



The Pentagon Federal Credit Union Foundation

Financial Statements
Years Ended December 31, 2019 and 2018

The Pentagon Federal Credit Union Foundation

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The Pentagon Federal Credit Union Foundation

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Independent Auditor's Report

Board of Directors
The Pentagon Federal Credit Union Foundation
Alexandria, Virginia

We have audited the accompanying financial statements of The Pentagon Federal Credit Union Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pentagon Federal Credit Union Foundation as of December 31, 2019 and 2018, 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.

BDO USA, LLP

June 22, 2020

Financial Statements

The Pentagon Federal Credit Union Foundation

Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Cash and cash equivalents	\$ 1,989,301	\$ 3,694,151
Contributions receivable	26,140	6,930
Note receivable under VEIP	100,000	100,000
Investments under VEIP	169,421	-
Prepaid expenses and other	87,379	1,200
Property and equipment, net	-	16
Total assets	\$ 2,372,241	\$ 3,802,297
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 189,114	\$ 349,217
ARK loan liability	53,728	54,760
Total liabilities	242,842	403,977
Commitments and contingencies		
Net assets		
Without donor restrictions	660,081	1,838,794
With donor restrictions	1,469,318	1,559,526
Total net assets	2,129,399	3,398,320
Total liabilities and net assets	\$ 2,372,241	\$ 3,802,297

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Statements of Activities and Changes in Net Assets

<i>Years ended December 31,</i>	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions	\$ 675,992	\$ 65,954	\$ 741,946	\$ 478,539	\$ 1,334,462	\$ 1,813,001
Donated services	1,376,332	-	1,376,332	1,669,549	-	1,669,549
Grant revenue	-	461,093	461,093	-	422,655	422,655
Special events revenue:						
Gross revenue	2,381,109	-	2,381,109	2,664,161	-	2,664,161
Costs of direct benefits to donors	(334,350)	-	(334,350)	(365,934)	-	(365,934)
Interest income	859	6,562	7,421	857	1,200	2,057
Net assets released from restrictions	623,817	(623,817)	-	893,596	(893,596)	-
Total revenues	4,723,759	(90,208)	4,633,551	5,340,768	864,721	6,205,489
Expenses						
Program services	4,298,608	-	4,298,608	3,837,388	-	3,837,388
Supporting services:						
Management and general	708,647	-	708,647	548,710	-	548,710
Fundraising - direct	779,889	-	779,889	748,056	-	748,056
Fundraising - other	115,328	-	115,328	44,521	-	44,521
Total expenses	5,902,472	-	5,902,472	5,178,675	-	5,178,675
Change in net assets	(1,178,713)	(90,208)	(1,268,921)	162,093	864,721	1,026,814
Net assets, beginning of year	1,838,794	1,559,526	3,398,320	1,676,701	694,805	2,371,506
Net assets, end of year	\$ 660,081	\$ 1,469,318	\$ 2,129,399	\$ 1,838,794	\$ 1,559,526	\$ 3,398,320

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Statement of Functional Expenses

