

Consolidated Financial Statements  
December 31, 2024 and 2023  
**Folds of Honor Foundation**

# Folds of Honor Foundation

Table of Contents

December 31, 2024 and 2023

---

Independent Auditor’s Report.....	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities .....	4
Consolidated Statements of Functional Expenses .....	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	9



## Independent Auditor's Report

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

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Folds of Honor Foundation, which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, 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.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Folds of Honor Foundation as of December 31, 2024 and 2023, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Folds of Honor Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Folds of Honor Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements;
- Obtain an understanding of internal control relevant to the audit 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 Folds of Honor Foundation's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements; and
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Folds of Honor Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Eide Sully LLP*

Tulsa, Oklahoma  
September 5, 2025

Folds of Honor Foundation  
Consolidated Statements of Financial Position  
December 31, 2024 and 2023

	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$ 49,667,656	\$ 49,079,408
Operating investments	26,858,957	23,933,680
Accounts receivable	65,213	63,764
Accounts receivable - related party	6,419	14,069
Promises to give	958,171	1,949,471
Prepaid expenses and other assets	1,202,819	427,186
Inventory	459,324	822,297
Property and equipment, net	19,452,064	18,860,142
Interest in net assets of chapters	8,657,082	8,562,058
Beneficial interest in assets held by community foundation	13,491	12,089
Beneficial interest in perpetual trust	996,652	947,729
Beneficial interest in structured annuity	731,840	716,328
	<b>\$ 109,069,688</b>	<b>\$ 105,388,221</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 1,022,997	\$ 291,874
Accrued expenses and other liabilities	15,185,517	16,260,954
Deferred revenue	1,444	1,239
Refundable advance	236,396	750,000
	<b>16,446,354</b>	<b>17,304,067</b>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	80,067,768	74,707,659
With donor restrictions		
Purpose restrictions	9,868,903	9,762,967
Time-restricted for future periods	2,686,663	3,613,528
	<b>12,555,566</b>	<b>13,376,495</b>
	<b>92,623,334</b>	<b>88,084,154</b>
	<b>\$ 109,069,688</b>	<b>\$ 105,388,221</b>

Folds of Honor Foundation  
Consolidated Statement of Activities  
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Merchandise sales	\$ 740,196	\$ -	\$ 740,196
Less cost of goods sold	(473,693)	-	(473,693)
Net merchandise sales	266,503	-	266,503
Net investment return	3,899,183	-	3,899,183
Other revenue	297,278	-	297,278
Contributions	14,001,463	1,717,775	15,719,238
In-kind contributions	6,197,030	-	6,197,030
Gross special events revenue	21,965,065	-	21,965,065
Less cost of direct benefits to donors	(1,061,784)	-	(1,061,784)
Net special events revenue	20,903,281	-	20,903,281
Contributions from and change in value of beneficial interests in assets held by others	1,402	64,435	65,837
Change in interest in net assets of chapters	-	25,502,473	25,502,473
Net assets released from restrictions	28,105,612	(28,105,612)	-
Total revenue, support, and gains	73,671,752	(820,929)	72,850,823
Expenses and Losses			
Program services expense	61,382,778	-	61,382,778
Supporting services expense			
Management and general	2,941,568	-	2,941,568
Fundraising and development	3,987,297	-	3,987,297
Total supporting services expenses	6,928,865	-	6,928,865
Total expenses and losses	68,311,643	-	68,311,643
Change in Net Assets	5,360,109	(820,929)	4,539,180
Net Assets, Beginning of Year	74,707,659	13,376,495	88,084,154
Net Assets, End of Year	\$ 80,067,768	\$ 12,555,566	\$ 92,623,334

