

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

THE HONOR FOUNDATION, INC. AND AFFILIATE

December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Honor Foundation, Inc. and Affiliate

Opinion

We have audited the accompanying consolidated financial statements of The Honor Foundation, Inc. and Affiliate (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets, consolidated statements of functional expenses, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Prior Period Financial Statements

The consolidated financial statements of the Organization as of and for the year ended December 31, 2022, were audited by other auditors whose report dated March 24, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

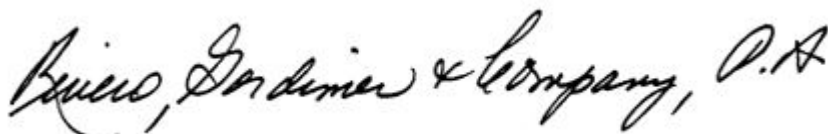
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the Organization'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.

Tampa, Florida
May 29, 2024



The Honor Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,454,087	\$ 2,014,055
Contributions receivable	378,447	66,975
Prepaid expenses	118,790	37,706
Total current assets	<u>2,951,324</u>	<u>2,118,736</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation (note C)	21,173	15,141
INVESTMENTS (note D)	<u>2,946,874</u>	<u>2,017,340</u>
TOTAL ASSETS	<u>\$ 5,919,371</u>	<u>\$ 4,151,217</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	73,027	63,280
Accrued liabilities	82,540	41,343
Total current liabilities	<u>155,567</u>	<u>104,623</u>
NET ASSETS (note F)		
Without donor restrictions	4,796,838	3,521,594
With donor restrictions	966,966	525,000
Total net assets	<u>5,763,804</u>	<u>4,046,594</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,919,371</u>	<u>\$ 4,151,217</u>

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

The Honor Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2023
(With comparative total for 2022)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2023	2022
REVENUE AND SUPPORT				
Grants	\$ 2,345,614	\$ 1,615,000	\$ 3,960,614	\$ 2,442,601
Contributions	1,555,788	60,000	1,615,788	1,417,874
Special events, net	2,009,023	-	2,009,023	1,318,531
Donated services and facilities	513,068	-	513,068	395,268
Investment income	180,645	-	180,645	17,340
Other income	39,113	-	39,113	9,511
	<u>6,643,251</u>	<u>1,675,000</u>	<u>8,318,251</u>	<u>5,601,125</u>
Net assets released from restrictions	<u>1,233,034</u>	<u>(1,233,034)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,876,285</u>	<u>441,966</u>	<u>8,318,251</u>	<u>5,601,125</u>
EXPENSES				
Program services	<u>6,066,058</u>	<u>-</u>	<u>6,066,058</u>	<u>4,561,656</u>
Supporting services				
Management and general	95,987	-	95,987	143,750
Development	438,996	-	438,996	318,884
Total supporting services	<u>534,983</u>	<u>-</u>	<u>534,983</u>	<u>462,634</u>
Total expenses	<u>6,601,041</u>	<u>-</u>	<u>6,601,041</u>	<u>5,024,290</u>
Change in net assets	1,275,244	441,966	1,717,210	576,835
Net assets at beginning of year	<u>3,521,594</u>	<u>525,000</u>	<u>4,046,594</u>	<u>3,469,759</u>
Net assets at end of year	<u>\$ 4,796,838</u>	<u>\$ 966,966</u>	<u>\$ 5,763,804</u>	<u>\$ 4,046,594</u>

The accompanying notes are an integral part of this consolidated statement.

The Honor Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants	\$ 1,157,601	\$ 1,285,000	\$ 2,442,601
Contributions	1,417,874	-	1,417,874
Special events, net	1,318,531	-	1,318,531
Donated services and facilities	395,268	-	395,268
Investment income	17,340	-	17,340
Other income	9,511	-	9,511
	<u>4,316,125</u>	<u>1,285,000</u>	<u>5,601,125</u>
Net assets released from restrictions	<u>1,150,000</u>	<u>(1,150,000)</u>	<u>-</u>
Total revenue and support	5,466,125	135,000	5,601,125
EXPENSES			
Program services	<u>4,561,656</u>	<u>-</u>	<u>4,561,656</u>
Supporting services			
Management and general	143,750	-	143,750
Development	318,884	-	318,884
Total supporting services	<u>462,634</u>	<u>-</u>	<u>462,634</u>
Total expenses	<u>5,024,290</u>	<u>-</u>	<u>5,024,290</u>
Change in net assets	441,835	135,000	576,835
Net assets at beginning of year	<u>3,079,759</u>	<u>390,000</u>	<u>3,469,759</u>
Net assets at end of year	<u>\$ 3,521,594</u>	<u>\$ 525,000</u>	<u>\$ 4,046,594</u>

The accompanying notes are an integral part of this consolidated statement.

