

FIRST COMMAND EDUCATIONAL FOUNDATION

Financial Statements
Years Ended December 31, 2012 and 2011

FIRST COMMAND EDUCATIONAL FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
Financial Statements:	
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
First Command Educational Foundation

We have audited the accompanying financial statements of First Command Educational Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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 audit. We conducted our audit 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 of 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 the Foundation as of December 31, 2012 and 2011, 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



Fort Worth, Texas
June 10, 2013

FIRST COMMAND EDUCATIONAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 98,426	\$ 89,582
Pledges receivable	7,020	676
Due from First Command Financial Services, Inc.	11,800	6,464
Inventory	11,950	13,152
Assets restricted for endowment	1,050,118	1,002,322
Total current assets	<u>1,179,314</u>	<u>1,112,196</u>
Property and equipment, net	<u>7,596</u>	<u>1,001</u>
Total assets	<u><u>\$ 1,186,910</u></u>	<u><u>\$ 1,113,197</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Scholarships payable	\$ 5,220	\$ -
Accrued expenses and other liabilities	37,010	32,860
Pledges payable	16,500	25,000
Total current liabilities	<u>58,730</u>	<u>57,860</u>
Total liabilities	58,730	57,860
Net assets:		
Unrestricted		
Undesignated	96,066	49,475
Board designated	50,000	-
Total unrestricted	<u>146,066</u>	<u>49,475</u>
Temporarily restricted	78,114	101,862
Permanently restricted	904,000	904,000
Total net assets	<u>1,128,180</u>	<u>1,055,337</u>
Total liabilities and net assets	<u><u>\$ 1,186,910</u></u>	<u><u>\$ 1,113,197</u></u>

The accompanying notes are an integral part of these financial statements.

FIRST COMMAND EDUCATIONAL FOUNDATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:								
Contributions	\$ 624,293	\$ 21,400	\$ -	\$ 645,693	\$ 610,999	\$ 22,660	\$ -	\$ 633,659
Special events	25,100	-	-	25,100	17,804	-	-	17,804
Donated facilities, materials and services	90,073	-	-	90,073	79,833	-	-	79,833
Investment income	60,778	17,765	-	78,543	15,232	5,880	-	21,112
Sales income (loss)	30	-	-	30	(94)	-	-	(94)
Net assets released from restriction	62,913	(62,913)	-	-	111,608	(111,608)	-	-
Total revenues and other support	863,187	(23,748)	-	839,439	835,382	(83,068)	-	752,314
Expenses:								
Program services:								
Scholarship program	302,820	-	-	302,820	249,348	-	-	249,348
Education	274,476	-	-	274,476	361,499	-	-	361,499
Total program services expenses	577,296	-	-	577,296	610,847	-	-	610,847
Development and fundraising	108,217	-	-	108,217	104,560	-	-	104,560
Management and general administrative	81,083	-	-	81,083	94,094	-	-	94,094
Total expenses	766,596	-	-	766,596	809,501	-	-	809,501
Increase (decrease) in net assets	96,591	(23,748)	-	72,843	25,881	(83,068)	-	(57,187)
Net assets at beginning of year	49,475	101,862	904,000	1,055,337	23,594	184,930	904,000	1,112,524
Net assets at end of year	\$ 146,066	\$ 78,114	\$ 904,000	\$ 1,128,180	\$ 49,475	\$ 101,862	\$ 904,000	\$ 1,055,337

The accompanying notes are an integral part of these financial statements.

FIRST COMMAND EDUCATIONAL FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 72,843	\$ (57,187)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	801	1,690
(Gain) loss on investment securities	(46,260)	16,773
Changes in operating assets and liabilities:		
Pledges receivable	(6,343)	8,943
Amounts due to related parties	(5,336)	588
Inventory	1,202	40,667
Scholarships payable	5,220	(7,000)
Accrued expenses and other liabilities	4,150	4,010
Pledges payable	(8,500)	(30,000)
Cash provided by (used in) operating activities	<u>17,777</u>	<u>(21,516)</u>
Cash flows from investing activities:		
Purchases of equipment	(7,396)	-
Purchases of investments	-	(58,299)
Proceeds from redemption and sale of investments	15,000	56,801
Payments for assets restricted for endowment	(16,537)	(42,445)
Cash used in investing activities	<u>(8,933)</u>	<u>(43,943)</u>
Net increase (decrease) in cash flows	8,844	(65,459)
Cash and cash equivalents at beginning of year	<u>89,582</u>	<u>155,041</u>
Cash and cash equivalents at end of year	<u>\$ 98,426</u>	<u>\$ 89,582</u>
Supplemental data - cash paid for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - Nature of Operations and Summary of Significant Accounting Principles

