



Consolidated Financial Statements
December 31, 2020 and 2019

Folds of Honor Foundation

Folds of Honor Foundation

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December 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Folds of Honor Foundation
Owasso, Oklahoma

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Folds of Honor Foundation, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Folds of Honor Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Tulsa, Oklahoma
September 2, 2021

Folds of Honor Foundation
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 35,024,333	\$ 32,308,928
Certificates of deposit	-	150,000
Operating investments	6,226,300	729,147
Accounts receivable, net	28,266	12,723
Promises to give, net	244,803	288,000
Prepaid expenses and other assets	94,520	127,446
Inventory	102,366	112,259
Property and equipment, net	3,973,068	3,602,878
Interest in net assets of chapters	3,157,279	2,861,788
Beneficial interest in assets held by community foundation	11,203	1,303,507
Total assets	\$ 48,862,138	\$ 41,496,676
Liabilities and Net Assets		
Accounts payable	\$ 64,742	\$ 284,016
Accrued expenses and other liabilities	4,984,761	6,016,912
Deferred revenue	27,372	36,857
Total liabilities	5,076,875	6,337,785
Net Assets		
Without donor restrictions		
Undesignated	38,877,155	30,737,499
With donor restrictions		
Purpose restrictions	4,663,305	4,318,392
Time-restricted for future periods	244,803	103,000
	4,908,108	4,421,392
Total net assets	43,785,263	35,158,891
Total liabilities and net assets	\$ 48,862,138	\$ 41,496,676

Folds of Honor Foundation
Consolidated Statements of Activities
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Merchandise sales	\$ 419,908	\$ -	\$ 419,908
Less cost of goods sold	(209,691)	-	(209,691)
Net merchandise sales	210,217	-	210,217
Net investment return	398,772	-	398,772
Other revenue	87,574	-	87,574
Contributions	10,452,374	532,798	10,985,172
Contribution - SBA PPP loan forgiveness	859,800	-	859,800
In-kind contributions	293,300	-	293,300
Gross special events revenue	17,747,994	-	17,747,994
Less cost of direct benefits to donors	(376,872)	-	(376,872)
Net special events revenue	17,371,122	-	17,371,122
Distributions from and change in value of beneficial interests in assets held by others	32,986	-	32,986
Change in interest in net assets of chapters	-	7,336,479	7,336,479
Net assets released from restrictions	7,382,561	(7,382,561)	-
Total revenue, support, and gains	37,088,706	486,716	37,575,422
Expenses and Losses			
Program services expense	26,335,546	-	26,335,546
Supporting services expense			
Management and general	1,272,451	-	1,272,451
Fundraising and development	1,341,053	-	1,341,053
Total supporting services expenses	2,613,504	-	2,613,504
Total expenses and losses	28,949,050	-	28,949,050
Change in Net Assets	8,139,656	486,716	8,626,372
Net Assets, Beginning of Year	30,737,499	4,421,392	35,158,891
Net Assets, End of Year	\$ 38,877,155	\$ 4,908,108	\$ 43,785,263

Folds of Honor Foundation
Consolidated Statements of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Merchandise sales	\$ 476,580	\$ -	\$ 476,580
Less cost of goods sold	(245,338)	-	(245,338)
Net merchandise sales	231,242	-	231,242
Net investment return	569,241	-	569,241
Other revenue	42,002	-	42,002
Contributions	8,423,188	445,500	8,868,688
In-kind contributions	591,859	-	591,859
Gross special events revenue	17,988,684	-	17,988,684
Less cost of direct benefits to donors	(422,774)	-	(422,774)
Net special events revenue	17,565,910	-	17,565,910
Distributions from and change in value of beneficial interests in assets held by others	221,844	-	221,844
Change in interest in net assets of chapters	-	8,091,475	8,091,475
Net assets released from restrictions	6,811,489	(6,811,489)	-
Total revenue, support, and gains	34,456,775	1,725,486	36,182,261
Expenses and Losses			
Program services expense	22,205,157	-	22,205,157
Supporting services expense			
Management and general	1,250,703	-	1,250,703
Fundraising and development	1,850,404	-	1,850,404
Total supporting services expenses	3,101,107	-	3,101,107
Total expenses and losses	25,306,264	-	25,306,264
Change in Net Assets	9,150,511	1,725,486	10,875,997
Net Assets, Beginning of Year	21,586,988	2,695,906	24,282,894
Net Assets, End of Year	\$ 30,737,499	\$ 4,421,392	\$ 35,158,891

Folds of Honor Foundation
Consolidated Statements of Functional Expenses
Year Ended December 31, 2020

