OPERATION GRATITUDE, INC.

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2020

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

C O N T E N T S

Independent Auditor's Report

To the Board of Directors
Operation Gratitude, Inc.
Chatsworth, California

We have audited the accompanying financial statements of Operation Gratitude, Inc. (a California nonprofit public benefit corporation) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Operation Gratitude, Inc. as of December 31, 2020, 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.

Other Matter

On February 1, 2020, Operation Gratitude, Inc. adopted ASU No. 2016-02, *Leasing, and Related Amendments.* Adoption of these standards had a material impact on the Organization's statement of financial position but did not have a significant impact on the results of operations or cash flows. The most significant impact was the recognition of operating lease assets (referred to as right-of-use assets) of $1,138,160, and corresponding operating lease liabilities of $1,158,782 as of December 31, 2020. Prior periods were not restated upon adoption of these standards. Further information can be found in Note 2 to the financial statements.

Gursey | Schneider LLP

May 25, 2021
Los Angeles, California

OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Financial Position
December 31, 2020

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 4,509,684
Investments, at fair value	5,205,463
Contributions receivable, net of allowance	250,160
Prepaid expenses and other assets	242,941
Contributed inventory	9,953,009
Total Current Assets	20,161,257
OTHER ASSETS	
Property and equipment, net	143,694
Deposits	78,822
Right-of-use asset, operating lease	1,138,160
Total Other Assets	1,360,676
TOTAL ASSETS	$ 21,521,933

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	164,345
Loan payable - Paycheck Protection Program	427,557
Right-of-use liability, operating lease, current portion	391,714
Total Current Liabilities	983,616
OTHER LIABILITIES	
Right-of-use liability, operating lease	767,068
TOTAL LIABILITIES	1,750,684
NET ASSETS	
Without donor restrictions	17,557,899
With donor restrictions	2,213,350
TOTAL NET ASSETS	19,771,249
TOTAL LIABILITIES AND NET ASSETS	$ 21,521,933

OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions	$ 4,825,089	$ 2,415,000	$ 7,240,089
Contributed goods for distribution	14,288,222	-	14,288,222
Contributed professional services	265,222	-	265,222
Subtotal - Contributions	19,378,533	2,415,000	21,793,533
Investment income, net	545,722	-	545,722
Net assets released from restriction	1,426,014	(1,426,014)	-
TOTAL REVENUES AND SUPPORT	21,350,269	988,986	22,339,255
FUNCTIONAL EXPENSES:			
Program services	14,775,281	-	14,775,281
Management and general	715,085	-	715,085
Fundraising	395,432	-	395,432
TOTAL FUNCTIONAL EXPENSES	15,885,798	-	15,885,798
CHANGES IN NET ASSETS	5,464,471	988,986	6,453,457
NET ASSETS, BEGINNING OF YEAR	12,093,428	1,224,364	13,317,792
NET ASSETS, END OF YEAR	$ 17,557,899	$ 2,213,350	$ 19,771,249

OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
PERSONNEL EXPENSES				
Salaries	$ 1,923,425	$ 392,150	$ 206,534	$ 2,522,109
Fringe benefits	90,349	18,246	9,696	118,291
Payroll Taxes	133,408	26,047	14,170	173,625
Subtotal	2,147,182	436,443	230,400	2,814,025
OTHER EXPENSES				
Bad debt	-	29,302	-	29,302
Bank and credit card charges	-	887	74,315	75,202
Corporate event shipping costs	-	-	11,443	11,443
Depreciation	56,117	1,477	1,477	59,071
Development and advertising	39,710	8,040	4,176	51,926
Dues and subscriptions	3,304	783	374	4,461
Equipment rent	92,768	2,441	2,441	97,650
Goods donated	10,794,753	-	-	10,794,753
Insurance	59,573	12,258	6,458	78,289
Obsolete inventory	196,541	-	-	196,541
Occupancy	483,799	12,189	12,189	508,177
Office supplies	23,911	3,669	1,861	29,441
Packaging and supplies	86,432	-	-	86,432
Postage and shipping	517,220	-	-	517,220
Printing	-	-	2,122	2,122
Professional services	116,586	184,839	36,356	337,781
Taxes and licenses	6,455	2,368	754	9,577
Telephone	7,882	1,572	842	10,296
Temporary help	47,486	-	-	47,486
Travel	22,856	4,573	2,386	29,815
Website and software	72,706	14,244	7,838	94,788
Subtotal	12,628,099	278,642	165,032	13,071,773
TOTAL EXPENSES	$ 14,775,281	$ 715,085	$ 395,432	$ 15,885,798
Percentage of total expenses	*93%*	*5%*	*2%*	*100%*

