Fisher House Foundation, Inc.

Audited Financial Statements
Years Ended December 31, 2019 and 2018

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Contents

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Independent Auditor's Report

Board of Trustees
Fisher House Foundation, Inc.
Rockville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Fisher House Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the years 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 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 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 above present fairly, in all material respects, the financial position of Fisher House Foundation, Inc. as of December 31, 2019 and 2018, and the change 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.

BDO USA, LLP

McLean, Virginia
March 24, 2020

Financial Statements

Fisher House Foundation, Inc.

Statements of Financial Position

December 31,	**2019**	2018
Assets		
Cash and cash equivalents	**$ 25,991,642**	$ 45,793,645
Pledges and contributions receivable, net	**11,071,016**	6,023,856
Construction-in-progress	**30,324,174**	38,996,205
Split-interest agreement receivable	**310,480**	351,670
Prepaid expenses and other assets	**495,955**	419,286
Property and equipment, net	**128,251**	171,367
Total assets	**$ 68,321,518**	$ 91,756,029
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 5,209,611**	$ 6,106,646
Retainage payable	**1,921,696**	2,202,923
Deferred rent	**198,805**	170,116
Deferred revenue	**-**	220,700
Total liabilities	**7,330,112**	8,700,385
Net assets		
Without donor restrictions	**51,175,648**	71,225,234
With donor restrictions		
Underwater endowments	**(22,671)**	(34,226)
Perpetual-in-nature	**750,000**	750,000
Purpose restrictions	**3,804,603**	7,696,065
Time and purpose restrictions	**4,973,346**	3,066,901
Time-restricted for future periods	**310,480**	351,670
Total with donor restrictions	**9,815,758**	11,830,410
Total net assets	**60,991,406**	83,055,644
Total liabilities and net assets	**$ 68,321,518**	$ 91,756,029

See accompanying notes to the financial statements.

Fisher House Foundation, Inc.

Statements of Activities and Change in Net Assets

Years Ended December 31,	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:						
Revenue						
Grants and contributions	**$ 43,430,829**	**$ 12,230,061**	**$ 55,660,890**	$ 35,567,098	$ 14,572,995	$ 50,140,093
Special events	**1,497,911**	**-**	**1,497,911**	1,093,722	-	1,093,722
Donated goods	**6,475,049**	**-**	**6,475,049**	5,993,274	-	5,993,274
Net assets released from restrictions	**14,256,268**	**(14,256,268)**	**-**	16,822,386	(16,822,386)	-
Total revenue	**65,660,057**	**(2,026,207)**	**63,633,850**	59,476,480	(2,249,391)	57,227,089
Expenses						
Program expenses	**82,092,544**	**-**	**82,092,544**	51,442,659	-	51,442,659
Management and general	**2,432,588**	**-**	**2,432,588**	2,121,892	-	2,121,892
Fundraising	**1,664,920**	**-**	**1,664,920**	1,985,347	-	1,985,347
Total expenses	**86,190,052**	**-**	**86,190,052**	55,549,898	-	55,549,898
Change in net assets before non-operating items	**(20,529,995)**	**(2,026,207)**	**(22,556,202)**	3,926,582	(2,249,391)	1,677,191
Non-operating items						
Loss on disposal of property and equipment	**-**	**-**	**-**	(1,373)	-	(1,373)
Investment return, net	**480,409**	**11,555**	**491,964**	739,592	11,105	750,697
Total non-operating items	**480,409**	**11,555**	**491,964**	738,219	11,105	749,324
Change in net assets	**(20,049,586)**	**(2,014,652)**	**(22,064,238)**	4,664,801	(2,238,286)	2,426,515
Net assets at the beginning of the year	**71,225,234**	**11,830,410**	**83,055,644**	66,560,433	14,068,696	80,629,129
Net assets at the end of the year	**$ 51,175,648**	**$ 9,815,758**	**$ 60,991,406**	$ 71,225,234	$ 11,830,410	$ 83,055,644

See accompanying notes to the financial statements.

Fisher House Foundation, Inc.