	Program Services	Management and General	Fundraising and Development	Total
Scholarships	\$ 20,837,418	\$ -	\$ -	\$ 20,837,418
Salaries and wages	3,042,582	605,547	402,992	4,051,121
Employee benefits	618,456	108,378	68,605	795,439
Receptions and events	153,742	30,748	559,704	744,194
Advertising	300,062	-	200,042	500,104
Communications	203,300	5,222	121,608	330,130
Payroll taxes	260,254	30,618	15,309	306,181
Information technology	182,935	56,288	42,216	281,439
Other	116,815	69,756	46,533	233,104
Postage and printing	148,864	52,123	29,113	230,100
Travel and training	139,628	-	53,053	192,681
Bank charges	-	85,268	85,268	170,536
Depreciation and amortization	82,435	49,461	32,974	164,870
Promotional expense	72,690	43,614	29,076	145,380
Professional services	47,423	59,279	11,856	118,558
Occupancy	60,274	12,055	8,036	80,365
Insurance	41,149	8,229	5,487	54,865
Cottage operating expenses	-	49,968	-	49,968
Equipment rental and maintenance	17,179	3,436	2,290	22,905
Security	5,115	853	2,558	8,526
Legal fees	5,225	1,608	1,205	8,038
	<u>26,335,546</u>	<u>1,272,451</u>	<u>1,717,925</u>	<u>29,325,922</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(376,872)	(376,872)
	<u>-</u>	<u>-</u>	<u>(376,872)</u>	<u>(376,872)</u>
Total expenses included in the expense section on the statement of activities	<u>\$ 26,335,546</u>	<u>\$ 1,272,451</u>	<u>\$ 1,341,053</u>	<u>\$ 28,949,050</u>

Folds of Honor Foundation
Consolidated Statements of Functional Expenses
Year Ended December 31, 2019

	Program Services	Management and General	Fundraising and Development	Total
Scholarships	\$ 16,491,776	\$ -	\$ -	\$ 16,491,776
Salaries and wages	2,985,205	594,482	395,712	3,975,399
Receptions and events	384,338	76,868	1,222,591	1,683,797
Employee benefits	690,375	122,334	77,808	890,517
Travel and training	402,214	-	72,571	474,785
Other	96,083	51,964	102,090	250,137
Payroll taxes	241,047	28,359	14,179	283,585
Communications	134,634	3,972	79,164	217,770
Advertising	124,838	-	83,225	208,063
Information technology	132,175	40,669	30,502	203,346
Postage and printing	123,033	49,021	28,923	200,977
Depreciation and amortization	86,450	51,870	34,580	172,900
Occupancy	104,388	20,878	13,918	139,184
Bank charges	-	67,087	67,087	134,174
Promotional expense	58,502	35,101	23,401	117,004
Insurance	75,703	15,141	10,094	100,938
Professional services	23,028	28,785	5,757	57,570
Cottage operating expenses	-	51,325	-	51,325
Legal fees	25,758	7,926	5,944	39,628
Equipment rental and maintenance	19,565	3,913	2,609	26,087
Security	6,045	1,008	3,023	10,076
	<u>22,205,157</u>	<u>1,250,703</u>	<u>2,273,178</u>	<u>25,729,038</u>
Less expenses included with revenues on the statement of activities				
Cost of direct benefits to donors	-	-	(422,774)	(422,774)
Total expenses included in the expense section on the statement of activities	<u>\$ 22,205,157</u>	<u>\$ 1,250,703</u>	<u>\$ 1,850,404</u>	<u>\$ 25,306,264</u>

Folds of Honor Foundation
Consolidated Statements of Cash Flow
Year Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 8,626,372	\$ 10,875,997
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	164,870	172,899
Contributions of property and equipment	-	(477,300)
Loss on disposal of property and equipment	-	14,029
Realized and unrealized gain on operating investments	(158,348)	(173,766)
Change in beneficial interests in assets held by others	(12,332)	(193,275)
Change in interest in net assets of chapters	(7,336,479)	(8,091,475)
Accounts receivable, net	(15,543)	(11,824)
Promises to give, net	43,197	(123,361)
Inventories, net	9,893	13,623
Prepaid expenses and other assets	32,926	31,769
Accounts payable	(219,274)	19,926
Accrued expenses and other liabilities	(1,032,151)	1,015,692
Deferred revenue	(9,485)	17,381
Net Cash from Operating Activities	93,646	3,090,315
Investing Activities		
Purchases of operating investments	(5,338,805)	(96,209)
Purchases of certificates of deposit	-	(150,000)
Redemption of certificates of deposit	150,000	-
Additions to beneficial interests in assets held by others	(20,654)	(28,569)
Proceeds received from beneficial interests in assets held by others	1,325,290	-
Purchases of property and equipment	(535,060)	(470,580)
Contributions received from chapters	7,040,988	6,615,197
Net Cash from Investing Activities	2,621,759	5,869,839
Net Change in Cash and Cash Equivalents	2,715,405	8,960,154
Cash and Cash Equivalents, Beginning of Year	32,308,928	23,348,774
Cash and Cash Equivalents, End of Year	\$ 35,024,333	\$ 32,308,928