Organization

First Command Educational Foundation (the "Foundation") is a 501(c)(3) public charity that provides grant support for charitable, religious, scientific, literary or educational purposes and conducts financial educational programs. The major programs of the Foundation are as follows:

Scholarship Program - provides scholarships for those military and civilian individuals pursuing undergraduate and graduate degrees as well as trade programs and professional certification.

Education - provides financial education courses and classroom instruction to individuals, businesses, and community organizations.

Basis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Net assets, revenues and other support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets - net assets not subject to donor-imposed stipulation. Unrestricted net assets subject to voluntary resolution of the Board of Directors are reported as board designated.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be retained permanently with all or part of the income earned on related investments available for general or specific purposes.

Revenues and other support are reported as increases in unrestricted net assets unless use of the related amount is limited by donor-imposed and/or time restrictions. Support and revenues that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the year. Actual results could differ from those estimates.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - Nature of Operations and Summary of Significant Accounting Principles (Continued)

Tax Exempt Status

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Prior to January 1, 2006, the Foundation was classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code. Effective January 1, 2006, the Foundation voluntarily terminated its private foundation status and is now classified as a public charity as defined in Section 509(a)(1) of the Internal Revenue Code. The Foundation is subject to applicable and Federal unrelated business income tax and federal excise tax.

Because the Foundation is exempt from Federal income taxes, no provision has been made for Federal income tax. The Foundation recognizes interest accrued related to unrecognized tax benefits and penalties in management and general administrative expenses, if any. For 2012 and 2011, there were no interest or penalty expenses. The Foundation is not under examination for tax purposes by any jurisdiction. Open tax years include 2009 forward.

Cash Equivalents

The Foundation considers all interest-bearing deposits and short-term investments purchased with maturities of three months or less to be cash equivalents. As of December 31, 2012 and 2011, there were no amounts of cash held in excess of FDIC limits of \$250,000.

Pledges Receivable

Unconditional promises to give are recognized as support in the period in which the promise is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Because all significant receivable balances are due within one year, no present value discount has been applied to the balances for 2012 or 2011.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Donated assets are recorded at their estimated fair value on the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally five years. The Foundation capitalized all assets with cost greater than \$1,000 and estimated useful life greater than one year. For the years ended December 31, 2012 and 2011, depreciation expense was \$801 and \$1,690 respectively, and accumulated depreciation was \$14,778 and \$13,977, respectively.

Inventories

Inventories are comprised of educational materials stated at the lower of cost or market determined by the first-in first-out method.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 1 - Nature of Operations and Summary of Significant Accounting Principles (Continued)

Assets Restricted for Endowment

Assets restricted for endowment consist of investments and cash and cash equivalents permanently restricted by donors. The related investments are stated at fair value using quoted market prices when available. If quoted market prices are not available, estimated fair values are determined based on quoted market prices of similar financial instruments. Realized and unrealized gains and losses are reflected in the statement of activities as investment income or loss.

Scholarship and Pledges Payable

Scholarships and pledges payable are recorded as a liability and scholarship program expense when a commitment is approved by the Chief Executive Officer.