Folds of Honor Foundation  
Consolidated Statement of Activities  
Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Merchandise sales	\$ 853,204	\$ -	\$ 853,204
Less cost of goods sold	(483,086)	-	(483,086)
Net merchandise sales	370,118	-	370,118
Net investment return	3,770,109	-	3,770,109
Other revenue	167,357	-	167,357
Contributions	13,772,244	1,949,471	15,721,715
Employee retention credit	77,347	-	77,347
In-kind contributions	1,350,632	-	1,350,632
Gross special events revenue	23,751,922	-	23,751,922
Less cost of direct benefits to donors	(362,585)	-	(362,585)
Net special events revenue	23,389,337	-	23,389,337
Change in value of beneficial interests in assets held by others	1,497	761,715	763,212
Change in interest in net assets of chapters	-	21,670,375	21,670,375
Net assets released from restrictions	20,046,579	(20,046,579)	-
Total revenue, support, and gains	62,945,220	4,334,982	67,280,202
Expenses and Losses			
Program services expense	46,165,346	-	46,165,346
Supporting services expense			
Management and general	2,868,010	-	2,868,010
Fundraising and development	3,195,086	-	3,195,086
Total supporting services expenses	6,063,096	-	6,063,096
Total expenses and losses	52,228,442	-	52,228,442
Change in Net Assets	10,716,778	4,334,982	15,051,760
Net Assets, Beginning of Year	63,990,881	9,041,513	73,032,394
Net Assets, End of Year	\$ 74,707,659	\$ 13,376,495	\$ 88,084,154

Folds of Honor Foundation  
Consolidated Statement of Functional Expenses  
Year Ended December 31, 2024

	Program Services	Management and General	Fundraising and Development	Cost of Direct Benefit to Donors	Total
Scholarships	\$ 42,040,402	\$ -	\$ -	\$ -	\$ 42,040,402
Salaries and wages	5,108,265	1,017,513	677,356	-	6,803,134
Employee benefits	1,338,415	186,771	105,249	-	1,630,435
Payroll taxes	385,090	45,305	22,652	-	453,047
Professional services	80,661	100,826	20,165	-	201,652
Bank charges	-	182,631	182,631	-	365,262
Communications	68,526	4,723	14,376	-	87,625
Postage and printing	132,269	50,262	29,099	-	211,630
Occupancy	76,108	15,222	10,148	-	101,478
Security	126	21	63	-	210
Equipment rental and maintenance	492,352	98,470	65,647	-	656,469
Travel and training	749,974	-	-	-	749,974
Depreciation	433,499	260,099	173,400	-	866,998
Insurance	139,364	27,873	18,582	-	185,819
Receptions and events	731,741	272,187	192,862	1,061,784	2,258,574
Advertising	8,700,884	-	2,175,221	-	10,876,105
Cottage operating expenses	-	242,816	-	-	242,816
Information technology	285,138	87,735	65,801	-	438,674
Cost of goods sold	-	-	473,693	-	473,693
Promotional expense	221,124	132,674	88,450	-	442,248
Other	398,840	216,440	145,595	-	760,875
	<u>61,382,778</u>	<u>2,941,568</u>	<u>4,460,990</u>	<u>1,061,784</u>	<u>69,847,120</u>
Less expenses included with revenues on the consolidated statements of activities					
Cost of goods sold	-	-	(473,693)	-	(473,693)
Cost of direct benefits to donors	-	-	-	(1,061,784)	(1,061,784)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,061,784)</u>	<u>(1,061,784)</u>
Total expenses included in the expense section on the consolidated statements of activities	<u>\$ 61,382,778</u>	<u>\$ 2,941,568</u>	<u>\$ 3,987,297</u>	<u>\$ -</u>	<u>\$ 68,311,643</u>

Folds of Honor Foundation  
Consolidated Statement of Functional Expenses  
Year Ended December 31, 2023