The Honor Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023
(With comparative total for 2022)

	Program Services	Management and General	Development	Total	
				2023	2022
Expenses					
Personnel	\$ 2,743,554	\$ 77,368	\$ 325,293	\$ 3,146,215	\$ 2,489,105
Programs and community events	1,930,909	-	-	1,930,909	1,368,344
Facilities and equipment	625,085	7,034	33,180	665,299	526,100
Meetings and travel	229,668	-	4,748	234,416	266,148
Professional fees	328,079	2,681	30,248	361,008	190,782
Marketing	127,320	-	9,925	137,245	69,559
Administrative	59,560	1,919	18,735	80,214	57,390
Bank and merchant fees	-	5,674	15,727	21,401	17,254
Insurance	11,197	288	1,000	12,485	14,731
Scholarships	5,000	-	-	5,000	5,000
	<u>6,060,372</u>	<u>94,964</u>	<u>438,856</u>	<u>6,594,192</u>	<u>5,004,413</u>
Depreciation	<u>5,686</u>	<u>1,023</u>	<u>140</u>	<u>6,849</u>	<u>19,877</u>
Total expenses	<u>\$ 6,066,058</u>	<u>\$ 95,987</u>	<u>\$ 438,996</u>	<u>\$ 6,601,041</u>	<u>\$ 5,024,290</u>

The accompanying notes are an integral part of this consolidated statement.

The Honor Foundation, Inc. and Affiliate

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Development</u>	<u>Total</u>
Expenses				
Personnel	\$ 2,194,340	\$ 106,423	\$ 188,342	\$ 2,489,105
Programs and community events	1,368,344	-	-	1,368,344
Facilities and equipment	476,072	4,809	45,219	526,100
Meetings and travel	253,904	216	12,028	266,148
Professional fees	144,959	22,506	23,317	190,782
Marketing	63,600	699	5,260	69,559
Administrative	24,760	4,063	28,567	57,390
Bank and merchant fees	-	2,835	14,419	17,254
Insurance	12,550	862	1,319	14,731
Scholarships	5,000	-	-	5,000
	<u>4,543,529</u>	<u>142,413</u>	<u>318,471</u>	<u>5,004,413</u>
Depreciation	<u>18,127</u>	<u>1,337</u>	<u>413</u>	<u>19,877</u>
Total expenses	<u>\$ 4,561,656</u>	<u>\$ 143,750</u>	<u>\$ 318,884</u>	<u>\$ 5,024,290</u>

The accompanying notes are an integral part of this consolidated statement.

The Honor Foundation, Inc. and Affiliate
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31,

	<u>2023</u>	<u>2022</u>
Cash flow provided by operating activities		
Change in net assets	<u>\$ 1,717,210</u>	<u>\$ 576,835</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	6,849	19,877
Net unrealized gain on investments	(127,885)	(17,038)
Increase in contributions receivable	(311,472)	(26,975)
Increase in prepaid expenses	(81,084)	(1,314)
Decrease in other receivables	-	79,294
Increase in accounts payable	9,747	11,691
Increase in accrued liabilities	41,197	36,720
	<u>(462,648)</u>	<u>102,255</u>
Net cash provided by operating activities	<u>1,254,562</u>	<u>679,090</u>
Cash flows used in investing activities		
Purchase of investments	(8,420,515)	(2,490,818)
Proceeds from sale of investments	7,618,866	490,516
Purchase of property and equipment	(12,881)	(5,396)
Net cash used in investing activities	<u>(814,530)</u>	<u>(2,005,698)</u>
Net change in cash and cash equivalents	440,032	(1,326,608)
Cash and cash equivalents at beginning of year	<u>2,014,055</u>	<u>3,340,663</u>
Cash and cash equivalents at end of year	<u>\$ 2,454,087</u>	<u>\$ 2,014,055</u>
Supplemental disclosures of cash flow information		
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>

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

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023 and 2022

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Description of the Organization and Activities

The Honor Foundation, Inc. (“THF”) is a California non-profit organization that was incorporated in 2013. The Organization provides a career transition program for U.S. Special Operations Forces that translates their elite military service to the private sector and helps create the next generation of corporate and community leaders. THF provides a clear process for their professional development and offers a diverse ecosystem of world-class support and technology. Every step is dedicated to preparing these outstanding men and women to realize their maximum potential after their military service. Headquartered in San Diego, CA, the THF has additional campuses in Virginia Beach, VA; Southern Pines, NC; Wilmington, NC; Tampa, FL; Niceville, FL; and two virtual campuses. THF support comes primarily from contributions including donated services and facilities.

