

# **First Command Educational Foundation**

**Financial Statements  
December 31, 2023 and 2022**



# First Command Educational Foundation

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## **Independent Auditors' Report**

To the Board of Directors of  
First Command Educational Foundation

### ***Opinion***

We have audited the accompanying financial statements of First Command Educational Foundation (Foundation) which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 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 (GAAP).

### ***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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.



A Limited Liability Partnership

Arlington, Texas  
January 23, 2025

**First Command Educational Foundation**  
**Statements of Financial Position**  
**December 31, 2023 and 2022**

	2023	2022
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 96,491	\$ 255,996
Related party receivable	5,092	31,093
Pledges receivable	1,500	5,145
Other receivable	9,198	933
Investments	129,094	-
Assets restricted for endowment:		
Cash and cash equivalents	-	9,679
Investments	288,786	203,773
Investments to be held in perpetuity	1,004,000	1,004,000
Investments reserved by the Board	396,001	404,692
<b>Total current assets</b>	<b>1,930,162</b>	<b>1,915,311</b>
Property and equipment, net	-	876
<b>Total assets</b>	<b>\$ 1,930,162</b>	<b>\$ 1,916,187</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Scholarships payable	\$ 2,500	\$ 7,500
Accrued expenses	109,048	163,095
<b>Total current liabilities</b>	<b>111,548</b>	<b>170,595</b>
<b>Net assets:</b>		
Without donor restrictions	525,828	528,140
With donor restrictions	1,292,786	1,217,452
<b>Total net assets</b>	<b>1,818,614</b>	<b>1,745,592</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,930,162</b>	<b>\$ 1,916,187</b>

See notes to financial statements.

**First Command Educational Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions of financial assets	\$ 875,043	\$ 39,812	\$ 914,855
Contributions of nonfinancial assets	108,408	-	108,408
Investment income	118,512	55,442	173,954
Special events (net of direct costs of \$57,505)	38,826	-	38,826
Federal employee market seminar income	47,150	-	47,150
Miscellaneous	3,025	-	3,025
Net assets released from restrictions	19,920	(19,920)	-
<b>Total support and revenue</b>	<b>1,210,884</b>	<b>75,334</b>	<b>1,286,218</b>
<b>Expenses:</b>			
Program services	1,054,499	-	1,054,499
Management and general	118,121	-	118,121
Fundraising	40,576	-	40,576
<b>Total expenses</b>	<b>1,213,196</b>	<b>-</b>	<b>1,213,196</b>
<b>Change in net assets</b>	<b>(2,312)</b>	<b>75,334</b>	<b>73,022</b>
<b>Net assets, beginning of year</b>	<b>528,140</b>	<b>1,217,452</b>	<b>1,745,592</b>
<b>Net assets, end of year</b>	<b>\$ 525,828</b>	<b>\$ 1,292,786</b>	<b>\$ 1,818,614</b>

See notes to financial statements.

**First Command Educational Foundation**  
**Statement of Activities**  
**Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and revenue:</b>			
Contributions of financial assets	\$ 931,947	\$ 38,400	\$ 970,347
Contributions of nonfinancial assets	85,035	-	85,035
Investment loss	(149,939)	(54,734)	(204,673)
Special events (net of direct costs of \$27,986)	4,050	-	4,050
Federal employee market seminar income	47,150	-	47,150
Net assets released from restrictions	18,848	(18,848)	-
<b>Total support and revenue</b>	<b>937,091</b>	<b>(35,182)</b>	<b>901,909</b>
<b>Expenses:</b>			
Program services	1,137,835	-	1,137,835
Management and general	45,037	-	45,037
Fundraising	14,331	-	14,331
<b>Total expenses</b>	<b>1,197,203</b>	<b>-</b>	<b>1,197,203</b>
<b>Change in net assets</b>	<b>(260,112)</b>	<b>(35,182)</b>	<b>(295,294)</b>
<b>Net assets, beginning of year</b>	<b>788,252</b>	<b>1,252,634</b>	<b>2,040,886</b>
<b>Net assets, end of year</b>	<b>\$ 528,140</b>	<b>\$ 1,217,452</b>	<b>\$ 1,745,592</b>

See notes to financial statements.