Year ended December 31,

2019

	Program Services					Direct Fundraising			Support Services		Total Expenses	
	ARK Loans Program	Dream Makers	Military Heroes	Veteran Entrepreneur Investment Program	PREVENTS	Total Program Services	Programs	Special Events	Total Direct Fundraising Expenses	Management and General		Fundraising
Public relations	\$ -	\$ -	\$ 1,263	\$ 40,567	\$ -	\$ 41,830	\$ -	\$ 21	\$ 21	\$ 321,703	\$ 1,061	\$ 364,615
Special events	-	-	-	390	-	390	-	468,053	468,053	2,225	-	470,668
Professional and outside services	-	-	-	34,393	40,684	75,077	-	-	-	15,442	19,500	110,019
Professional donated services	13,926	215,464	278,388	304,468	9,008	821,254	208,786	89,455	298,241	191,764	28,438	1,339,697
Travel and conference	-	-	-	10,484	-	10,484	-	982	982	14,703	1,029	27,198
Business meetings	-	-	-	-	-	-	-	-	-	7,869	-	7,869
Rental of furniture and equipment	-	-	-	10,860	-	10,860	-	3,950	3,950	47,444	-	62,254
Office occupancy	-	-	-	-	-	-	-	-	-	31,717	-	31,717
Postage	-	-	107	-	-	107	-	-	-	34,255	-	34,362
Telephone and telecommunications	-	-	-	-	-	-	-	-	-	3,552	-	3,552
Personal property taxes	-	-	-	-	-	-	-	-	-	1,679	-	1,679
Office supplies	-	-	-	184	-	184	-	517	517	845	-	1,546
Printing and publications	452	296	1,036	1,303	-	3,087	900	-	900	34,375	40,643	79,005
Credit card processing fees	-	40	-	-	-	40	-	7,225	7,225	100	24,657	32,022
Military Heroes support	-	-	2,075,251	-	-	2,075,251	-	-	-	-	-	2,075,251
Dream Makers grants	-	1,045,090	-	-	-	1,045,090	-	-	-	-	-	1,045,090
Defender's Lodge building	-	-	4,500	-	-	4,500	-	-	-	-	-	4,500
Loss on investment under VEIP	-	-	-	120,045	-	120,045	-	-	-	-	-	120,045
Other miscellaneous expenses	-	-	-	2,509	-	2,509	-	-	-	958	-	3,467
Depreciation and amortization	-	-	-	-	-	-	-	-	-	16	-	16
Loan subsidy	87,900	-	-	-	-	87,900	-	-	-	-	-	87,900
Total expenses	\$ 102,278	\$ 1,260,890	\$ 2,360,545	\$ 525,203	\$ 49,692	\$ 4,298,608	\$ 209,686	\$ 570,203	\$ 779,889	\$ 708,647	\$ 115,328	\$ 5,902,472

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Statement of Functional Expenses

Year ended December 31,	2018										
	Program Services				Direct Fundraising				Support Services		
	ARK Loans Program	Dream Makers	Military Heroes	Veteran Entrepreneur Investment Program	Total Program Services	Programs	Special Events	Total Direct Fundraising Expenses	Management and General	Fundraising	Total Expenses
Public relations	\$ -	\$ -	\$ 553,597	\$ 7,327	\$ 560,924	\$ -	\$ 228	\$ 228	\$ 18,650	\$ -	\$ 579,802
Special events	-	-	59,752	-	59,752	-	481,261	481,261	-	-	541,013
Professional and outside services	-	-	55	3,797	3,852	-	7,200	7,200	227,354	-	238,406
Professional donated services	60,284	162,227	178,912	-	401,423	111,586	124,194	235,780	164,628	16,028	817,859
Travel and conference	-	-	1,872	-	1,872	-	9,104	9,104	9,419	-	20,395
Business meetings	-	-	-	1,701	1,701	-	61	61	10,631	-	12,393
Rental of furniture and equipment	-	-	-	4,125	4,125	-	-	-	51,796	-	55,921
Office occupancy	-	-	-	-	-	-	-	-	29,600	-	29,600
Postage	19	19	148	-	186	-	466	466	6,506	-	7,158
Telephone and telecommunications	-	-	-	-	-	-	-	-	4,035	-	4,035
Personal property taxes	-	-	-	-	-	-	-	-	71	-	71
Office supplies	-	-	311	831	1,142	-	416	416	5,012	-	6,570
Printing and publications	-	-	100	1,396	1,496	-	1,225	1,225	20,297	2,618	25,636
Credit card processing fees	-	-	-	-	-	-	12,315	12,315	518	25,875	38,708
Military Heroes support	-	-	1,757,872	25,858	1,783,730	-	-	-	-	-	1,783,730
Dream Makers grants	-	898,935	-	-	898,935	-	-	-	-	-	898,935
Depreciation and amortization	-	-	-	-	-	-	-	-	193	-	193
Loan subsidy	118,250	-	-	-	118,250	-	-	-	-	-	118,250
Total expenses	\$ 178,553	\$ 1,061,181	\$ 2,552,619	\$ 45,035	\$ 3,837,388	\$ 111,586	\$ 636,470	\$ 748,056	\$ 548,710	\$ 44,521	\$ 5,178,675

