Consolidated Financial Statements
December 31, 2023 and 2022

Folds of Honor Foundation

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, 2023 and 2022, 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, 2023 and 2022, and the results of its operations 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.

Correction of Error

As discussed in Note 12 to the consolidated financial statements, certain errors resulting in an overstatement of contributions for the year ended December 31, 2022, and an understatement of refundable advances as of December 31, 2022 and 2021, were discovered in the current year. Accordingly, amounts reported for contributions and refundable advances have been restated in the 2022 consolidated financial statements now presented, and an adjustment has been made to net assets as of January 1, 2022, to correct the error. Our opinion is not modified with respect to that matter.

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.

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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 Bailly LLP

Tulsa, Oklahoma
August 16, 2024

	2023	2022 (Restated)
Assets		
Cash and cash equivalents	$ 49,079,408	$ 40,503,046
Operating investments	23,933,680	20,995,470
Accounts receivable	63,764	59,929
Accounts receivable - related party	14,069	5,742
Employee retention credit receivable	-	663,984
Promises to give	1,949,471	795,296
Prepaid expenses and other assets	427,186	915,686
Inventory	822,297	324,528
Property and equipment, net	18,860,142	15,806,923
Interest in net assets of chapters	8,562,058	6,137,088
Beneficial interest in assets held by community foundation	12,089	10,592
Beneficial interest in perpetual trust	947,729	902,342
Beneficial interest in structured annuity	716,328	-
Total assets	$ 105,388,221	$ 87,120,626
Liabilities and Net Assets		
Accounts payable	$ 291,874	$ 112,663
Accrued expenses and other liabilities	16,260,954	13,464,790
Deferred revenue	1,239	10,779
Refundable advance	750,000	500,000
Total liabilities	17,304,067	14,088,232
Net Assets		
Without donor restrictions		
Undesignated	74,707,659	63,990,881
With donor restrictions		
Purpose restrictions	9,762,967	7,343,875
Time-restricted for future periods	3,613,528	1,697,638
	13,376,495	9,041,513
Total net assets	88,084,154	73,032,394
Total liabilities and net assets	$ 105,388,221	$ 87,120,626

	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
Contributions from and 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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Merchandise sales	$ 672,619	$ -	$ 672,619
Less cost of goods sold	(369,910)	-	(369,910)
Net merchandise sales	302,709	-	302,709
Net investment return	(637,555)	-	(637,555)
Other revenue	72,353	-	72,353
Contributions	15,871,900	795,296	16,667,196
Employee retention credit	663,984	-	663,984
In-kind contributions	3,985,908	-	3,985,908
Gross special events revenue	19,574,754	-	19,574,754
Less cost of direct benefits to donors	(550,022)	-	(550,022)
Net special events revenue	19,024,732	-	19,024,732
Change in value of beneficial interests in assets held by others	(2,059)	(109,620)	(111,679)
Change in interest in net assets of chapters	-	18,273,427	18,273,427
Net assets released from restrictions	17,782,094	(17,782,094)	-
Total revenue, support, and gains	57,064,066	1,177,009	58,241,075
Expenses and Losses			
Program services expense	42,404,971	-	42,404,971
Supporting services expense			
Management and general	2,406,218	-	2,406,218
Fundraising and development	2,750,494	-	2,750,494
Total supporting services expenses	5,156,712	-	5,156,712
Total expenses and losses	47,561,683	-	47,561,683
Change in Net Assets	9,502,383	1,177,009	10,679,392
Net Assets, Beginning of Year as Restated	54,488,498	7,864,504	62,353,002
Net Assets, End of Year	$ 63,990,881	$ 9,041,513	$ 73,032,394

	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
	46,165,346	2,868,010	3,678,172	362,585	53,074,113
Less expenses included with revenues on the consolidated statement of activities					
Cost of goods sold	-	-	(483,086)	-	(483,086)
Cost of direct benefits to donors	-	-	-	(362,585)	(362,585)
Total expenses included in the expense section on the consolidated statement of activities	$ 46,165,346	$ 2,868,010	$ 3,195,086	$ -	$ 52,228,442