Statement of Functional Expenses

	2019			
Year Ended December 31,	Program	Management and General	Fundraising	Total
Grants and awards	$ 73,041,518	$ -	$ -	$ 73,041,518
Public service announcements - donated	1,564,950	-	-	1,564,950
Salaries and other benefits	1,697,120	1,506,296	533,065	3,736,481
Event costs	392,125	-	84,944	477,069
Office expenses, insurance and other	675,837	402,417	264,771	1,343,025
Consulting and professional fees	739,060	368,085	196,019	1,303,164
Education and promotion	2,981,090	3,732	390,300	3,375,122
Printing and publications	183,610	10,737	57,651	251,998
Rent expense	117,501	104,400	35,002	256,903
Travel	674,916	14,828	95,809	785,553
Depreciation and amortization	24,817	22,093	7,359	54,269
Total expenses	$ 82,092,544	$ 2,432,588	$ 1,664,920	$ 86,190,052

See accompanying notes to the financial statements.

Fisher House Foundation, Inc.

Statement of Functional Expenses

	2018			
Year Ended December 31,	Program	Management and General	Fundraising	Total
Grants and awards	$ 43,165,936	$ -	$ -	$ 43,165,936
Public service announcements - donated	1,051,500	-	-	1,051,500
Salaries and other benefits	1,699,085	1,404,778	504,874	3,608,737
Event costs	354,232	-	214,507	568,739
Office expenses, insurance and other	651,367	372,552	437,692	1,461,611
Consulting and professional fees	696,340	174,780	266,870	1,137,990
Education and promotion	2,906,290	1,281	395,514	3,303,085
Printing and publications	168,109	4,135	55,782	228,026
Rent expense	167,816	132,313	46,596	346,725
Travel	561,959	16,182	57,923	636,064
Depreciation and amortization	20,025	15,871	5,589	41,485
Total expenses	$ 51,442,659	$ 2,121,892	$ 1,985,347	$ 55,549,898

See accompanying notes to the financial statements.

Fisher House Foundation, Inc.

Statements of Cash Flows

Years Ended December 31,	**2019**	2018
Cash flows from operating activities:		
Change in net assets	**$ (22,064,238)**	$ 2,426,515
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**54,269**	41,485
Loss on disposal of property and equipment	**-**	1,373
Change in value of split-interest agreement receivable	**(6,955)**	(16,290)
Realized and unrealized loss (gain) on investments	**918**	(882)
Donated investments received	**(560,054)**	(676,627)
Change in deferred rent	**28,689**	170,116
Cost of houses donated	**62,328,298**	31,003,476
Changes in operating assets and liabilities:		
Pledges and contributions receivable	**(5,047,160)**	(1,860,001)
Split-interest agreement receivable	**48,145**	96,289
Prepaid expenses and other assets	**(76,669)**	(237,996)
Accounts payable and accrued expenses	**(897,035)**	875,612
Retainage payable	**(281,227)**	1,698,057
Deferred revenue	**(220,700)**	83,824
Total adjustments	**55,370,519**	31,178,436
Net cash provided by operating activities	**33,306,281**	33,604,951
Cash flows from investing activities:		
Additions to construction-in-progress	**(53,656,267)**	(55,116,227)
Purchases of property and equipment	**(11,153)**	(206,750)
Purchases of certificates of deposit	**-**	(750,000)
Proceeds from sales of certificates of deposits	**-**	1,504,474
Proceeds from sales of donated securities	**559,136**	677,509
Net cash used in investing activities	**(53,108,284)**	(53,890,994)
Net decrease in cash and cash equivalents	**(19,802,003)**	(20,286,043)
Cash and cash equivalents at the beginning of the year	**45,793,645**	66,079,688
Cash and cash equivalents at the end of the year	**$ 25,991,642**	$ 45,793,645

See accompanying notes to the financial statements.