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Statements of Cash Flows

Years ended December 31,	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (1,268,921)	\$ 1,026,814
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	16	193
Loss on investment under VEIP	120,045	-
Decrease (increase) in assets		
Contributions receivable	(19,210)	50,165
Note receivable under VEIP	-	(100,000)
Prepaid expenses and other	(86,179)	43,383
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(160,103)	270,059
ARK loan liability	(1,032)	(6,060)
Net cash (used in) provided by operating activities	(1,415,384)	1,284,554
Cash flows from investing activities		
Purchases of investments under VEIP	(469,421)	-
Proceeds from VEIP investment dissolution	179,955	-
Net cash used in investing activities	(289,466)	-
(Decrease) increase in cash and cash equivalents	(1,704,850)	1,284,554
Cash and cash equivalents, beginning of year	3,694,151	2,409,597
Cash and cash equivalents, end of year	\$ 1,989,301	\$ 3,694,151

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

The Pentagon Federal Credit Union Foundation (the “Foundation”) is a nonprofit organization formed to support the members of the United States defense community by offering programs that instill financial literacy and provide military members, veterans and their communities with the skills and resources to realize financial stability and opportunity. The Foundation’s vision is that all service members are able to serve the nation free of financial worry and that every veteran has a strong financial future.

Basis of Presentation

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds held at a related party financial institution. The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give (pledges to give) are recognized as revenue and contribution receivable in the period the promises are made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management considers all promises to give to be fully collectible, therefore, no allowance for uncollectible pledges has been established.

Note receivable

Note receivable arises from a loan to a qualifying organization. Note receivable is stated at the amount of unpaid principal, adjusted for a present value discount and an allowance for loan losses, when deemed appropriate. The Foundation records an allowance when management determines that collectability is not probable. Management’s estimate is based on review of the loan comprising the note receivable balance and considers known and inherent risks, the estimated fair value of the underlying collateral, if any, and current economic conditions. Management considers the note receivable to be fully collectible, therefore, no allowance for loan losses has been established.

Investments

The Foundation records investments in companies not accounted for under the equity method of accounting at the cost basis. These investments are part of the Veteran Entrepreneur Investment Program (VEIP).

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated and recorded using the straight-line method over the following estimated useful lives of the assets.

Furniture and fixtures	8 years
Computer equipment	3 - 5 years
Computer software	3 - 5 years
Office equipment	5 years

Classification of Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed 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 restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The 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. Expenses require allocation on a reasonable basis that is consistently applied. Professional donated services are allocated on the basis of actual time and effort.

Revenue Recognition Accounted for in Accordance with Contributions Accounting

Contributions and grants

The Foundation receives contributions and grants from private donors and from related affiliated organizations. Contributions and grants, including unconditional promises to give, are recognized as revenue in the period received or pledged, as applicable, and are available for use in general operations unless restricted by the donor. Those that are restricted by the donor are recognized as increase in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

Conditional contributions that are those with a measurable performance or other barrier and right of return, are recognized as revenue when the conditions on which they depend have been substantially met.

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Employees of the Pentagon Federal Credit Union donate services to the Foundation. The Foundation has recorded the estimated value of services related to administration, fundraising and consulting services as contributions and related expenses, as reflected in the Foundation's financial statements.

Special Events

Revenue from special events is recognized in the year when the events occur. Expenses that directly benefit the donors are recorded as an offset to revenue in the year of the event.

Concentration of Credit Risk

The Foundation maintains all of its cash balance at one financial institution. Accounts at this institution are insured by the National Credit Union Administration up to \$250,000. Uninsured balances aggregate to \$2,179,536 and \$3,565,108 at December 31, 2019 and 2018, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and in the accompanying notes. Actual results could differ from those estimates.

Programs

The Foundation maintains four programs designed to benefit individuals who devote their lives to the defense of our country. The Asset Recovery Kit Loan ("ARK") program is designed to combat payday lending, offering our soldiers a more cost effective alternative to meet their short-term cash flow needs, as well as educational programs to instill financial literacy. Through the ARK program, the Foundation guarantees the repayment of ARK loans made to military personnel by the Pentagon Federal Credit Union, as well as other participating defense credit unions. ARK guarantees resulting in repayment to participating credit unions are recorded as loan subsidy expense when identified, based on actual and anticipated losses.