Donated Facilities, Materials and Services

Donated facilities, materials and services are recognized as contributions in accordance with ASC topic *Accounting for Contributions Received and Contributions Made* if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. During 2012 and 2011, the Foundation received the use of facilities, materials and services that met these criteria for recognition for the general operation of the Foundation.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments

The carrying value of pledges receivable, amounts due from First Command Financial Services, Inc., and all liabilities approximate fair value principally because of the short maturity of those items. Estimated fair values of the assets restricted for endowment also approximate their carrying amounts as further described in Note 4.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments, pledges receivable, and contributions. The Foundation places its cash with quality financial institutions; however, amounts occasionally exceed federally insured limits. Investments included in assets restricted for endowment are held by third parties and are subject to market risk. As of December 31, 2012 and 2011, there were no concentrations of credit risk related to pledges receivable. Contributions from two related party donors comprise approximately 57% and 59% of total contributions for 2012 and 2011, respectively.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 2 - Investments

Investments, included as assets restricted for endowment, at market value as of December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Government securities	\$ 129,364	\$ 118,962
Certificates of deposit	200,000	215,000
Mutual funds and other securities	577,015	541,159
Total investments	906,379	875,121
Cash included in assets restricted for endowment	143,739	127,201
	<u>\$ 1,050,118</u>	<u>\$ 1,002,322</u>

The following summarizes the investment return for the years ended December 31, 2012 and 2011:

	2012	2011
Interest, dividends and realized gains	\$ 32,283	\$ 37,885
Unrealized gain (loss) on investments	46,260	(16,773)
Total investment return	<u>\$ 78,543</u>	<u>\$ 21,112</u>

NOTE 3 - Donor Designated Endowment

The Foundation's endowment consists of individual funds established by donor-restricted contributions for the purpose of generating future scholarship funding. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Texas Prudent Management of Institutional Funds Act (TPMIFA) 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 permanently restricted net assets the original value of gifts donated to the permanent endowments and accumulations to the permanent 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation. Net unrealized losses on endowment-related investments are classified as unrestricted net assets.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - Donor Designated Endowment (Continued)

Investment Return Objectives, Risk Parameters and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which meets the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities and certificates of deposit that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions for scholarship. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

Because actual investment returns in any given year vary, the Foundation reviews investment return throughout the year in conjunction with authorizing distributions to ensure the distributions do not liquidate the underlying endowment assets. In general, the Foundation distributes all earnings on the endowment assets, relying on additional donations to grow the principal investment assets.

Endowment asset composition by type of fund as of December 31, 2012 and 2011 is as follows:

2012			2011		
Unrestricted	Temporary Restricted	Permanently Restricted	Unrestricted	Temporary Restricted	Permanently Restricted
<u>\$ 68,004</u>	<u>\$ 78,114</u>	<u>\$ 904,000</u>	<u>\$ 7,215</u>	<u>\$ 91,107</u>	<u>\$ 904,000</u>

Changes in endowment assets as of December 31, 2012 are as follows:

	Unrestricted	Temporary Restricted	Permanently Restricted	Total Endowment Assets
Endowment assets, beginning of year	\$ 7,215	\$ 91,107	\$ 904,000	\$ 1,002,322
Contributions	-	21,400	-	21,400
Amounts appropriated	-	(52,147)	-	(52,147)
Net unrealized gains	35,566	10,694	-	46,260
Other investment income	25,223	7,060	-	32,283
Endowment assets, end of year	<u>\$ 68,004</u>	<u>\$ 78,114</u>	<u>\$ 904,000</u>	<u>\$ 1,050,118</u>

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 3 - Donor Designated Endowment (Continued)

Changes in endowment assets as of December 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment assets, beginning of year	\$ (8,229)	\$ 79,381	\$ 904,000	\$ 975,152
Contributions	-	19,160	-	19,160
Amounts appropriated	-	(13,102)	-	(13,102)
Net unrealized losses	(15,616)	(1,157)	-	(16,773)
Other investment income	31,060	6,825	-	37,885
Endowment assets, end of year	<u>\$ 7,215</u>	<u>\$ 91,107</u>	<u>\$ 904,000</u>	<u>\$ 1,002,322</u>

NOTE 4 - Fair Value Measurements

FASB ASC topic *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 4 - Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

Government securities, mutual funds and other securities: The fair values of government securities, mutual funds and other securities are based on quoted market price and are classified in level 1 of the fair value hierarchy.