OPERATION GRATITUDE, INC.
(A California Nonprofit Public Benefit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$	6,453,457
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation - property and equipment		59,071
Amortization - right-of-use leased asset - operating		20,622
Net realized and unrealized investment gains		(492,742)
Loss on sale of fixed assets		2,011
(Increase) / decrease in assets:		
Contributions receivable		353,150
Prepaid expenses		(84,291)
Contributed inventory		(3,547,426)
Increase / (decrease) in liabilities:		
Accounts payable and accrued expenses		(385,607)
NET CASH PROVIDED BY OPERATING ACTIVITIES		2,378,245
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments		1,849,306
Cash paid for purchases of investments		(2,367,287)
Proceeds from sale of property and equipment		5,500
Cash paid for purchases of property and equipment		(81,084)
NET CASH USED FOR INVESTING ACTIVITIES		(593,565)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from loan - Paycheck Protection Program		427,557
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,212,237
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		2,297,447
CASH AND CASH EQUIVALENTS, END OF YEAR	$	4,509,684
NON-CASH INVESTING AND FINANCING ACTIVITY:		
ROU-Asset for Operating Lease	$	1,498,656

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Operation Gratitude, Inc., a California nonprofit public benefit corporation (the "Organization"), seeks to forge strong bonds between Americans and their Military and First Responder heroes through volunteer service projects, acts of gratitude, and meaningful engagements in communities nationwide.

In March of 2003, Operation Gratitude sent its first four care packages to deployed service members in Iraq. Since its inception, the organization has given millions of Americans the opportunity to go a step beyond saying "thank you for your service" through hands-on volunteerism, lifting the spirits of more than 3.1 million deployed troops, recruit graduates, veterans, military families, first responders and healthcare heroes.

Volunteers are the heart and soul of the organization. Through donation drives, letter-writing campaigns, craft projects, service projects, and other activities, the grassroots nonprofit creates opportunities for citizens, in and out of uniform, to serve together, make meaningful connections, and better understand one another. In doing so, Operation Gratitude strengthens communities across the country by building bridges between civilians, military, veterans, first responders and their families.

During the year ended December 31, 2020, the Organization assembled and distributed care packages or their equivalents to approximately 621,000 military, veterans, and first responders worldwide, including approximately 81,000 military service members, 57,000 veterans, 16,000 first responders, and 16,000 military families through its traditional care package programs, and 451,000 frontline responders (mobilized National Guard, first responders, and healthcare workers) in response to the COVID-19 pandemic.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Net Assets – The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Revenues, gains, expenses, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- **Without Donor Restrictions** – Net assets without donor restriction represent the portion of expendable funds that are available to support the operations and are not subject to donor-imposed restrictions. Additionally, the Organization recognizes a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

- **With Donor Restrictions** – Net assets that are subject to donor-imposed restrictions that limit the use of their contributions. Donor restrictions may result in temporarily restricted net assets, where the use of contributions is limited by donor-imposed stipulations that either expire by the passage of time or when used for specified purposes. Donor restrictions may also result in permanently restricted net assets, where the donor stipulations neither expire by the passage of time nor can be fulfilled or otherwise removed by the Organization's actions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Cash and Cash Equivalents – For financial statement purposes, the Organization considers cash on hand, cash held in checking accounts, deposits in transit from donation processing platforms, and highly liquid, short-term money market investments to be cash and cash equivalents.