1. The Organization and Summary of Significant Accounting Policies

Fisher House Foundation, Inc. (the Foundation) is a not-for-profit Foundation incorporated under the laws of the State of Delaware on March 31, 1993. Fisher Houses are facilities constructed for the purpose of providing temporary lodging for members of the armed services and their families receiving care in military and veterans' hospitals. The Foundation was formed for, and program services consist of, constructing and donating Fisher Houses to various branches of the U.S. armed services and the Department of Veterans Affairs (the Donees), providing gratuitous guidance and supervisory, as well as monetary, assistance in connection with the Donees' management and operation of the Fisher Houses. The Foundation also funds the scholarship program and provides military personnel and their families with free air travel and hotel rooms. In addition, the Foundation's objectives are:

(a) To promote and enhance the public perception and image of Fisher Houses and the U.S. armed forces, and to provide financial assistance to current members of the U.S. armed services, veterans and their families.

(b) To promote, encourage and provide support to enhance the communication and cooperation among the military and federal, state and local governments, and private foundations involved or associated with Fisher Houses through publications and support programs.

(c) To support and encourage programs designed to maintain the high-quality standards of care and management associated with Fisher Houses.

Basis of accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting year. Actual results may differ from estimates under different assumptions or conditions.

Revenue recognition

Donated Goods, Services and Media Time

Donated goods consist of contributed merchandise, phone cards with stored value and gift certificates, and are reported at their fair value as of the date of donation.

Donated air miles are not valued until they are redeemed by the Foundation and used in the Hero Miles Programs. The Foundation's Hero Miles Program provides service members, veterans and their families who meet certain criteria free round-trip tickets using donated frequent flyer miles.

During 2019 and 2018, the Foundation provided 1,182 and 1,456, respectively, tickets which were valued at approximately $1,340,000 and $1,923,000, respectively. These amounts are included in donated goods charged to program services for the years ended December 31, 2019 and 2018.

Donated hotel rewards points are not valued until they are redeemed by the Foundation and used in the Hotels for Heroes Programs. The Foundation's Hotels for Heroes Program provides qualified service members, veterans and their families free hotel rooms, using donated hotel reward points, when rooms at a Fisher House are not available. During 2019 and 2018, the Foundation provided 1,670 and 1,183, respectively, nights of lodging which were valued at approximately $288,000 and $191,000, respectively. These amounts are included in donated goods, services and media time and charged to program services for the years ended December 31, 2019 and 2018.

Magazine printing and photography services donated as part of program services, fundraising or management and general expenses are recorded in the accompanying financial statements at their fair value on date of receipt to the extent that such amounts can be reasonably estimated. During 2019 and 2018, the Foundation received $22,800 and $167,450, respectively, in such services. These amounts are included in donated goods, services and media time, and were charged to program services for the years ended December 31, 2019 and 2018.

Donated media time used for public service announcements and radio promotions is reported at its fair value as estimated by management as of the date of donation. During 2019 and 2018, the Foundation received donated media time which was valued at $4,372,275 and $3,488,625, respectively. These amounts are included in donated goods and were charged in equal amounts to program services and fund-raising for the years ended December 31, 2019 and 2018.

Contribution revenue

Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increase those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions. Bequests are recorded as revenue when the probate courts declare a will valid and the proceeds are measurable. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts and perpetual trusts, are recorded as revenue when the trust agreements become irrevocable.

Contributions are recorded at fair value, which is net of estimated uncollectible amounts. The Foundation uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on experience as well as management's analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions, including multi-year pledges and split interest agreements to be received after one year, are recorded at the present value of the estimated future cash flows. Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years.

Conditional promises to give, including those received under multi-year grant agreements, are recognized as revenue when the conditions on which they depend have been substantially met.

Grant revenue

The Foundation receives grant funding from federal agencies and private foundations. Revenue is recognized only to the extent of expenditures under the terms of the grants. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. Excess expenses incurred are borne by the Foundation. Unexpended funds are returned to the grantors if required by the grant agreement. Expenditures incurred by the Foundation which have not yet been submitted to the government for reimbursement are recorded as contributions receivable.

Special events revenue

Registration and fees are recognized upon completion of the related event. Some payments and fees are received in advance of the related event. These amounts are reflected in the accompanying statements of financial position as deferred revenue.

Cash equivalents

The Foundation considers all highly-liquid instruments with original maturities of three months or less to be cash equivalents.

Pledges and contributions receivable

Pledges and contributions receivable are recorded at face value, and then discounted to present value using interest rates appropriate to the estimated length of time for realization. All pledges and contributions receivable are reviewed annually for future collectability. Management determines the allowance for doubtful receivables by regularly evaluating individual receivables and considering the donor's financial condition and current economic conditions.