Certificates of deposit: The fair value of certificates of deposit is based on amortized cost or original cost plus accrued interest and are classified in level 2 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2012 and 2011:

Assets as Fair Value as of December 31, 2012				
	Level 1	Level 2	Level 3	Total
Government securities	\$ 129,364	\$ -	\$ -	\$ 129,364
Mutual funds and other securities	577,015	-	-	577,015
Certificates of deposit	-	200,000	-	200,000
	<u>\$ 706,379</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 906,379</u>

Assets as Fair Value as of December 31, 2011				
	Level 1	Level 2	Level 3	Total
Government securities	\$ 118,962	\$ -	\$ -	\$ 118,962
Mutual funds and other securities	541,159	-	-	541,159
Certificates of deposit	-	215,000	-	215,000
	<u>\$ 660,121</u>	<u>\$ 215,000</u>	<u>\$ -</u>	<u>\$ 875,121</u>

NOTE 5 - Pledges Receivable

As of December 31, 2012 and 2011, no allowance has been recorded for pledges receivable. Pledges are determined to be uncollectable when, based on management's judgment, circumstances indicate that pledges receivable will not be collected. As of December 31, 2012, all pledges are considered to be fully collectible within one year.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 6 - Pledges Payable

Pledges payable consist of amounts pledged to other organizations, generally to be used by those organizations to provide scholarships. These obligations are expected to be paid out as follows:

Amounts to be paid in:		
2013	\$	16,500
2014		-
2015		-
2016		-
2017		-
Thereafter		-
	\$	<u>16,500</u>

NOTE 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following at December 31, 2012 and 2011:

	2012	2011
Lt. Jay Smith	\$ 35,859	\$ 25,461
Dallas Lower Scholarships	9,733	5,650
Konecny	17,916	14,724
Lonestar Squadron	3,868	2,860
Money Matters	-	10,760
NTAGGL	10,388	-
Ricco	-	42,057
Other scholarships	350	350
	<u>\$ 78,114</u>	<u>\$ 101,862</u>

NOTE 8 - Permanently Restricted Net Assets

Permanently restricted net assets include principal amounts of contributions restricted by donor stipulations to investment and reinvestment in perpetuity, income of which is restricted by donor stipulations to be used for scholarships.

NOTE 9 - Advertising Costs

The Foundation uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2012 and 2011 were \$3,717 and \$754, respectively.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 10 - Donated Use of Facilities and Services

The value of donated use of facilities and services included as contributions in the financial statements and corresponding expenses are as follows at December 31, 2012 and 2011:

	2012	2011
Use of office space, furniture and equipment	\$ 40,135	\$ 34,656
Donated materials in support of special events	29,661	27,890
Donated general account services	19,445	16,503
Donated retirement plan administration services	832	784
	<u>\$ 90,073</u>	<u>\$ 79,833</u>

NOTE 11 - Related Party Transactions

The Foundation receives the donated value of facilities and services (see Note 10) from a related organization, First Command Financial Services, Inc. (FCFS). The Foundation reimburses FCFS for personnel expenses and other expenses paid on behalf of the Foundation. FCFS collects certain commissions on behalf of the Foundation. As of December 31, 2012 and 2011, the Foundation had a receivable from FCFS of \$11,800 and \$6,464, respectively.

NOTE 12 - Employee Retirement Plans

The Foundation has a 401(k) and profit sharing plan with a four year vesting schedule. The plan is available to all employees. Employees are immediately covered by a 3% safe harbor match and may begin elective deferrals provided the employee is over 18 years of age. After one year of service, employees are eligible to receive matching contributions from the Foundation. In addition, the Foundation may contribute a percentage of total salaries to employees under the profit sharing plan. For 2012 and 2011, the Foundation has accrued approximately \$23,000 and \$19,000, respectively, to be contributed to the Plan.

NOTE 13 - Litigation

The Foundation is not involved in any lawsuits in the ordinary course of business and there are no actions pending which will have a material adverse impact on the financial condition of the Foundation.

FIRST COMMAND EDUCATIONAL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 14 - Commitments and Contingencies

The Foundation entered into agreements during 2009 for equipment rental and website related services. Expense incurred under these agreements was approximately \$42,000 and \$60,000 for the years ended December 31, 2012 and 2011, respectively.

Future lease payments required under these leases are approximately as follows:

Amounts to be paid in:		
2013	\$	36,750
2014		-
2015		-
2016		-
2017		-
Thereafter		-
	\$	<u>36,750</u>

NOTE 15 - Subsequent Events

There were no subsequent events identified by management as of the issuance date of these financial statements.