Investments – The Organization accounts for its investments at fair value, determined by quoted market prices. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as net assets without donor restrictions unless their use is temporary or permanently restricted by donors to a specified purpose or future period.

Net investment income consists of interest, dividends, realized and unrealized gains and (losses). Net investment income is presented net of related investment fees of $43,543. Footnote 5 includes a summary of net investment activity.

Revenue Recognition – Contributions and pledges are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions and pledges are recorded at their fair value as support without donor restriction or support with donor restriction, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (when a stipulated restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions Receivable – Unconditional contributions, including grants recorded at fair value, are recognized as revenues in the period received. The Organization reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. At December 31, 2020, the Organization evaluated the collectability of grants receivable and provided an allowance of $14,580 as an estimate of uncollectible pledges. All grants and contributions receivable will be collected within one year.

Contributed Inventory – The Organization receives most of the items it sends in care packages from private donations from corporations and individuals. Contributed inventory is recorded as contributions without donor restrictions when they are received and is valued at management's best estimate of fair value at the time they are received (a Level 3 fair value measure), net of inventory that is unusable for the Organization's purposes. Upon distribution, the inventory is recorded as a decrease in net assets without donor restriction. Inventory that is unusable for the Organization's purposes is donated to other local community agencies, with special attention to directly support the Military, Veteran, and/or First Responder communities if possible.

At December 31, 2020, inventory on hand consisted primarily of home health products, consumer confectionary items, small dry grocery items, toiletries and other sundries and miscellaneous gifts, and hand-crafted items such as paracord-survival bracelets and hand-knit scarves and hats. Most inventories are warehoused in Chatsworth, California, with select items stored at partner facilities and/or are directly shipped from donors to mutually agreed upon event / distribution locations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Property and Equipment – Property and equipment are valued at cost or management's best estimate of fair value at the time of donation. Property and equipment are depreciated on a straight-line method over three or five years. Software developed for internal use is capitalized. Normal repairs and maintenance, as well as property and equipment purchase that are less than $1,000 are expensed as incurred.

Impairment of Long-Lived Assets – Long-lived assets such as property and equipment are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. The Organization has determined that no events occurred during the year ended December 31, 2020 that would give rise to impairment of its long-lived assets.

Contributed Management and Legal Services – Some management services provided to the Organization are donated. Contributed services are recognized by the Organization if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Management estimates the fair value of such services to be $156,337 for the year ended December 31, 2020 (includes donated salaries of specialized skills employees and legal services). Also included are individuals with specialized technical skill, individuals with whom the Organization would not be able to operate.

Additionally, the Organization receives a significant amount of contributed time from volunteers who do not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements. Management estimates that approximately 1,177,013 volunteer hours for service projects and activities to include solicitation, collection, and staging of donated items, letter writing and screening, knitting scarves and creating other hand-made items, and packaging, assembling, and distributing care packages and other donated items received during the year ended December 31, 2020 by a support network of volunteers around the country. The purpose of the Organization could not be fulfilled without the significant contributions of volunteer time throughout the country, which is not reflected in the accompanying financial statements.

Contributed Advertising and Other In-Kind Goods – The Organization receives donated advertisements including online advertisements, the production of a promotional video, public service announcements, and social media promotion on high-traffic websites. Management estimates the fair value of such services to be $43,885 for the year ended December 31, 2020.