Construction-in-progress

Costs of construction of Fisher Houses to be donated are capitalized as incurred. All costs incurred in connection with the construction of a Fisher House are expensed when the house is donated.

Split-interest agreement

The Foundation is one of the beneficiaries of a certain Charitable Lead Annuity Trust (the "Trust"). Under this agreement, the Foundation records a contribution with a donor restriction at the present value of the estimated future benefits to be received. Subsequent changes in fair value are recorded as changes in the value of the agreement in the net assets with donor restrictions class. Distributions from the Trust are reflected as reductions in net assets with donor restrictions and reclassified from net assets with donor restrictions to net assets without donor restrictions.

Property and equipment

The Foundation's policy is to capitalize property and equipment in excess of $1,000. Property and equipment is stated at cost. Expenditures for major additions and improvements are capitalized; and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets of three to five years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the estimated useful lives of the underlying assets or the term of the related lease.

Donated securities

Donated securities are reported at their fair value as of the date of donation. Sales of such securities are reflected on a trade-date basis.

Valuation of long-lived assets

The Foundation reviews the valuation of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No indicators of impairment were identified as of December 31, 2019 and 2018.

Net assets

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

Net assets without donor restrictions – Net assets without donor restrictions are those net assets that are not subject to donor or grantor imposed restrictions.

Net assets with donor restrictions - Net assets with donor restrictions generally result from net contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and the restriction removed by actions of the Foundation pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Additionally, there are some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use the income earned on related investments for general or specific purposes. The Foundation's donor-restricted endowment is subject to the authoritative guidance issued by the Financial Accounting Standards Board (the FASB) on net asset classifications of endowment funds, such that earnings on donor-restricted endowments are reflected as net assets with donor restrictions until such amounts are appropriated for expenditure.

Functional allocation of expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the accompanying statements of activities and change in net assets. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related benefits are allocated based upon executive level timesheets or job descriptions. The percentage derived from payroll costs is used to allocate overhead costs to activities benefited. Overhead costs are those expenses that cannot be tied directly to an activity including some expenses in the natural expense categories of printing and publications, travel, depreciation and amortization, consulting and professional fees, rent, office expenses, insurance and other.

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC). No provision for income taxes were recorded during the years ended December 31, 2019 and 2018 since the Foundation had no significant unrelated business income. The Foundation is not a private Foundation pursuant to section 509(a)(1) of the IRC.

In accordance with authoritative guidance issued by the Financial Accounting Standards Board (the FASB), the Foundation recognizes tax liabilities when, despite management's belief that tax return positions are supportable, the Foundation believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2015 and prior. Management has evaluated the Foundation's tax positions and has concluded that the Foundation has taken no material uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Financial instruments

The fair value of the Foundation's short-term financial instruments, including cash and cash equivalents, accounts payable and accrued expenses approximate their carrying amounts due to the short maturity of these instruments.

Concentrations of credit risk

The Foundation's assets that are exposed to credit risk consist primarily of cash and cash equivalents, pledges and contributions receivable, notes receivable, and split-interest agreement receivable. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Foundation has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December

31, 2019 approximate $26.2million. The Foundation's pledges, split-interest agreement receivable, contributions, and notes receivable balances consist primarily of amounts due from individuals and corporations. The Foundation maintains reserves for potential credit losses when deemed necessary and historically such losses have been within management's expectations.

Recently adopted authoritative guidance

In May 2014, the FASB issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update supersedes previously issued guidance on revenue recognition and will apply to virtually all industries. The core principle of this new guidance is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. The new standard was effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Foundation adopted the ASU under the modified retrospective method. During 2019, an analysis was performed under the provisions of this standard and no significant changes resulted in the way the Foundation recognizes revenue.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. The standard provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. The ASU was effective for transactions in which the Foundation serves as the resource recipient for the year ended December 31, 2019. The Foundation adopted the ASU under the modified prospective basis for contributions received. The adoption of this update did not materially impact contribution revenue (grants and contribution and donated goods) in the financial statements.