The Dream Makers program helps military and veterans by providing assistance toward down payment and closing costs for the purchase of a home. Grants are available up to \$5,000 for eligible applicants purchasing their first home.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

Through the Military Heroes program, the Foundation provides to eligible applicants (specifically post-9/11 combat veterans) temporary emergency financial assistance for rent, mortgage, utilities or car payments to prevent a near-term challenge from becoming a life-changing crisis. The Foundation also supports caregivers with childcare assistance and short-term educational expenses. As part of the Military Heroes program, the Foundation committed to raise \$12.5 million for the building of the Defender's Lodge, completed in 2013 for wounded warriors and veterans where they can stay for free while receiving poly-trauma care at the Veterans Administration hospital in Palo Alto, California. Upon completion, the Defender's Lodge was donated by the Foundation to U.S. Department of Veteran Affairs (DVA).

The VEIP provides veteran-owned start-ups with seed capital to build and grow their businesses, create a robust network for veteran-owned businesses to succeed and enable the Foundation to perpetually re-invest returns in future veteran-owned businesses. The VEIP is funded by outside donors with the Pentagon Federal Credit Union, a related party, matching up to \$1 million in contributions in 2018 to the Foundation. The Foundation's VEIP plans to invest in three to five selected businesses a year. Returns on all investments will revert to the program to support future veteran-owned business ventures.

On November 26, 2019, the President's Roadmap to Empower Veterans and End the National Tragedy of Suicide (PREVENTS) Executive Order Office, administered by the DVA and the Foundation entered into an agreement. This agreement sets forth a structure in which both DVA and the Foundation will work in a mutually beneficial manner to advance and improve the quality of life for U.S. service veterans. The Foundation created a designated fund to support the development of a national public awareness campaign on suicide prevention. All funds raised through this collaboration will support the design, implementation, and products of a public health awareness campaign on suicide prevention, in conjunction with the roadmap established in the PREVENTS Executive Order.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2019 and 2018, advertising expense totaled \$79,005 and \$25,636, respectively.

Income Taxes

The Foundation is a nonprofit organization incorporated under the laws of the Commonwealth of Virginia on December 4, 2001. It is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. No material taxable unrelated business income was generated and accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Foundation follows the accounting guidance that creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its financial statements. Under the requirements of this guidance, organizations could now be required to record an obligation as the result of tax positions they have historically taken on various tax exposure items. The Foundation is not required to record such an obligation. The Foundation is no longer subject to income tax examination by federal, state or local tax authorities for tax years before 2016.

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Notes to Financial Statements

Recently Adopted Authoritative Guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The update establishes a comprehensive revenue recognition standard for virtually all industries under GAAP including those that previously followed industry-specific guidance. The principle of the update is that an entity should recognize revenue to depict the transfer of promised goods and services to customers under a contract in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Foundation adopted ASU 2014-09 *Revenue from Contracts with Customers* (“ASC 606”) in 2019 under the modified prospective method. The adoption of this guidance of this update did not materially impact the 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*. 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 effective date of this standard varies based on whether an organization is a resource recipient or a resource provider. As a resource recipient, for contributions received, ADA adopted this update on a prospective basis for the year ended December 31, 2019. Contribution revenue was accounted for under Accounting Standard Codification (ASC) Topic 958-605, *Not-for-Profit Entities, Revenue Recognition*, before the implementation of the new standard. With the clarifications outlined in ASU 2018-08, management reviewed existing agreements as of the effective date, as well as new agreements for 2019, and concluded that there were no material changes in revenue related to contributions received.