Functional Allocation of Expenses – The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. Operation Gratitude also conducts a few activities which benefit both its program objectives as well as supporting activities. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting activities benefited, based on either financial or nonfinancial data, such as estimates of time and effort incurred by personnel in their employment, use of space based on square foot of space, or other non-financial measures.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Income Tax – The Organization is exempt from taxation under Internal Revenue Code ("IRC") Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic No. 740, *"Income Taxes,"* the Organization recognizes the impact of tax positions in the financial statements if those positions will more likely than not be sustained on audit, based on the technical merits of the position. The Organization is exempt from income taxes but is subject to unrelated business income tax for income from operating activities not related to their exempt purpose. Unrelated business income is taxed based on the applicable statutory federal and state income tax rates for for-profit organizations. The Organization has no unrelated business income, and has no recognized or derecognized tax benefits, tax penalties or related interest.

The Organization's federal income tax and informational returns for tax years 2017 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California remain subject to examination by the California Franchise Tax Board for years 2016 and subsequent.

Concentration of Credit Risks – The Organization maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. Bank accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Investments in money market funds are not insured by the FDIC.

As of December 31, 2020, three donors accounted for approximately 74% of contributions receivable.

Fair Value of Financial Instruments – FASB ASC Topic No. 820, *"Fair Value Measurements"* ("ASC 820"), applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in the orderly transactions between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, ASC 820 expands the disclosure requirement around fair value and established a fair value hierarchy for valuation inputs. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the follow three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable inputs that are not corroborated by market data

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets or liabilities to determine fair value. If quoted prices in active markets for identical assets or liabilities are not available to determine fair value, then they use quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly.

In accordance with ASC 820, the Organization has classified all of its cash and cash equivalents and investments in the Level 1 fair value hierarchy measured at fair value on a recurring basis at December 31, 2020. The carrying amounts of the Organization's other financial instruments such as contributions receivable, and accounts payable approximate their fair value because of the short maturity of these instruments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Risks and Uncertainties – Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

Recently Adopted Accounting Standards — Effective February 1, 2020, the Organization adopted FASB ASU 2016-02, *"Leases."* ASU 2016-02 was codified into the accounting standards as ASC No. 842 ("ASC 842"). This standard is intended to increase transparency and comparability among organizations by requiring the recognition of lease right-of-use assets and lease liabilities for virtually all leases and by requiring the disclosure of key information about leasing arrangements. There was no effect as a result of the adoption related to prior lease terms or agreements since the new standard was adopted prospectively and concurrently with the Organization's new warehouse and office lease, also effective and commencing February 1, 2020.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on February 1, 2020 (a) a lease liability and asset of approximately $1,498,656, which represents the present value of the remaining lease payments, as of the date of adoption, of approximately $1,597,281, which is discounted using the Organization's incremental borrowing rate of 3.5%. It is important to note that the implementation of this standard has a material impact on the Organization's statement of financial position when compared to prior periods but did not have a significant impact on the results of activities or cash flows for the year ended December 31, 2020.

Subsequent Events – Subsequent events have been evaluated through May 25, 2021, the date the financial statements were available to be issued.

NOTE 3 – USE OF ESTIMATES

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

The most significant estimates relate to the valuation of contributed inventory, professional and other donated services, and the valuation of inventory on hand. Contributed inventory and donated services accounted for approximately 67% of total revenue and support for the year ended December 31, 2020 and inventory on hand accounted for approximately 46% of total assets as of December 31, 2020.

The valuation of contributed inventory is based on management's best estimate of fair value for each item received. Items are valued upon receipt. Fair values are determined based on numerous factors which may include (a) amounts specified by the donor as being the wholesale selling price, (b) current retail or selling price of similar items, if known, or (c) management's own subjective appraisals based on research. Additionally, items of a unique or personal nature which do not have readily determinable fair values and goods which do not conform to the Organization's size or quality requirements for shipping are either assigned a nominal value or not assigned a value.

The valuation of donated services is based on prevailing labor costs of consultants engaged in non-profit advisory services.