The Honor for Life Foundation, Inc. (the “HFLF”) is a California non-profit organization that was incorporated in 2018. Headquartered in San Diego, California, the HFLF’s mission is to support the Organization. The HFLF is managed by a board of directors appointed by the Organization’s board of directors and has no members. The HFLF’s support comes primarily from contributions.

2. Basis of Consolidation

The Organization formed HFLF, a non-profit organization, to operate a future endowment for THF. The consolidated financial statements include the accounts of the TFH and HFLF, collectively “the Organization”. All significant interorganizational balances and transactions have been eliminated.

3. Basis of Accounting

Under accounting standards on financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- With Donor Restriction - Net assets with donor restrictions consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Without Donor Restriction - Net assets without restriction amounts consist of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize for its programs and supporting services.

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

5. Cash Equivalents

The Organization considers financial instruments with a fixed maturity date of less than three months from the statement of financial position date to be cash equivalents.

The Organization maintained its cash in one commercial bank as of December 31, 2023 and 2022. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2023 and 2022, the Organization had balances in its bank of approximately \$1,918,000 and \$1,482,000, respectively, in excess of the FDIC limits.

6. Contributions Receivable

Contributions receivable consist of donor promises to give. It is the Organization's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected. Contributions receivable that are expected to be received in excess of one year are reported at present value and a discount is recorded. All contributions receivable are considered collectible as of December 31, 2023 and 2022.

7. Prepaid Expenses

Prepaid expenses are stated at cost less applicable amortization and includes expenses prepaid for events that will occur in the next fiscal year and for insurance premiums, which are expensed over their useful lives using the straight-line method.

8. Property and Equipment

Property and equipment are recorded at cost if purchased, or at fair value at date of gift if donated, less depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives of three to thirty-nine years. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. It is the Organization's policy to capitalize all property and equipment costs in excess of \$2,000. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the current period financial statements.

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Fair Value Measurement

The Organization follows accounting standards consistent with the FASB Codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

10. Investments

Investments are carried at fair market value. Income on investments are recognized as revenue in the period it is earned, and realized and unrealized gains and losses are recognized as changes in net assets in the accounting period in which they occur.

11. Revenue Recognition

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in with donor restricted net assets. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restricted net assets are reclassified to without donor restricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

The Organization follows FASB Accounting Standards Codification (“ASC”) Topic 606 (“ASC 606”) *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. This ASC’s core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also clarifies the principal versus agent considerations. Providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer.

12. Contributions Received and Contributions Made

The Organization follows accounting standards consistent with the FASB ASC Topic 958 (“ASC 958”) *Not-for-Profit Entities, Clarifying the Scope* and the Accounting Guidance for Contributions Received and Contributions Made. This ASC’s core principle includes clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions.

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with specific program or support service are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Organization's management. The costs include:

- Depreciation – which is allocated based on an estimated percentage determined by the Organization's management.
- Personnel expenses – which are allocated based on time spent.
- Professional services – which are allocated based on the number of fellows participating in each cohort.
- Rent, utilities, and janitorial services – which are allocated based on square footage and class days.

14. Donated Services and Facilities

The Organization follows standards relating to contributions received and contributions made as consistent with FASB codification. These standards require recording the value of donated services and facilities that create or enhance non-financial assets or require specialized skills.

15. Income Taxes

As a nonprofit organization, the Organization has obtained exempt status. Under Internal Revenue Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code, the Organization is not subject to income taxes for operations related to its exempt purpose.

Management has considered its tax positions taken in its exempt Organization tax returns are more than likely than not to be sustained upon examination. As of December 31, 2023 and 2022, the Organization believes it does not have any taxable unrelated business income, and accordingly, has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE A - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

16. Recent Accounting Pronouncement

In February 2016, FASB issued ASU 2016-02 *Leases* (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, *Codification Improvements to Topic 842 Leases*, and ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*. The new standard is effective for fiscal years beginning after December 15, 2021. ASU 2016-02 requires recognition of operating leases with lease terms of more than twelve months on the balance sheet as both assets and liabilities for the obligations created by the leases. Topic 842 also requires disclosures that provide qualitative and quantitative information for the lease assets and liabilities recorded in the financial statements. Upon completion of its review of relevant contracts, the Organization has made a determination that there is no material impact to recognition of operating leases upon adoption of the new standard. The Organization adopted Topic 842 as of January 1, 2022.

17. Reclassifications

Certain minor reclassifications have been made to the 2022 financial statements in order to conform to the classifications used in 2023.