Recent accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842*). This update requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. The Foundation is evaluating the effect that adoption of this new standard will have on the Foundation's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU will assist in the determination of the nature of the transaction which will then govern the expense recognition methodology and timing of the transaction. The ASU is effective for contributions made by the Foundation in periods beginning after December 15, 2019. The Foundation is currently evaluating the impact of this ASU on the Foundation's grant expense in the financial statements.

2. Pledges and Contributions Receivable, Net

Pledges and contributions receivable consist of the following at December 31:

	2019	2018
Due in less than one year	**$ 10,676,112**	$ 4,764,587
Due in one to five years	**394,904**	1,259,269
	$ 11,071,016	$ 6,023,856

3. Split-interest Agreement Receivable

The Foundation is one of the beneficiaries of a certain Charitable Lead Annuity Trust that is controlled by a third-party trustee. Under the agreement, the Foundation receives fixed annual distributions from the trust through January 2027. These payments are guaranteed irrespective of market performance of the investments. Annual distributions under the terms of this agreement as of December 31, 2019 are as follows:

Years ending December 31,	
2020	$ 48,145
2021	48,145
2022	48,145
2023	48,145
2024	48,145
Thereafter	94,706
	335,431
Less: discount for present value	(24,951)
	$ 310,480

The Foundation used a discount rate of 2.0% in determining the present value of the annual distributions to be collected at the time the Charitable Lead Annuity Trust was established.

4. Property and Equipment

Property and equipment consists of the following at December 31:

	2019	2018
Furniture and fixtures	$ 164,528	$ 161,210
Computer and other equipment	46,887	40,452
Leasehold improvements	37,618	36,218
	249,033	237,880
Less: accumulated depreciation and amortization	(120,782)	(66,513)
	$ 128,251	$ 171,367

5. Net Assets With Donor Restrictions

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

	2019	2018
Purpose restrictions:		
Construction of Fisher Houses	$ 2,413,962	$ 5,690,785
Support of Designated Fisher Houses	867,351	1,314,298
Heroes Program	151,453	465,385
Other	371,837	225,597
Time and purpose restrictions:		
Construction of Fisher Houses	3,659,346	1,200,000
Scholarship Program	1,194,000	1,866,901
Heroes Program	120,000	-
Time restrictions:		
Split-interest in trusts held by others	310,480	351,670
Perpetual-in-nature:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor (Note 6)	750,000	750,000
Underwater endowment funds (Note 6)	(22,671)	(34,226)
	$ 9,815,758	$ 11,830,410

During the years ended December 31, 2019 and 2018, $14,256,268 and $16,822,386, respectively, of net assets with donor restrictions were released, based on the Foundation's satisfaction of donor stipulations, as follows:

	2019	2018
Scholarship programs	$ 1,635,766	$ 2,616,611
Designated houses	1,804,402	2,215,610
Heroes programs	1,296,436	1,435,086
Construction of Fisher Houses	9,263,553	10,322,936
Other	214,921	152,144
Time restrictions	41,190	79,999
	$ 14,256,268	$ 16,822,386

6. Endowment

The Foundation’s endowment consists of a donor-restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. This endowment was established in 2008 with perpetual donor restriction on the corpus of $750,000, with investment earnings on the fund to be used by the Foundation for the SFMC (Scholarship for Military Children) scholarship program.

The Board of Trustees of the Foundation has interpreted Maryland UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions, perpetual-in-nature (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions, perpetual-in-nature is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

As of December 31, 2019, and 2018, the Foundation's endowment had the following net asset composition:

		With donor Restrictions 2019	With donor Restrictions 2018
Donor-restricted endowment fund:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$	**750,000**	750,000
Accumulated losses on the investments		**(22,671)**	(34,226)
Total endowment funds	$	**727,329**	715,774

Changes in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

		Without Donor Restrictions		With Donor Restrictions		Total
Endowment net assets, December 31, 2017	$	-	$	715,774	$	715,774
Investment return, net		-		11,105		11,105
Appropriations		-		(11,105)		(11,105)
Endowment net assets, December 31, 2018		-		715,774	$	715,774
Investment return, net		-		11,555		11,555
Endowment net assets, December 31, 2019	$	-	$	727,329	$	727,329

Underwater endowment

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with authoritative guidance issued by the FASB, deficiencies of this nature are reported in net assets with donor restrictions. For the years ending December 31, 2019 and 2018, the cumulative amount of deficiencies reported in net assets with donor restrictions was $22,671 and $34,226, respectively.