	Program Services	Management and General	Fundraising and Development	Cost of Direct Benefit to Donors	Total
Scholarships	\$ 31,984,929	\$ -	\$ -	\$ -	\$ 31,984,929
Salaries and wages	4,948,065	986,893	657,281	-	6,592,239
Employee benefits	1,266,579	177,451	100,238	-	1,544,268
Payroll taxes	405,130	47,662	23,831	-	476,623
Professional services	40,511	50,639	10,128	-	101,278
Bank charges	-	173,530	173,530	-	347,060
Communications	117,494	4,198	26,925	-	148,617
Postage and printing	177,501	68,492	39,902	-	285,895
Occupancy	59,467	11,893	7,929	-	79,289
Security	3,953	659	1,976	-	6,588
Equipment rental and maintenance	361,208	72,242	48,161	-	481,611
Travel and training	458,759	-	4,751	-	463,510
Depreciation	308,406	185,044	123,362	-	616,812
Insurance	118,332	23,666	15,778	-	157,776
Receptions and events	1,389,267	383,966	736,278	362,585	2,872,096
Advertising	3,558,768	-	889,692	-	4,448,460
Cottage operating expenses	-	189,637	-	-	189,637
Information technology	280,140	86,197	64,648	-	430,985
Cost of goods sold	-	-	483,086	-	483,086
Promotional expense	240,572	144,343	96,229	-	481,144
Other	446,265	261,498	174,447	-	882,210
	<u>46,165,346</u>	<u>2,868,010</u>	<u>3,678,172</u>	<u>362,585</u>	<u>53,074,113</u>
Less expenses included with revenues on the consolidated statements of activities					
Cost of goods sold	-	-	(483,086)	-	(483,086)
Cost of direct benefits to donors	-	-	-	(362,585)	(362,585)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(362,585)</u>	<u>(362,585)</u>
Total expenses included in the expense section on the consolidated statements of activities	<u>\$ 46,165,346</u>	<u>\$ 2,868,010</u>	<u>\$ 3,195,086</u>	<u>\$ -</u>	<u>\$ 52,228,442</u>

Folds of Honor Foundation  
Consolidated Statements of Cash Flows  
Year Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Change in Net Assets to Net Cash used for Operating Activities		
Change in net assets	\$ 4,539,180	\$ 15,051,760
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation and amortization	866,998	616,812
Realized and unrealized gain on operating investments	(2,352,086)	(2,458,187)
Change in beneficial interests in assets held by others	(50,325)	(45,729)
Contributed operating investments	(1,329,635)	-
Contributions received from structured annuity	(15,512)	(716,328)
Change in interest in net assets of chapters	(25,502,473)	(21,670,375)
Changes in operating assets and liabilities		
Accounts receivable	6,201	(12,162)
Employee retention credit receivable	-	663,984
Promises to give	991,300	(1,154,175)
Prepaid expenses and other assets	(775,633)	488,500
Inventories	362,973	(497,769)
Accounts payable	731,123	179,211
Accrued expenses and other liabilities	(1,075,437)	2,796,164
Deferred revenue	205	(9,540)
Refundable advance	(513,604)	250,000
Net Cash used for Operating Activities	(24,116,725)	(6,517,834)
Investing Activities		
Net purchases and sales of operating investments	756,444	(480,023)
Additions to beneficial interests in assets held by others	-	(1,155)
Purchases of property and equipment	(1,458,920)	(3,670,031)
Contributions received from chapters	25,407,449	19,245,405
Net Cash from Investing Activities	24,704,973	15,094,196
Net Change in Cash and Cash Equivalents	588,248	8,576,362
Cash and Cash Equivalents, Beginning of Year	49,079,408	40,503,046
Cash and Cash Equivalents, End of Year	\$ 49,667,656	\$ 49,079,408

## **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 military and first responders men/women who are either killed or permanently disabled while serving and defending our great nation. As of December 31, 2024, the Foundation has awarded approximately 62,000 scholarships to help defray educational expenses, including tuition and fees, books, instructional supplies and equipment, and room and board. In 2024, the Foundation began awarding partial scholarships in an effort to meet the needs of a larger population of qualified applicants with unmet needs. It is expected the Foundation will award another 12,000 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 (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, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

### **Accounts Receivables and Allowance for Credit Losses**

The Foundation has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories (current, 1–30 days past due, 31–60 days past due, 61–90 days past due, and more than 90 days past due). Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at December 31, 2024 and 2023, because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, there is no allowance for credit losses at December 31, 2024 and 2023.