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Folds of Honor Foundation (the Foundation), is a nonprofit organization established in May 2007 to provide financial assistance for the education of spouses and dependent children of service men/women who are either killed or permanently disabled while serving and defending our great nation. As of December 31, 2020, the Foundation has awarded approximately 28,000 scholarships to help defray educational expenses, including tuition and fees, books, instructional supplies and equipment, and room and board. It is expected the Foundation will award another 6,000 scholarships for the upcoming school year.

Principals of Consolidation

The consolidated financial statements include the accounts of the Folds of Honor Foundation, FHF Honor Cottage, LLC (the "Honor Cottage"), and The Patriot Cottages, LLC, because the Foundation has both control and economic interests in the cottages. All significant intercompany accounts have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the "Foundation".

Cash and Cash Equivalents

All cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes are considered, to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for cottage rentals. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At December 31, 2020 and 2019, no allowance was considered necessary.

Promises to Give

The Foundation records unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2020 and 2019, no allowance was considered necessary.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 39 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

Inventory

Inventory is comprised of program-related merchandise held for sale by the Foundation and is stated at the lower of cost or net realizable value determined by the first-in first-out method. The Foundation has determined that an allowance for inventory obsolescence was not warranted at December 31, 2020 and 2019.

Beneficial Interest in Assets Held by Community Foundation

The Foundation established a reserve endowment fund (the Fund) under Tulsa Community Foundation's (TCF) Non-profit Preservation Endowment Challenge Grant program and named itself beneficiary. The Foundation granted variance power to TCF which allows TCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of TCF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Fund is held and invested by TCF for the benefit of the Foundation and is reported at fair value in the consolidated statement of financial position, with trust distributions and changes in fair value recognized in the consolidated statement of activities.

Interest in Chapters

In the past few years, various chapters have been established to raise money for the benefit of the Foundation. There were 29 such chapters at December 31, 2020. Since the Foundation has influence over and an ongoing economic interest in its chapters, the Foundation has recorded an interest in the net assets of the various chapters. Changes in the net assets of the chapters are recorded in the Foundation's consolidated statement of activities. Distributions received from the chapters are recorded as reductions in the interest in the net assets of chapters and are generally restricted for scholarships. Since the Foundation has limited influence over the amount and timing of distributions and the chapters may impose additional restrictions on certain contributions made to chapters by donors, the net assets of the chapters are reflected as donor-restricted until the distributions are made to the Foundation and any purpose restrictions are satisfied.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment return (loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Merchandise sales are generally recognized at the time of purchase. The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Advance payments for cottage rentals are recorded as deferred revenue when received, and as revenue when earned.

Paycheck Protection Program (PPP) Loan

The Foundation was granted a \$859,800 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Foundation elected to account for the funding as a conditional contribution by applying ASC 958-605, *Not-for-Profit – Revenue Recognition*. The Foundation initially recorded the loan as a refundable advance and subsequently recognized contribution revenue in accordance with guidance for conditional contributions.

The Foundation has recognized \$859,800 as contribution revenue for the year ended December 31, 2020, as the loan was fully forgiven in 2020.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Foundation records donated professional services at the respective fair values of the services received.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2020 and 2019, such costs approximated \$500,000 and \$208,000, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. With the exception of scholarships for which no allocation is required, most expenses are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The entity would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 and those differences could be material.

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. Additionally, the Foundation utilizes an Insured Cash Sweep service (“ICS”) and a Certificate of Deposit Account Registry Service (“CDARS”) that allocates deposits to financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) in increments below the FDIC insured maximum amount. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and foundations supportive of the Foundation’s mission. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Subsequent Events

Subsequent events have been evaluated through September 2, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 35,024,333	\$ 32,301,428
Operating investments	6,226,300	729,147
Accounts receivable	28,266	12,723
Promises to give	244,803	288,000
	\$ 41,523,702	\$ 33,331,298

Note 3 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A portion of the Foundation's investment assets are classified within Level 1 because they are comprised of open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of the Foundation's beneficial interest in assets held by community foundation is based on the fair value of the underlying fund investments as reported by community foundation. These are considered to be Level 2 measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost as identified below, at December 31, 2020:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Assets</u>				
Short-term investments				
Fixed income funds	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -
Equity funds	1,226,300	1,226,300	-	-
	<u>\$ 6,226,300</u>	<u>\$ 6,226,300</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in assets held by community foundation	<u>\$ 11,203</u>	<u>\$ -</u>	<u>\$ 11,203</u>	<u>\$ -</u>

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost as identified below, at December 31, 2019:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Assets</u>				
Short-term investments				
Equity funds	<u>\$ 729,147</u>	<u>\$ 729,147</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in assets held by community foundation	<u>\$ 1,303,507</u>	<u>\$ -</u>	<u>\$ 1,303,507</u>	<u>\$ -</u>

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 244,803	\$ 288,000
	<u>\$ 244,803</u>	<u>\$ 288,000</u>

At December 31, 2020, one donor accounted for 61% of total promises to give. At December 31, 2019, another donor accounted for 52% of total promises to give.