	Program Services	Management and General	Fundraising and Development	Cost of Direct Benefit to Donors	Total
Scholarships	$ 31,968,770	$ -	$ -	$ -	$ 31,968,770
Salaries and wages	4,316,496	860,667	573,151	-	5,750,314
Advertising	1,288,667	-	859,111	-	2,147,778
Employee benefits	991,146	136,857	76,626	-	1,204,629
Travel and training	538,443	-	42,799	-	581,242
Receptions and events	1,313,284	348,058	562,150	550,022	2,773,514
Payroll taxes	348,588	41,010	20,505	-	410,103
Communications	84,958	4,271	45,248	-	134,477
Information technology	250,982	77,225	57,919	-	386,126
Promotional expense	282,255	169,353	112,902	-	564,510
Other	267,589	154,563	103,165	-	525,317
Postage and printing	251,969	85,903	47,378	-	385,250
Depreciation and amortization	111,589	66,953	44,635	-	223,177
Insurance	95,553	19,111	12,740	-	127,404
Professional services	92,523	115,653	23,131	-	231,307
Occupancy	50,630	10,126	6,751	-	67,507
Equipment rental and maintenance	146,182	29,236	19,491	-	194,909
Security	5,347	891	2,674	-	8,912
Bank charges	-	140,118	140,118	-	280,236
Cost of goods sold	-	-	369,910	-	369,910
Cottage operating expenses	-	146,223	-	-	146,223
	42,404,971	2,406,218	3,120,404	550,022	48,481,615
Less expenses included with revenues on the consolidated statement of activities					
Cost of goods sold	-	-	(369,910)	-	(369,910)
Cost of direct benefits to donors	-	-	-	(550,022)	(550,022)
Total expenses included in the expense section on the consolidated statement of activities	$ 42,404,971	$ 2,406,218	$ 2,750,494	$ -	$ 47,561,683

	2023	2022 (Restated)
Reconciliation of Change in Net Assets to Net Cash from (used for) Operating Activities		
Change in net assets	$ 15,051,760	$ 10,679,392
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation and amortization	616,812	223,177
Interest income on certificates of deposit	-	(1,022)
Realized and unrealized loss (gain) on operating investments	(2,458,187)	983,668
Change in beneficial interests in assets held by others	(45,729)	111,902
Contributions for the structured annuity	(716,328)	-
Change in interest in net assets of chapters	(21,670,375)	(18,273,427)
Changes in operating assets and liabilities		
Accounts receivable	(12,162)	(643,827)
Employee retention credit receivable	663,984	-
Promises to give	(1,154,175)	(408,889)
Prepaid expenses and other assets	488,500	(653,750)
Inventories	(497,769)	(158,305)
Accounts payable	179,211	47,057
Accrued expenses and other liabilities	2,796,164	3,127,054
Deferred revenue	(9,540)	(16,592)
Refundable advance	250,000	250,000
Net Cash from (used for) Operating Activities	(6,517,834)	(4,733,562)
Investing Activities		
Purchases of operating investments	(480,023)	(8,000,000)
Redemption of certificates of deposit	-	256,073
Additions to beneficial interests in assets held by others	(1,155)	(223)
Purchases of property and equipment	(3,670,031)	(10,327,334)
Contributions received from chapters	19,245,405	17,108,809
Net Cash from (used for) Investing Activities	15,094,196	(962,675)
Net Change in Cash and Cash Equivalents	8,576,362	(5,696,237)
Cash and Cash Equivalents, Beginning of Year	40,503,046	46,199,283
Cash and Cash Equivalents, End of Year	$ 49,079,408	$ 40,503,046

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, 2023, the Foundation has awarded approximately 52,000 scholarships to help defray educational expenses, including tuition and fees, books, instructional supplies and equipment, and room and board. It is expected the Foundation will award another 10,000 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, 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). The opening balance of accounts receivable as of January 1, 2022, was $85,828.

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, 2023 and 2022.

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 the year ended December 31, 2022, the Foundation applied for and was awarded an employee retention credit of $663,984. The Foundation recorded a $663,984 benefit related to the credit, which is presented in the consolidated statements of financial position as employee retention credit receivable as of December 31, 2022, and in the consolidated statements of activities as employee retention credit for the year then ended. The Foundation received payment of $741,331 in 2023, with $77,347 recorded in the consolidated statement 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, 2023 and 2022, 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, 2023 and 2022.

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.

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, 2023 and 2022.

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 trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trusts. 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 trusts are reported at the fair value of the trusts' 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 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 few years, various chapters have been established to raise money for the benefit of the Foundation. There were 33 such chapters operating at December 31, 2023. The Foundation is in the process of adding three chapters in fiscal year 2024, which are not operational yet. 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 (loss) 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. 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.

During 2021, a donor pledged to contribute $1,000,000 to the Foundation for the construction of a new memorial. The donor stipulated that the grant was to be used towards building a memorial to invite, honor, and educate visitors on patriotism and the mission of the Foundation. Due to the conditions noted, no contributions have been recognized in the accompanying consolidated statement of activities. As of December 31, 2023 and 2022, the Foundation has received $750,000 and $500,000, respectively, of this conditional pledge which is recorded as refundable advance in the consolidated statements of financial position. The condition was met, and construction of the memorial started in 2024. The Foundation recognized contributions revenue for $1,000,000 in the year ended December 31, 2024, and expects to utilize the related funds in 2024 and 2025.