Recent Accounting Pronouncement Not Yet Adopted

As noted previously herein, ASU 2018-08 provides guidance how grants and other contracts received and made are classified, as either an exchange transaction or a contribution, for both resource recipients and resource providers. For resource providers, the standard assists in the determination of the nature of the transaction which will then govern the expense recognition methodology and timing of the transactions. The Foundation has adopted the guidance pertinent to resource recipients for the year ended December 31, 2019. The ASU is effective for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. The Foundation is currently evaluating the impact of the remainder of this standard on the financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The update modifies certain disclosure requirements in Topic 820, *Fair Value Measurement*. The ASU is effective for the Foundation’s financial statements for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact of this ASU on the financial statements.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

2. Property and Equipment

Property and equipment at December 31, 2019 and 2018, are summarized as follows:

<i>December 31,</i>		2019		2018
Furniture and fixtures	\$	1,600	\$	1,600
Computer equipment		16,688		16,688
Computer software		9,137		9,137
Office equipment		1,011		1,011
		28,436		28,436
Less accumulated depreciation and amortization		(28,436)		(28,420)
Property and equipment, net	\$	-		16

Depreciation and amortization expense for the years ended December 31, 2019 and 2018, totaled \$16 and \$193, respectively.

3. Related-Party Transactions

The Foundation receives cash contributions and donated services and support from the Pentagon Federal Credit Union. For the years ended December 31, 2019 and 2018, the Foundation received cash contributions of \$4,929 and \$715,000, respectively. Also, for the years ended December 31, 2019 and 2018, the Foundation received donated services and support of \$1,376,332 and \$1,669,549, respectively.

4. Restricted Grants

In 2016, the Pentagon Federal Credit Union (“PenFed”) participated in the Federal Home Loan Bank of Atlanta (“FHLB”) Affordable Housing Program (“AHP”) as a member of the FHLB Atlanta. PenFed utilizes the Foundation to manage the funds within the AHP and to identify eligible recipients. These funds are restricted for use in the AHP. For the years ended December 31, 2019 and 2018, revenues with donor restrictions related to AHP were recognized and released in the amount of \$36,093 and \$45,155, respectively.

Also in 2016, the Foundation agreed with the DVA to accept funds from private industry to then use to assist veterans. Subsequently, the Foundation received \$750,000 from a third party donor, who stipulated that the funds be distributed where the need is greatest for veterans located in certain geographic areas in the U.S. For the years ended December 31, 2019 and 2018, the amount of funds utilized for the Military Heroes program was \$24,393 and \$147,531, respectively, which is included in the total net assets released from restrictions amount for the Military Heroes program.

In 2019 and 2018, the Foundation received \$400,000 and \$300,000, respectively, from Disabled American Veterans to provide emergency financial assistance and financial counseling to eligible veterans. For the years ended December 31, 2019 and 2018, the amount of these funds utilized for the Military Heroes program was \$275,831 and \$201,146, respectively, which is included in the total net assets released from restrictions amount for the Military Heroes program.

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Notes to Financial Statements

The Foundation also received \$25,000 and \$77,500 from other third party donors in 2019 and 2018, respectively, to support the Military Heroes Program. For the years ended December 31, 2019 and 2018, the amount of funds utilized for the Military Heroes program was \$25,000 and \$0, respectively, which is included in the total net assets released from restrictions amount for the Military Heroes program.

5. Contributions Receivable

As of December 31, 2019 and 2018, contributions receivable includes unconditional promises to give due in less than one year in the amount of \$26,140 and \$6,930, respectively. These receivables are recorded at their unpaid balances which approximate fair value.

6. Note Receivable and Investments under VEIP

The following note receivable and investments are related to the VEIP program:

True Made Foods, Inc

On October 19, 2018, the Foundation entered into an agreement with True Made Foods, Inc. ("TMF"), under the VEIP program to invest \$100,000. This agreement was consummated via a convertible promissory note (the "Note 1"), payable to the Foundation with interest at 6% per annum, for which the principal and interest is due in full December 31, 2019. Note 1 was convertible to preferred stock in TMF upon a qualifying equity financing. In July 2019, Note 1 amount and the related accrued interest were converted into 1,213,784 shares of TMF's preferred stock at \$0.08603 purchase price per share. The Foundation recorded the investment of \$104,422 using the cost method as of December 31, 2019.

