the investment return and its classification in the statement of activities for the period ended December 31, 2010:

	2010	2009
Interest and Dividends	\$ 212,022	\$ 120,346
Other Income	1,422	20,304
Change in Asset Value	793,817	885,076
Total Investment Return	\$ 1,007,261	\$ 1,025,726

Note 3: LINE OF CREDIT

As of December 31, 2010, the NSW has a line of credit with TowneBank with a maximum available amount of \$2,000,000. The line carries an interest index at the Wall Street Journal Prime Rate index (the index was 3.250% at December 31, 2010) plus 1.750 percentage points over the index (resulting in a combined rate of 5.000% at December 31, 2010). There was a \$825,000 principal balance outstanding under the line of credit as of December 31, 2010.

Note 4: MERGER WITH THE NAVY SEAL WARRIOR FUND

As of January 1, 2011 a planned merger between the Naval Special Warfare Foundation, Inc. and the Navy SEAL Warrior Fund, Inc. was completed. The new name of the merged entities is the Navy SEAL Foundation, Inc.

Naval Special Warfare Foundation, Inc.
Notes to Financial Statements
December 31, 2010

Note 5: COMPLETION OF THE SEAL HERITAGE CENTER

The construction of the SEAL Heritage Center was completed in 2010. The new building serves as the headquarters for the Navy Seal Foundation, Inc., UDT-Seal Association, as well as a Community and Event Center in support of Navy Seal Commands, families and support coordinators. The SEAL Heritage Center (SHC) has been constructed on land provided by the U.S. Navy on the Naval Amphibious Base Little Creek in Norfolk, VA. This SHC comprises of 18,000 square feet and houses a library and archive with historical information and educational materials; a memorial roll call to fallen teammates; an auditorium; conference room; and Heritage Hall. The SHC is a facility where families will receive support services, hold recreational and social events for children of deployed personnel, and host Naval Special Warfare functions and memorials.