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. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to the Foundation's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2023 and 2022, such costs approximated $4,448,000 and $2,148,000, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function.

Accordingly, certain costs have been allocated among the programs and supporting services benefited. With the exception of scholarships for which no allocation is required, most expenses are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is organized as an Oklahoma nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The 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. 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. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. As of December 31, 2023 and 2022, the Foundation's cash balances exceed FDIC limitations by approximately $2,500,000 and $3,400,000, respectively. To date, no losses have been experienced in any of these accounts.

Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and foundations supportive of the Foundation's mission. Investments are made by diversified investment managers whose performance is monitored by management and the Finance Committee of the Board of Directors.

Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Finance Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Subsequent Events

Subsequent events have been evaluated through August 16, 2024, which is the date the consolidated financial statements were available to be issued.

Note 2 - Adoption of Accounting Standards

As of January 1, 2023, the Foundation adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments-Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13) which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including accounts receivable. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

The Foundation adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after January 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. No cumulative effect adjustment was recognized on January 1, 2023, as a result of the adoption of this standard. The adoption of the new standard did not materially impact the Foundation's consolidated financial statements. See Note 1 for further disclosure of the Foundation's receivables.

Note 3 - 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:

	2023	2022
Cash and cash equivalents	$ 49,079,408	$ 40,503,046
Operating investments	23,933,680	20,995,470
Accounts receivable	63,764	59,929
Accounts receivable - related party	14,069	5,742
Promises to give	1,949,471	795,296
	$ 75,040,392	$ 62,359,483

The Foundation has a beneficial interest in a structured annuity and is expected to receive approximately $20,000 in 2024.

Note 4 - 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 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, 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	$ 18,005,393	$ 18,005,509	$ -	$ -
Equity funds	5,928,287	5,928,171	-	-
	$ 23,933,680	$ 23,933,680	$ -	$ -
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
	$ 1,676,146	$ -	$ 12,089	$ 1,664,057

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2022:

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	$ 16,574,236	$ 16,574,236	$ -	$ -
Equity funds	4,421,234	4,421,234	-	-
	$ 20,995,470	$ 20,995,470	$ -	$ -
Beneficial interests in assets held by Community Foundation	$ 10,592	$ -	$ 10,592	$ -
Beneficial interest in perpetual trust	902,342	-	-	902,342
	$ 912,934	$ -	$ 10,592	$ 902,342

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, 2023 and 2022:

	Beneficial Interest in Perpetual Trust	Beneficial Interest in Structured Annuity
Balance at January 1, 2022	$ 1,011,962	$ -
Net realized and unrealized loss	(109,620)	-
Balance at December 31, 2022	902,342	-
Contributions		716,328
Net realized and unrealized gain	45,387	-
Balance at December 31, 2023	$ 947,729	$ 716,328

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected within one year at December 31, 2023 and 2022.

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. At December 31, 2022, one donor accounted for 58% of total promises to give and another donor accounted for 27% of total promises to give.

Note 6 - Property and Equipment

Property and equipment consist of the following at December 31, 2023 and 2022:

	2023	2022
Land	$ 1,068,223	$ 1,068,223
Land improvements	1,272,403	1,191,893
Buildings and improvements	15,574,708	2,635,398
Office equipment	661,687	521,843
Furniture and fixtures	2,490,076	1,187,830
Construction in progress	6,845	11,190,851
	21,073,942	17,796,038
Less accumulated depreciation	(2,213,800)	(1,989,115)
	$ 18,860,142	$ 15,806,923

The Foundation began construction on a new headquarters building in 2020. Total costs expended during 2023 and 2022, were approximately $2,090,600 and $5,155,900, respectively. Total costs for the building are estimated to be approximately $12,868,000, which includes in-kind donations of $4,503,000. The Foundation has entered into agreements with certain vendors related to the construction of the new headquarters building and other facilities which has resulted in in-kind donations. The building was placed into service in 2023, and approximately $312,000 will be spent for completion.

The Foundation is in the process of building a memorial to be placed in front of the new headquarters building with an estimated cost of $1,700,000.