The opening balance of accounts receivables as of January 1, 2023, was \$65,671.

### **Employee Retention Credit**

The Coronavirus Aid, Relief, and Economic Security Act provided an employee retention credit (the credit) which is a refundable tax credit against certain employment taxes. During 2022, the Foundation recognized revenue of \$663,984 related to the employee retention credit that was applied for and awarded to the Foundation. The Foundation received payment of \$741,331 in 2023 and recorded \$77,347 in the consolidated statements of activities as an employee retention credit for the year ended December 31, 2023. The Foundation's credit filings remain open for potential examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2028. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

### **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. Allowance for uncollectible promises to give is determined 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, 2024 and 2023, no allowance was considered necessary.

### **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 necessary at December 31, 2024 and 2023.

### **Property and Equipment**

Property and equipment additions over \$2,500 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. 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 statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Construction in progress, primarily for building and building improvements, is recorded at cost and is transferred to property and equipment accounts and depreciated when useable or placed in service.

The carrying values of property and equipment are reviewed 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, 2024 and 2023.

### **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 statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities.

### **Beneficial Interest in Perpetual Trust**

The Foundation has been named as an irrevocable beneficiary of a perpetual trust held and administered by independent trustees. Perpetual trust provides for the distribution of the net income of the trust to the Foundation; however, the Foundation will never receive the assets of the trust. At the date the Foundation receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statements of activities and a beneficial interest in perpetual trust is recorded in the consolidated statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trust's assets in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities.

The Foundation has a beneficial interest in a perpetual purpose trust from the Domroe, Edith & Alvin Foundation (the Trust). The Folds of Honor Foundation is beneficiary of 18.18% of the Trust. The Trust Estate includes cash, securities, or other income producing property. Distributions of earned income from the Trust are made at least annually. The Trust is held, controlled, and invested by the Trustee, Seacoast Nation Bank, for the benefit of the beneficiaries, and the Foundation's beneficial interest in the perpetual trust is reported at fair value in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities.

### **Charitable Gift Annuities**

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year.

### Interest in Chapters

In the past several years, various chapters have been established to raise money for the benefit of the Foundation. There were 35 such chapters operating at December 31, 2024. The Foundation is in the process of adding two chapters in 2025, which are not yet operational. 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 statements 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 statements of financial position. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts that are designated by the donor that are restricted for specific purposes are reported in the consolidated statement of activities as contributions with donor 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 statements 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 from sales of merchandise at the time of purchase. 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 substantially met.

In a prior year, the Foundation received a conditional contribution to construct a memorial to invite, honor, and educate visitors on patriotism and the mission of the Foundation. Due to the conditions noted by the donor, the contributions are to be recognized as the funds are expended on construction costs and returned to the donor if not expended on the project. As of December 31, 2024 and 2023, funds received from the donor, but not yet expended, totaled \$236,396 and \$750,000, respectively, and were recorded as a refundable advance on the consolidated statements of financial position. During the years ended December 31, 2024 and 2023, \$763,604 and \$0 were expended for the project and recognized as contributions with donor restrictions in the consolidated statements of activities. The Foundation expects to utilize the remaining funds in 2025 and will release the net assets from donor restrictions when the asset is placed in service.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Foundation recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Foundation recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Advance payments for cottage rentals are recorded as deferred revenue when received and as revenue when the performance obligations of providing the service are met.

### **In-Kind Contributions**

Contributed nonfinancial assets include donated professional services and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Foundation does not sell donated gifts in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to 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.

### **Advertising Costs**

Advertising costs are expensed as incurred. For the years ended December 31, 2024 and 2023, such costs approximated \$10,876,000 and \$4,448,000, 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. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. 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 (IRC) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation 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 Foundation 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 Foundation 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 consolidated financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated 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**

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. 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 FDIC in increments below the FDIC insured maximum amount. As of December 31, 2024 and 2023, the Foundation's cash balances exceed FDIC limitations by approximately \$900,000 and \$2,500,000, respectively. To date, no losses have been experienced in any of these accounts.