NOTE 4 – LIQUIDITY AND AVAILABILITY

Financial assets consist of the Organization's cash and cash equivalents, investments, and contributions receivable. The following table summarizes the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use within one year of December 31, 2020 because of donor-imposed restrictions:

Financial assets as of December 31, 2020	$ 9,965,307
Less assets unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	(2,213,350)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,751,957

Financial assets available to meet cash needs for general expenditures within one year represent funding available for ongoing operational requirements and planned increases for program expenditures in 2021. Program expenditures are comprised mostly of goods distributed. Most goods distributed are received from private in-kind donations from corporations and individuals.

The Organization has an investment policy authorized by the board of directors that provides guidance and oversight for the management of cash and cash equivalents, and investments. The policy provides that the Organization maintain an adequate level of cash to meet on-going operational and liquidity requirements.

NOTE 5 – INVESTMENTS AND INVESTMENT INCOME

All investments were classified by type within the Level 1 fair value hierarchy. The cost basis and corresponding fair value of the Organization's investment holdings as of December 31, 2020 are summarized as follows:

	Cost Basis	Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
Mutual funds	$ 2,606,120	$ 2,916,973	$ -	$ -
Exchange traded funds	242,563	243,467	-	-
Equity securities	1,352,651	1,826,488	-	-
Real estate investment trusts	192,889	218,535	-	-
	$ 4,394,223	$ 5,205,463	$ -	$ -

NOTE 5 – INVESTMENTS AND INVESTMENT INCOME – (CONTINUED)

Net investment income for the year ended December 31, 2020 consists of the following:

Interest and dividends	$	96,523
Realized gains (losses), net		(68,487)
Unrealized gains (losses), net		561,229
Investment management fees		(43,543)
Net investment income	$	545,722

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020:

Warehouse fixtures and equipment	$	238,490
Automobiles		33,770
Software		56,832
Website		113,398
		442,490
Less accumulated depreciation		(298,796)
Net property and equipment	$	143,694

Depreciation expense for the year ended December 31, 2020 was $59,071.

At December 31, 2020, leased property consists of the following:

Right-of-use asset - operating	$	1,498,656
Less: accumulated amortization		(360,496)
	$	1,138,160

Amortization expense of the right of use asset for the year ended December 31, 2020 was $360,496. This amount is included as a component of occupancy expense in the accompanying statement of functional expenses.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020, the Organization had net assets with donor restrictions as follows:

	Available at December 31, 2019	Contributions	Released from Restriction	Available at December 31, 2020
Capital campaign	$ 277,397	$ -	$ (71,449)	$ 205,948
Corporate events	946,967	2,415,000	(1,354,565)	2,007,402
Total	$ 1,224,364	$ 2,415,000	$ (1,426,014)	$ 2,213,350

Capital Campaign – Operation Gratitude launched a two-year Capital Campaign in 2015 to purchase its own warehouse facility, which would provide room for growth in programming and volunteerism. Due to changing operational needs of the National Guard, Operation Gratitude moved into its new location in Chatsworth, CA that would accommodate the Organization's needs for at least the next three to five years.

The Board suspended the Capital Campaign during the fiscal year ended December 31, 2016 and notified all donors that their funds could either be refunded or held in the Capital Campaign account to be used for tenant improvements, technology infrastructure, or a future building purchase. If at the end of five years, no building purchase is underway, the remaining funds would seed an endowment, the interest from which would be used to further Operation Gratitude's mission. All donors have agreed to leave their funds in the Capital Campaign account. The amounts will be included as temporarily restricted net assets until such time that (a) the funds are spent according to its intended purpose, or (b) converted to a permanently restricted endowment at the conclusion of the five-year period.

Corporate Events – In 2020, Operation Gratitude entered into agreements with corporate sponsors to develop and administer care package volunteer programs for employees of the corporate sponsors. The Organization satisfied a portion of the obligations and $2,007,402 of sponsored funds are restricted until all obligations are satisfied. Management expects to fulfill the remaining obligations under these sponsorship agreements by December 31, 2021.