Spending policy and investment objectives related to spending policy

The Foundation has adopted investment and spending policies for cash contributions with donor restrictions that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. All earnings from these funds are reflected as net assets with donor restrictions, until appropriated for program expenditures.

7. Benefit Plan

The Foundation maintains a defined contribution 401(k) profit sharing plan (the Plan) for all employees who are over the age of 21. Participants may make voluntary contributions up to the maximum amount allowable by law. The Foundation's contributions to the Plan are at the discretion of management and vest to the participants immediately.

The Foundation recorded contributions to the Plan of $103,371 and $102,467 for the years ended December 31, 2019 and 2018, respectively.

8. Related Party Transactions

For the years ended December 31, 2019 and 2018, certain officers and trustees made contributions to the Foundation totaling $94,000 and $32,095, respectively. Further, the affiliates of certain trustees made contributions of $60,000 and $660,000, during years ended December 31, 2019 and 2018, respectively.

For the years ended December 31, 2019 and 2018, the Foundation compensated an officer of the Foundation total amounts of $57,251 and $55,692, respectively, for his services in connection with the scholarship program and consulting. Such amounts have been charged to expense as program services.

9. Major Grantors and Donors

For the year ended December 31, 2019, five donors/grantors accounted for 35% of the Foundation's revenue. For the year ended December 31, 2018, five donors/grantors accounted for 19% of the Foundation's revenue.

10. Commitments

The Foundation leases office space under the terms of a non-cancelable operating lease that expires in February 2026. The lease agreement provides for an annual 2.5% escalation of the base rent and a ten-month abatement period. The Foundation is also responsible for certain operating expenses. The following is a schedule by year of the future minimum lease payments required under this operating lease as of December 31, 2019:

Years ending December 31,	
2020	$ 258,233
2021	264,455
2022	268,619
2023	268,511
2024	275,215
Thereafter	329,480
	$ 1,664,513

The Foundation recognizes the total cost of its office lease ratably over the respective lease periods. The difference between rent paid and rent expense is reflected as deferred rent in the accompanying statements of financial position.

Rent expense aggregated $256,903 and $346,725 for the years ended December 31, 2019 and 2018, respectively.

11. Liquidity and Availability of Resources

The following represents the Foundation's financial assets available within one year of the statements of financial position date for general expenditures:

	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	**$ 25,991,642**	$ 45,793,645
Pledges and contributions receivable, net	**11,071,016**	6,023,856
Total financial assets	**37,062,658**	51,817,501
Less amounts not available for general expenditures within one year:		
Net assets with donor restrictions	**(9,815,758)**	(11,830,410
Pledges and contributions receivable to be received in more than one year	**(394,904)**	(1,259,269)
Financial assets not available for general expenditures within one year	**(10,210,662)**	(13,089,679)
Financial assets available to meet cash needs for general expenditures within one year	**$ 26,851,996**	$ 38,727,822

The Foundation analyzes its cash position before each project and will only commit to a construction project when there is cash on hand to fund the project along with all expected operating expenditures for one year into the future. After an analysis of its expected operating and capital program expenses for the next year, the Foundation estimates to have $32.3 million on hand if no other donations are received. The Foundation has averaged over $30 million in contributions with no donor restrictions over the last five years and expects to maintain this in the next year. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. The Foundation invests excess cash in a strategic liquidity account which allows withdrawals with 30 days notice. The Foundation believes its available resources and future earnings will provide more than adequate resources to meet their financial obligations for the year following the statement of financial position date of December 31, 2019.

12. Subsequent Events

The Foundation has evaluated its December 31, 2019 financial statements for subsequent events through March 24, 2020, the date the financial statements were available to be issued. Other than as described below, the Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

On March 11, 2020 the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the Foundation, its performance, and its financial results.