NOTE B - LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Although the Organization does not intend to spend from its board designated endowment fund other than the amounts appropriated for general expenditures as part of its annual budget and approval process, amounts from the fund could be made available in the event of an unanticipated liquidity need.

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE B - LIQUIDITY AND AVAILABILITY - Continued

The following reflects the Organization's financial assets as of December 31, 2023, reduced by the amounts not available for general use because of board designated and donor-imposed restrictions within one year of the statement of financial position date:

Financial assets, at year-end:	
Cash and cash equivalents	\$ 2,454,087
Contributions receivable	378,447
Investments	<u>2,946,874</u>
	5,779,408
Less those unavailable for general expenditures within one year due to contractual or donor imposed restrictions	
Board designated reserves	(1,348,500)
Donor-restricted to specified programs	<u>(966,966)</u>
	(2,315,466)
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,463,942</u></u>

NOTE C - PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows as of December 31,:

	<u>2023</u>	<u>2022</u>
Software	\$ 583,495	\$ 583,495
Website	72,010	72,010
Furniture and fixtures	41,794	41,794
Equipment	<u>53,555</u>	<u>40,674</u>
	750,854	737,973
Accumulated depreciation	<u>(729,681)</u>	<u>(722,832)</u>
	<u><u>\$ 21,173</u></u>	<u><u>\$ 15,141</u></u>

Depreciation expense was \$6,849 and \$19,877 for the years ended December 31, 2023 and 2022, respectively.

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE D - INVESTMENTS

Investments are stated at fair value and consist of the following as of December 31,:

	<u>2023</u>	<u>2022</u>
U.S. Treasury Bills	\$ 2,885,071	\$ 1,989,262
Mutual funds	<u>61,803</u>	<u>28,078</u>
	<u>\$ 2,946,874</u>	<u>\$ 2,017,340</u>

The following schedule summarizes the Organization's return on long-term investments the statement of activities and changes in net assets for the years ended December 31,;

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 1,315	\$ 302
Unrealized and realized gains	<u>179,330</u>	<u>17,038</u>
Total investment return	<u>\$ 180,645</u>	<u>\$ 17,340</u>

NOTE E - FAIR VALUE MEASUREMENT

The Organization follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE E - FAIR VALUE MEASUREMENT - Continued

Financial assets carried at fair value and measured on a recurring basis as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Bills	\$ 2,885,071	\$ -	\$ -	\$ 2,885,071
Mutual funds	<u>61,803</u>	<u>-</u>	<u>-</u>	<u>61,803</u>
Total	<u>\$ 2,946,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,946,874</u>

Financial assets carried at fair value and measured on a recurring basis as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Bills	\$ 1,989,262	\$ -	\$ -	\$ 1,989,262
Mutual funds	<u>28,078</u>	<u>-</u>	<u>-</u>	<u>28,078</u>
Total	<u>\$ 2,017,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,017,340</u>

NOTE F - NET ASSETS

Net assets were available for the following purposes as of December 31,:

	<u>2023</u>	<u>2022</u>
Without donor restrictions		
Unrestricted and undesignated	\$ 3,448,338	\$ 2,173,094
Board designated - operations and general reserves	<u>1,348,500</u>	<u>1,348,500</u>
	4,796,838	3,521,594
With donor restrictions:		
Subject to expenditure for specific purpose:		
Program support	<u>966,966</u>	<u>525,000</u>
Total net assets	<u>\$ 5,763,804</u>	<u>\$ 4,046,594</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose of by occurrence of the passage of time or other events specified by donors during the years ended December 31, 2023 and 2022 were \$1,233,034 and \$1,150,000, respectively.

The Honor Foundation, Inc. and Affiliate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023 and 2022

NOTE G - DONATED SERVICES AND FACILITIES

The following summarizes donated services and facilities for the year ended December 31,:

	<u>2023</u>	<u>2022</u>
Space usage	\$ 374,193	\$ 277,508
Training faculty services	138,875	113,500
Legal services	-	2,890
Catering	-	1,370
	<u>\$ 513,068</u>	<u>\$ 395,268</u>

NOTE H - COMMITMENTS

The Organization leases office space from a third party through February 2028. The Organization is not required to pay base rent but is required to pay general operating costs. No amount has been recorded in the accompanying financial statements for the present value of this lease agreement, as the fair value cannot be estimated.

NOTE I - RETIREMENT PLAN

The Organization sponsors a 401(k) plan for its employees. The 401(k) plan provides for discretionary matching contributions. The total matching contribution for the years ended December 31, 2023 and 2022 was \$0. All contributions to the plan are 100% vested.

NOTE J - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 29, 2024 the date the consolidated financial statements were ready to be issued. There were not material subsequent events which affected the amounts or disclosures in the consolidated financial statements.