Inner River, Inc

On November 19, 2019, the Foundation entered into an agreement with Inner River, Inc, under the VEIP program to invest \$300,000, payable in 3 installments - \$100,000 on November 21, 2019, \$100,000 on January 17, 2020 and \$100,000 on March 13, 2020. This agreement was consummated via a convertible promissory note (the "Note 2"), payable to the Foundation with interest at 5% per annum, for which the principal and interest is due in full November 19, 2023. Note 2 is convertible into common stock of Inner River, Inc. upon a qualifying equity financing. As of December 31, 2019, the fair value of this note receivable of \$100,000 approximates its carrying amount.

Veterans Speakers Bureau, LLC

On March 5, 2019, the Foundation entered into an operating agreement with an individual and created the Veterans Speakers Bureau, LLC, a Virginia limited liability company, as part of the Foundation's VEIP program. The initial capital contribution provided by the Foundation and the individual amounted to \$147,000 and \$153,000 representing 49% and 51% ownership, respectively. The Foundation gave a loan of \$153,000 to the individual to enter into agreement. On August 28, 2019, the 51% ownership by individual was assigned to the Foundation and the related loan was cancelled. On October 15, 2019, the Foundation, as the sole member, dissolved the Veterans Speakers Bureau, LLC. Upon dissolution and cancellation of the related loan, the Foundation received the remaining cash of \$179,955 from Veterans Speakers Bureau, LLC and recorded a loss in investments under VEIP of \$120,045 for the year ended December 31, 2019.

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LeaseLock, Inc

On October 8, 2019, the Foundation entered into a common stock purchase agreement with LeaseLock, Inc. to invest \$64,999 for a 0.23% stake in the entity which represents 45,371 common shares at \$1.4326 per share. The capital contribution balance as of December 31, 2019 was \$64,999. The Foundation recorded the investment using the cost method as of December 31, 2019.

7. ARK Loan Liability

As part of the Foundation's ARK program, the Foundation accrues a liability related to loans guaranteed by the ARK program that must be repaid in the event the borrower defaults. The Foundation estimates the accrual based on historical charge-offs. As of December 31, 2019 and 2018, the Foundation recorded a liability of \$53,728 and \$54,760, respectively.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at:

<i>December 31,</i>	2019	2018
Military Heroes	\$ 463,728	\$ 363,336
Defender's Lodge	61,240	40,025
Veteran Entrepreneur Investment Program	944,350	1,156,165
	\$ 1,469,318	\$ 1,559,526

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

<i>Years ended December 31,</i>	2019	2018
Military Heroes	\$ 347,177	\$ 803,406
Defender's Lodge	4,811	-
Veteran Entrepreneur Investment Program	220,736	45,035
Dream Makers	36,093	45,155
PREVENTS	15,000	-
	\$ 623,817	\$ 893,596

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9. Liquidity and Availability of Resources

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following:

<i>December 31,</i>	2019	2018
Cash and cash equivalents	\$ 1,989,301	\$ 3,694,151
Contributions receivable	26,140	6,930
Total financial assets	2,015,441	3,701,081
Less amount unavailable for general expenditure within one year, due to:		
Restricted by donors with time or purpose restrictions	(1,469,318)	(1,559,526)
Total financial assets available to meet cash needs for general expenditure within one year	\$ 546,123	\$ 2,141,555

The amount unavailable for general expenditure within one year includes that remaining commitment of \$200,000 to provide Inner River Inc.'s convertible promissory note discussed in Note 6.

As part of the Foundation's liquidity management, financial assets are structured to provide availability to meet the needs of the general expenditure and liabilities as they come due. The Foundation's financial assets profile is reviewed in detail during the annual budget process and financial assets are aligned to meet the operational needs of the Foundation. The Foundation keeps cash in excess of daily requirements in money market funds.

10. Subsequent Events

Subsequent events have been evaluated by management through June 22, 2020, the date the financial statements were available to be issued. 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 COVID-19 pandemic and government responses are 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 COVID-19. Nevertheless, COVID-19 presents potential material uncertainty and risk with respect to the Foundation and its financial results. These risks will be monitored and evaluated on a continued basis by the Foundation. There were no other events noted that required adjustment to or disclosure in the financial statements.