**First Command Educational Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2023**

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 728,917	\$ 33,897	\$ -	\$ 762,814
Professional fees	54,455	1,179	-	55,634
Advertising and marketing	7,001	200	-	7,201
Speaker fees	26,452	-	-	26,452
Supplies	8,847	198	-	9,045
Scholarships	117,250	-	-	117,250
Special events	-	-	98,081	98,081
Travel	44,010	975	-	44,985
Rent and services	-	78,615	-	78,615
Legal	8,774	249	-	9,023
Service contracts	53,026	574	-	53,600
Depreciation	852	24	-	876
Other	4,915	2,210	-	7,125
<b>Total expenses</b>	<b>\$ 1,054,499</b>	<b>\$ 118,121</b>	<b>\$ 98,081</b>	<b>\$ 1,270,701</b>
<b>Less expenses included with revenues on the statement of activities:</b>				
Direct costs of special events	-	-	(57,505)	(57,505)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,054,499</b>	<b>\$ 118,121</b>	<b>\$ 40,576</b>	<b>\$ 1,213,196</b>

See notes to financial statements.

**First Command Educational Foundation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2022**

	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 651,045	\$ 21,227	\$ -	\$ 672,272
Professional fees	98,332	3,975	-	102,307
Advertising and marketing	622	18	-	640
Speaker fees	24,974	-	-	24,974
Supplies	15,313	2,074	-	17,387
Scholarships	117,675	-	-	117,675
Special events	-	-	42,317	42,317
Travel	25,045	1,021	-	26,066
Rent and services	68,860	9,390	-	78,250
Membership dues	2,000	-	-	2,000
Service contracts	123,930	878	-	124,808
Depreciation	1,015	30	-	1,045
Other	9,024	6,424	-	15,448
<b>Total expenses</b>	<b>\$ 1,137,835</b>	<b>\$ 45,037</b>	<b>\$ 42,317</b>	<b>\$ 1,225,189</b>
<b>Less expenses included with revenues on the statement of activities:</b>				
Direct costs of special events	-	-	(27,986)	(27,986)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,137,835</b>	<b>\$ 45,037</b>	<b>\$ 14,331</b>	<b>\$ 1,197,203</b>

See notes to financial statements.

**First Command Educational Foundation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	2023	2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 73,022	\$ (295,294)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	876	1,045
Realized loss on investments	5,319	2,852
Unrealized (gain) loss on investments	(111,065)	253,812
Changes in operating assets and liabilities:		
Related party receivable	26,001	(19,035)
Pledges receivable	3,645	8,664
Other receivable	(8,265)	(933)
Prepaid expenses	-	25,058
Scholarship payable	(5,000)	(2,475)
Accrued expenses	(54,047)	106,473
<b>Net cash provided (used) by operating activities</b>	<b>(69,514)</b>	<b>80,167</b>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(155,613)	(72,341)
Proceeds from sale of investments	55,943	6,848
<b>Net cash used by investing activities</b>	<b>(99,670)</b>	<b>(65,493)</b>
<b>Change in cash and cash equivalents</b>	<b>(169,184)</b>	<b>14,674</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>265,675</b>	<b>251,001</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 96,491</b>	<b>\$ 265,675</b>
<b>Reconciliation of cash and cash equivalents and restricted cash and cash equivalents reported within the statement of financial position to the statement of cash flows:</b>		
Cash and cash equivalents	\$ 96,491	\$ 255,996
Restricted cash and cash equivalents	-	9,679
<b>Cash and cash equivalents and restricted cash and cash equivalents reported on the statement of cash flows</b>	<b>\$ 96,491</b>	<b>\$ 265,675</b>

See notes to financial statements.

# First Command Educational Foundation

## Notes to Financial Statements

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### 1. Foundation

First Command Educational Foundation (Foundation), a Texas non-profit Foundation, is classified by the Internal Revenue Service (IRS) as tax-exempt under Section 501(c)(3). The Foundation's mission is to educate those who serve. They are committed to ensuring that our active duty and veteran service members, and others, receive financial readiness education. The Foundation's programs offer valuable and relevant material on numerous topics, regardless of career or life stage. By improving financial readiness for all, the Foundation works to help individuals have the knowledge and skills necessary to make informed, intelligent financial decisions, alleviating stress and uncertainty. They do this through their online, self-paced learning program, TAKE COMMAND, and through other educational presentations that are available online or in-person. Additionally, scholarships are available for those seeking associate, undergraduate and graduate degrees or attending trade school. The Foundation partners with organizations across the country to provide scholarships to hard-working students. The partner organizations promote and manage the entire scholarship process including the selection of winners.