NOTE 8 – COMMITMENTS

Lease – On November 19, 2019, the Organization entered into a standard sublease agreement for 34,349 square feet of space in Chatsworth, California. The new lease agreement commenced on February 1, 2020 and ends on September 30, 2023.

Management estimates the discount rate at 3.5% and amortizes the lease liability using the effective interest method over the remaining 33-month term.

NOTE 8 – COMMITMENTS – (CONTINUED)

Maturities of lease liabilities as of December 31, 2020 were as follow:

Year Ending December 31,		
2021		426,125
2022		438,909
2023		353,549
Total lease payments		1,218,583
Less: Imputed interest		(59,801)
Total lease obligations	$	1,158,782

Total rent and occupancy expense (which includes the pass-through of certain building operating costs charged by the landlord) incurred for the year ended December 31, 2020 was $508,177.

In addition, the Organization leases industrial equipment for warehousing and distributing goods throughout the year. Such equipment, such as staging equipment, forklifts, and other vehicles are rented on month-to-month terms.

Employment Agreement – The Organization has an employment contract with its founder that provides for a salary, subject to annual increases, and customary benefits provided to all employees. The contract expires on June 30, 2023. The future salary commitments under this employment agreement are summarized as follows:

Years Ending December 31,		
2021	$	160,587
2022		170,222
2023		90,218
	$	421,027

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k)-profit sharing plan that covers full time employees meeting certain eligibility requirements. Employees may contribute a portion of their compensation to the plan, limited to the maximum annual amount as set forth in the adoption agreement. The Organization has elected to satisfy the safe harbor contribution requirements by making a non-elective deferral. In addition, the Organization elected to make an elective contribution to the plan. The Organization recognized contribution expenses of $86,031 for the year ended December 31, 2020.

NOTE 10 – PAYCHECK PROTECTION PROGRAM LOAN

On May 1, 2020, the Organization was able to secure a $427,557 loan under the Paycheck Protection Program ("PPP"). The interest rate on the loan is 1.0% per annum. The loan matures on May 1, 2022 ("Maturity Date").

According to the loan agreement, the first six months of interest were to be deferred to and payable on the Maturity Date and monthly interest payments were to commence seven months after the date of the loan. However, on June 5, 2020, the President signed into law the Paycheck Protection Program Flexibility Act of 2020 ("Flexibility Act") which statutorily extended the covered period of the loan from 8 weeks to 24 weeks from the date of loan origination. The Flexibility Act also extended the deferral period of principal and interest for up to ten months after this 24-week covered period, or the date that the SBA forgives the loan. All principal and accrued interest payments are otherwise due on the Maturity Date. Management intends to satisfy all PPP requirements to obtain loan forgiveness for the entire loan and accrued interest amount.

On March 9, 2021, the SBA forgave the entire loan balance of $427,557 plus accrued interest.

NOTE 11 – CONTINGENCY – GLOBAL PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The global economy and financial markets have been impacted by the global outbreak as of the date of this report and management continues to monitor conditions. The Organization is following local, state, and federal pandemic guidance.

The Organization is closely monitoring its investment portfolio and cash position with the goal to retain sufficient cash on hand to fund ongoing operations. Despite market volatility, management believes that the Organization will have sufficient liquidity in the near term to meet all planned operating needs. Further assessment on any near- and longer-term impact this might have on the Organization is ongoing.

In addition, the Organization has limited its large-scale public assembly days and is decreasing the size of it is corporate and other events. The Organization continues to develop and deploy care packages to fulfill its mission using a very finite group of employees and volunteers. The impact the pandemic will have on the Organization's abilities to mobilize large-scale events is unknown.

Management believes that it has taken appropriate cash management, cost control, and board oversight measures to provide it with sufficient liquidity to meet the organization's future operating expenditures.