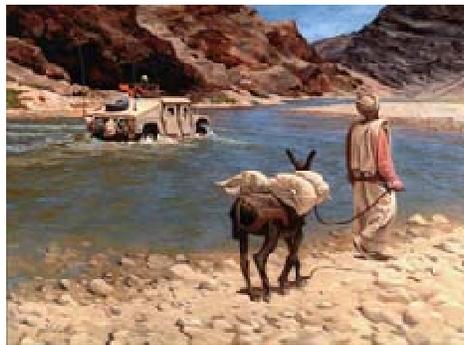


SMALL WARS FOUNDATION



Annual Report

2008



SMALL WARS FOUNDATION

smallwars.org

Directors' Statement

Small Wars Journal, the website, was launched in 2005. Though it has been operated throughout its history in a not-for-profit manner, its genesis was under Small Wars Journal, LLC, a for-profit entity (at least in theory). That simple corporate structure was expedient and sufficient for early efforts, but it did not suit expansion beyond the site's initial successes consistent with the intended character of the site. Therefore, Small Wars Foundation was formed in 2008 as the successor to Small Wars Journal, LLC. This report marks the end of our first partial year of operation.

Small Wars Foundation was incorporated on January 16, 2008. On the strength of grant funding approved and contingent only upon IRS recognition of the 501(c)(3) exemption, Small Wars Foundation assumed full ownership and operations of Small Wars Journal on June 1, 2008.

Small Wars Foundation's purpose is

- to facilitate the exchange of information among practitioners, thought leaders, and students of small wars, in order to advance knowledge and capabilities in the field;
- to assist in the creation, capture, sharing, and application of knowledge of small wars;
- and ultimately to advance self-determination, freedom, and prosperity for those populations effected by the conduct of small wars.

In the long term, Small Wars Foundation will add programs beyond the publication of Small Wars Journal to further its exempt purpose. In the short term, however, our focus is on development of the website to its potential and on building capacity within the Foundation to operate the site and its publications responsively and reliably. Though we have many improvements to make to increase usability and throughput, the site continues to resonate with the small wars community of interest by serving as neutral, open, and inclusive middle ground to enable important discussions across an active but highly segmented niche field. The year has been marked by a continuing growth of our readership, a steady flow of quality Journal articles and commentary on the SWJ Blog, and a vibrant exchange on the Small Wars Council discussion board.

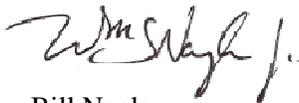
Small Wars Journal and Small Wars Foundation were operated throughout 2008 on a shoestring budget powered exclusively by volunteers -- the completely unpaid efforts of its

Small Wars Foundation is a 501(c)(3) exempt nonprofit and publishes Small Wars Journal
4938 Hampden Lane, #560, Bethesda, MD 20814

founders, editors, moderators, and most significantly the contribution of content by our authors and users. Our expenses, though minimal, are not non-existent; we have been assisted by some cash donations through the website from generous members of the community. Further, Small Wars Journal, LLC provided a \$500 cash contribution and is allowing the Foundation to defer payments of start-up expenses.

2008 closed on another good note, with the IRS recognizing Small Wars Foundation as a 501(c)(3) tax exempt nonprofit in its letter of December 31, 2008. Since the determination was retroactive, all contributions to Small Wars Journal on or after June 1, 2008 are potentially tax deductible (consult your tax advisor). Further, this positions us in 2009 to pursue funding via grants and foundations that will be important to our long term viability.

We are pleased that Small Wars Journal has found such a loyal and active user base. We are enthusiastic about your participation in the site, and are convinced that we are helping each other to make a difference on important and complex issues. We are confident that a legitimate nonprofit structure is the right way to proceed to grow the site and serve the community. We look forward to growing Small Wars Foundation and Small Wars Journal, along with our understanding of the exceedingly complex history and practice of small wars.



Bill Nagle
Director & President
bill@smallwarsjournal.com



Dave Dilegge
Director
dave@smallwarsjournal.com

Enclosure:

Financial Statements

Attachment:

Form 990 Federal Filing

Financial Statements

Statements are in whole dollars covering the period from inception to 12/31/2008.

Balance Sheet

	As of 12/31/2008
Assets	
Cash & Equivalents	373
Long Term Assets ¹	13,700
<i>Total</i>	<i>14,073</i>
Liabilities & Equity	
Accounts Payable ²	3,884
<i>Total Liabilities</i>	<i>3,884</i>
Equity	10,189
<i>Total</i>	<i>14,073</i>

Income Statement

Income	
Donations Received	1,695
Program Service Revenue ³	1,553
Interest	8
<i>Total</i>	<i>3,256</i>
Expenses	
Licenses & Fees ⁴	875
Bank Charges	48
Office, Travel & Meetings	404
Utilities (phone & internet)	1,330
Website Hosting & Software	1,610
Website Purchase	2,500
<i>Total</i>	<i>6,767</i>
Overall Total	-3,511

¹ Value of smallwarsjournal.com and related intellectual property per an April, 2008 market valuation. Actual purchase price was \$2,500. \$11,200 recognized as goodwill donated in excess of purchase price.

² Payable to Small Wars Journal, LLC per the contract of sale, consisting of \$2,500 for purchase of smallwarsjournal.com below market valuation, plus \$1,384 net operating expenses paid by Small Wars Journal, LLC during the operations transition period.

³ Advertising and referral income generated by the website.

⁴ Includes exceptional \$750 filing fee for Federal Form 1023, Application for Recognition of Exemption Under Section 501(c)(3).

Cash Flow Statement

Cash flows from operating activities		
Donations & Revenue	3,248	
Operating Expenses	-4,267	
<i>Net</i>		-1,019
Cash flows from investing activities		
Purchase of assets	-2,500	
<i>Net</i>		-2,500
Cash flows from financing activities		
Interest received	8	
Change in Accounts Payable	3,884	
<i>Net</i>		3,892
Net increase in cash & equivalents		373
Cash & equivalents, beginning of year		0
Cash & equivalents, end of year		373

Categorization of Expenses

	\$	%
Program Services	5,844	86%
Administrative & General	875	13%
Fundraising	48	1%
	6,767	100%

In the interest of full disclosure and generally accepted accounting principles, we have recognized the cut that PayPal takes from our online donations as our fundraising expense, and the filing fees for the formation of a Virginia corporation and a federal nonprofit as administrative overhead. All of our other expenses were direct costs of bringing Small Wars Journal to our readers.