Credit risk associated with accounts receivable and promises to give are 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 Finance Committee of the Board of Directors.

The Foundation investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the fair values of investments will occur in the near-term and that such changes could materially affect the amounts reported in the consolidated financial statements. The Foundation, in collaboration with the investment advisors, monitors its investments and associated risks. The Foundation believes that the investment policy and guidelines are prudent for the long-term welfare of the Foundation.

### **Subsequent Events**

Subsequent events have been evaluated through September 5, 2025, 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 statements of financial position date, comprise the following:

	2024	2023
Cash and cash equivalents	\$ 49,667,656	\$ 49,079,408
Operating investments	26,858,957	23,933,680
Accounts receivable	65,213	63,764
Accounts receivable - related party	6,419	14,069
Promises to give	958,171	1,949,471
	\$ 77,556,416	\$ 75,040,392

The Foundation has a beneficial interest in a structured annuity and is expected to receive approximately \$10,000 in 2025.

The Foundation has an Investment Policy authorized by the Board of Directors that provides governance and guidance on the management of cash and cash equivalents, and investments. The policy provides that the Foundation maintain an adequate level of cash to meet its on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash based on the financial needs of the Foundation.

**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, considering 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 significant portion of the Foundation’s investment assets are classified within Level 1 because they comprise open-end mutual funds or corporate bonds 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 fair values of beneficial interest in perpetual trust and structured annuity are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustee. These are considered Level 3 measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2024:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments				
Fixed income funds-corporate bonds	\$ 13,245,474	\$ 13,245,474	\$ -	\$ -
Equity funds	13,613,483	13,613,483	-	-
	<u>\$ 26,858,957</u>	<u>\$ 26,858,957</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in assets held by Community Foundation	\$ 13,491	\$ -	\$ 13,491	\$ -
Beneficial interest in perpetual trust	996,652	-	-	996,652
Beneficial interest in structured annuity	731,840	-	-	731,840
	<u>\$ 1,741,983</u>	<u>\$ -</u>	<u>\$ 13,491</u>	<u>\$ 1,728,492</u>

Folds of Honor Foundation  
Notes to Consolidated Financial Statements  
December 31, 2024 and 2023

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2023:

Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-term investments				
Fixed income funds-corporate bonds	\$ 12,608,504	\$ 12,608,504	\$ -	\$ -
Equity funds	11,325,176	11,325,176	-	-
	<u>\$ 23,933,680</u>	<u>\$ 23,933,680</u>	<u>\$ -</u>	<u>\$ -</u>
Beneficial interests in assets held by Community Foundation	\$ 12,089	\$ -	\$ 12,089	\$ -
Beneficial interest in perpetual trust	947,729	-	-	947,729
Beneficial interest in structured annuity	716,328	-	-	716,328
	<u>\$ 1,676,146</u>	<u>\$ -</u>	<u>\$ 12,089</u>	<u>\$ 1,664,057</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2024 and 2023:

	Beneficial Interest in Perpetual Trust	Beneficial Interest in Structured Annuity
Balance at January 1, 2023	\$ 902,342	\$ -
Contributions	-	716,328
Investment return, net	45,387	-
Balance at December 31, 2023	947,729	716,328
Contributions	-	15,512
Investment return, net	48,923	-
Balance at December 31, 2024	<u>\$ 996,652</u>	<u>\$ 731,840</u>

**Note 4 - Promises to Give**

Unconditional promises to give are estimated to be collected within one year at December 31, 2024 and 2023.

At December 31, 2024, one donor accounted for 63% of total promises to give. At December 31, 2023, one donor accounted for 44% of total promises to give and another donor accounted for 22% of total promises to give.