Note 5 - Property and Equipment

Property and equipment consists of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,068,223	\$ 1,068,223
Land improvements	176,236	176,236
Buildings and improvements	2,596,172	2,596,172
Office equipment	328,722	306,504
Furniture and fixtures	950,711	901,893
Construction in progress	464,025	-
	<u>5,584,089</u>	<u>5,049,028</u>
Less accumulated depreciation	<u>(1,611,021)</u>	<u>(1,446,150)</u>
	<u>\$ 3,973,068</u>	<u>\$ 3,602,878</u>

Note 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2020	2019
Subject to Expenditure for Specified Purpose		
Restricted real estate	\$ 1,083,031	\$ 1,114,104
Restricted for scholarships	422,995	157,500
Promises to give, the proceeds from which have been restricted by donors for scholarships	-	185,000
Other time-based and primarily restricted for scholarships:		
Interest in net assets of chapters	3,157,279	2,861,788
	4,663,305	4,318,392
Subject to the Passage of Time		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	244,803	103,000
	\$ 4,908,108	\$ 4,421,392

Land was donated during the year ended December 31, 2009, for the express purpose of building the Foundation's headquarters. The headquarters must be used for a nonprofit purpose for 20 years from the date of donation or the land will revert to the donor. Due to the nature of the restriction, the land and all assets constructed and affixed to it are reported as net assets restricted by donors.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	2020	2019
Expiration of time restrictions	\$ 288,000	\$ 164,638
Restricted purpose distributions from chapters	7,040,988	6,615,197
Depreciation of restricted real estate	31,073	31,073
Satisfaction of purpose restrictions		
Scholarships	22,500	-
Expenditures for Honor cottage program	-	581
	\$ 7,382,561	\$ 6,811,489

Note 7 - Employee Benefits

Defined Contribution Plan

The Foundation sponsors a tax-deferred annuity plan (the Plan) qualified under Section 403(b) covering substantially all full-time employees. The plan provides that employees who have attained the age of 21 can voluntarily contribute a percentage of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Directors each plan year. During the years ended December 31, 2020 and 2019, the Foundation contributed \$218,767 and \$224,871, respectively, to the plan.

Deferred Compensation Agreement

The Foundation entered into a long-term incentive compensation arrangement with an executive of the Foundation. The executive has the opportunity to earn up to \$80,000 annually for five years. Included in accrued expenses and other liabilities on the consolidated statements of financial position are \$450,000 and \$370,000 as of December 31, 2020 and 2019, respectively, related to this agreement.

Note 8 - Related Party Transactions

During the years ended December 31, 2020 and 2019, the Foundation paid expenses for the Patriot Cup fundraising event to the Patriot Golf Course, an entity related through common management, totaling \$0 and \$85,000, respectively. The Patriot Cup fundraising event was not held during 2020. The Foundation also paid the Patriot Golf Course approximately \$61,000 and \$101,000 in 2020 and 2019, respectively, for security services, maintenance, grill, promotional materials, and certain other shared services.

The chief executive officer has an interest in the American Dunes LLC located in Grand Haven, Michigan. American Dunes was designed by Jack Nicklaus, who waived his \$3 million fee, to preserve the birthplace of Folds of Honor. The mission of American Dunes is to raise awareness and funds to benefit Folds of Honor. American Dunes LLC received no funds for the construction of the golf course and receives no funds for operations. Folds of Honor was given permission to build a Folds of Honor Memorial at the entrance of American Dunes. The memorial was funded by restricted donations. The memorial utilized no general donations from Folds of Honor. Amounts spent for the construction in 2020 totaled approximately \$ 95,000, with the total expenditures for the construction to be approximately \$ 700,000.

Due to extraordinary travel demands, the chief executive officer sometimes uses his personal single engine airplane for air travel required for Foundation business. The Foundation reimburses such travel based on IRS standard rates.

Note 9 - Subsequent Events

The Foundation began construction on a new headquarters building in 2020. Total costs expended during the first six months of 2021 were approximately \$485,000. Total costs for the building are estimated to be approximately \$1,000,000.