Note 7 - Net Assets with Donor Restrictions

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

	2023	2022
Subject to Expenditure for Specified Purpose		
Restricted real estate	$ 1,080,909	$ 1,081,787
Restricted for scholarships	120,000	125,000
Time-based and primarily restricted for scholarships		
Interest in net assets of chapters	8,562,058	6,137,088
	9,762,967	7,343,875
Subject to the Passage of Time		
Beneficial interest in perpetual trust	947,729	902,342
Beneficial interest in structured annuity	716,328	-
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	1,949,471	795,296
	$ 13,376,495	$ 9,041,513

Land was donated during the year ended December 31, 2009, for the express purpose of building the Foundation's headquarters. The headquarters must be used for a nonprofit purpose for 20 years from the date of donation or the land will revert to the donor. Due to the nature of the restriction, the land and all assets constructed and affixed to it are reported as net assets restricted by donors. During 2023, the Foundation built a new headquarters and converted its old headquarters into a hotel for guests and donors.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2023 and 2022:

	2023	2022
Expiration of time restrictions	$ 800,296	$ 672,407
Restricted purpose distributions from chapters	19,245,405	17,108,809
Depreciation of restricted real estate	878	878
	$ 20,046,579	$ 17,782,094

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, 2023 and 2022, the Foundation contributed $460,483 and $327,886, 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, 2023 and 2022, respectively, 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 $120,000 and $184,000 in 2023 and 2022, respectively, for security services, maintenance, grill, promotional materials, and certain other shared services.

The chief executive officer and two Board members have interests in the American Dunes LLC located in Grand Haven, Michigan. The mission of American Dunes is to raise awareness and funds to benefit Folds of Honor. American Dunes LLC received no funds for the construction of the golf course and receives no funds for operations. Folds of Honor was given permission to build a Folds of Honor Memorial at the entrance of American Dunes. The memorial was funded by restricted donations. The memorial utilized no general donations from the Foundation. Amounts spent for the construction in 2023 and 2022, totaled approximately $2,000 and $81,000, respectively, with the total expenditures for the construction to be $973,000. The Foundation paid American Dunes approximately $196,000 and $195,000, respectively, in 2023 and 2022, for golf and promotional events.

Note 10 - Commitment and Contingencies

In connection with Patriot Golf Days, the Foundation entered into an agreement 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. The Foundation made a $500,000 contribution in 2023 under the terms of this agreement.

Note 11 - Contributed Nonfinancial Assets

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included the following:

	2023	2022
Advertising services	$ 379,300	$ -
Promotional events	520,974	285,111
Construction contributions	450,358	3,692,350
Other contributions	-	8,447
	$ 1,350,632	$ 3,985,908

Advertising services and promotional events were based upon fair values based on current rates for similar services.

Construction contributions consist of materials and services which were provided by various contractors for the construction of new headquarters building. 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, 2023 and 2022, were without donor restrictions.

Note 12 - Restatement

During the year ended December 31, 2023, the Foundation identified a misstatement within the 2022 consolidated financial statements related to conditional contributions that were recorded as contributions in the consolidated statements of activities for 2022 and 2021. As a result, the Foundation restated its previously issued consolidated financial statements to appropriately reflect the conditional contribution for the year ended December 31, 2022.

The following is a summary of the effects of the restatement in the Foundations' 2022 consolidated financial statements:

	As Previously Reported	Restatement	As Restated
Consolidated Statements of Financial Position			
Liaiblities and Net Assets			
Refundable advance	$ -	$ 500,000	$ 500,000
Total liabilities	13,588,232	500,000	14,088,232
Net assets			
Without donor restrictions			
Undesignated	64,490,881	(500,000)	63,990,881
Total net assets	73,532,394	(500,000)	73,032,394
Consolidated Statements of Activities			
Without Donor Restrictions			
Revenue, Support, and Gains			
Contributions	16,121,900	(250,000)	15,871,900
Total revenue, support, and gains	57,314,066	(250,000)	57,064,066
Change in net assets	9,752,383	(250,000)	9,502,383
Net assets, beginning of year	54,738,498	(250,000)	54,488,498
Net assets, end of year	64,490,881	(500,000)	63,990,881
Total			
Revenue, Support, and Gains			
Contributions	16,917,196	(250,000)	16,667,196
Total revenue, support, and gains	58,491,075	(250,000)	58,241,075
Change in net assets	10,929,392	(250,000)	10,679,392
Net assets, beginning of year	62,603,002	(250,000)	62,353,002
Net assets, end of year	73,532,394	(500,000)	73,032,394
Consolidated Statements of Cash Flow			
Reconcilation of Change in Net Assets to Net Cash used for Operating Activities			
Change in net assets	10,929,392	(250,000)	10,679,392
Changes in operating assets and liabilities			
Refundable advance	-	250,000	250,000