**Note 5 - Property and Equipment**

Property and equipment consist of the following at December 31, 2024 and 2023:

	2024	2023
Land	\$ 1,068,223	\$ 1,068,223
Land improvements	1,555,844	1,272,403
Buildings and improvements	15,580,636	15,574,708
Office equipment	749,892	661,687
Furniture and fixtures	2,567,389	2,490,076
Construction in progress	1,010,878	6,845
	22,532,862	21,073,942
Less accumulated depreciation	(3,080,798)	(2,213,800)
	\$ 19,452,064	\$ 18,860,142

As described in Note 1, during the year ended December 31, 2024, the Foundation began construction of a memorial to be placed in front of the headquarters building. Total costs expended during 2024 were \$763,604. Total costs for the memorial are estimated to be approximately \$1,700,000.

**Note 6 - Net Assets with Donor Restrictions**

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

	2024	2023
Subject to Expenditure for Specified Purpose		
Restricted real estate	\$ 337,217	\$ 1,080,909
Restricted for scholarships	115,000	120,000
Memorial capital project	759,604	-
Time-based and primarily restricted for scholarships		
Interest in net assets of chapters	8,657,082	8,562,058
	9,868,903	9,762,967
Subject to the Passage of Time		
Beneficial interest in perpetual trust	996,652	947,729
Beneficial interest in structured annuity	731,840	716,328
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due		
	958,171	1,949,471
	2,686,663	3,613,528
	\$ 12,555,566	\$ 13,376,495

**Note 7 - Contributed Nonfinancial Assets**

For the years ended December 31, 2024 and 2023, contributed nonfinancial assets recognized within the consolidated statements of activities included the following:

	2024	2023
Advertising services	\$ 5,442,171	\$ 379,300
Airline miles	498,000	-
Promotional events	249,603	520,974
Construction contributions	4,000	450,358
Other contributions	3,256	-
	\$ 6,197,030	\$ 1,350,632

The Foundation receives free advertising for public awareness and understanding of the needs of the families served, while also making the families served aware of the services available to them through the Foundation. The Foundation receives the benefit of added value from the media placements as well as additional media placements through corporate partner relationships distributed via television, radio, internet, and other media channels that focus attention on the challenges of the family members served. The advertising is broadcasted or delivered regionally and nationwide, at no charge to the Foundation, to assist in the achievement of the Foundation’s mission. The advertising in-kind donations are recognized at fair value based on the date, time, and market in which it is displayed.

Contributed promotional events represent goods and supplies used in program services and are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution.

Contributed airline miles are valued using estimated U.S. wholesale prices (principal market) of identical or similar products and are used in program services.

Construction contributions consist of materials and services which were provided by various contractors for capital projects. These contributions were recognized at fair value based upon current rates for similar construction materials and services.

All contributed nonfinancial assets received during the years ended December 31, 2024 and 2023, were without donor restrictions.

## **Note 8 - 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, 2024 and 2023, the Foundation contributed \$474,553 and \$460,483, 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, which rolls annually. Included in accrued expenses and other liabilities on the consolidated statements of financial position are \$480,000 as of December 31, 2024 and 2023, related to this agreement.

## **Note 9 - Related Party Transactions**

The Foundation and the Patriot Cottages paid the Patriot Golf Course, an entity related through common management, approximately \$113,000 and 120,000 in 2024 and 2023, respectively, for security services, maintenance, grill, promotional materials, and certain other shared services.

## **Note 10 - Commitment and Contingencies**

In connection with Patriot Golf Days, the Foundation entered into an agreement in 2023 with the PGA Foundation, Inc. (DBA PGA Reach) to make annual charitable contributions of \$500,000 to PGA HOPE, the flagship military program of PGA Reach through 2027. The Foundation made contributions of \$500,000 during 2024 and 2023 under the terms of this agreement.

The Foundation may be subject to legal actions or claims in the ordinary course of its business. Management is not aware of any current legal matters pending which would have a material adverse impact on the consolidated financial statements.