### 2. Summary of Significant Accounting Policies

#### *Basis of Accounting and Financial Statement Presentation*

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* - Net assets with donor stipulations that will be met by actions of the Foundation and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a spending policy approved by the board of directors. As of December 31, 2023 and 2022, net assets restricted in perpetuity totaled \$1,004,000.

# **First Command Educational Foundation**

## **Notes to Financial Statements**

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Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

### ***Credit and Market Risk Concentrations***

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, investments, related party receivable and pledges receivable. The Foundation places cash and cash equivalents, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. As of December 31, 2023 the Foundation has no uninsured balances.

Related party receivable and pledges receivable are unsecured and are due from a related party and various donors. The Foundation continually evaluates the collectability of pledges receivable. As of December 31, 2023 and 2022, no allowance has been deemed necessary by the Foundation.

At December 31, 2023 and 2022, approximately 59% and 67%, respectively, of total contributions were from a related party.

### ***Cash and Cash Equivalents***

The Foundation considers highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

### ***Investments***

The Foundation's investments in marketable securities consist of mutual funds and exchange-traded products that are stated at fair value in the statements of financial position. Interest, dividends and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

### ***Property and Equipment***

The Foundation capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are reported at cost. Donations of property and equipment are recorded as contributions at their estimated fair value on the date donated. Property and equipment are depreciated using the straight-line method over estimated useful lives of the assets, which range from 3 to 10 years.

# First Command Educational Foundation

## Notes to Financial Statements

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### ***Revenue Recognition***

The Foundation recognizes contributions when cash, securities, other assets or an unconditional promise to give is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, 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 met.

Program services fees are recognized as revenues when the service is performed.

Donated rent, services and goods are reflected as contributions of nonfinancial assets at their estimated fair values at date of receipt. The Foundation recognizes contributions of nonfinancial assets for certain services received at the fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

### ***Federal Income Taxes***

The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and has not been classified as a private foundation as defined in the IRC. Income generated from activities unrelated to the Foundation's exempt purpose is subject to tax under IRC Section 511. The Foundation had no unrelated business income for the years ended December 31, 2023 and 2022. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Foundation's tax return and recognition of a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

### ***Allocation of Functional Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents expenses by function and natural classification. Certain costs are charged directly to the functions they benefit. Other expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, payroll costs, professional services, fees,

# First Command Educational Foundation

## Notes to Financial Statements

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supplies, service contracts, travel, advertising and marketing, and miscellaneous which are allocated on the basis of estimates of time and effort.

### ***Estimates and Assumptions***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

## **3. Investments**

### ***Fair Value Measurements***

Under the Fair Value Measurements and Disclosures topic of the Accounting Standards Codification (ASC), disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- |         |                                                                                                                                                                                                                                                                                                 |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;                                                                                                                                                           |
| Level 2 | Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;                                   |
| Level 3 | Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk. |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. All investments of the Foundation are classified within Level 1 of the valuation hierarchy.

### ***Exchange Traded Funds and Mutual funds***

These investments are public investment vehicles valued using the net asset value (NAV) provided by the administrator of the fund. The NAV is based on the value of the underlying assets owned by

**First Command Educational Foundation**  
**Notes to Financial Statements**

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the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

***Money markets***

Valued using \$1 for the NAV.

The following table present the investments as of December 31:

	2023	2022
Money market	\$ 44,492	\$ 39,495
Mutual funds	1,217,278	1,066,732
Exchange traded products	556,111	506,238
	\$ 1,817,881	\$ 1,612,465

The following table presents securities which represent 10% or more of total investments at December 31:

	2023	2022
Baird Core Plus Bond Fund	\$ 415,508	\$ 350,933
Blackrock Total Return Fund	339,503	276,165

Investment income (loss) consists of the following for the years ended December 31:

	2023	2022
Interest and dividends	\$ 68,208	\$ 51,991
Realized loss on investments	(5,319)	(2,852)
Unrealized gain (loss) on investments	111,065	(253,812)
	\$ 173,954	\$ (204,673)

Reconciliation to the statement of financial position:

	2023	2022
Investments	\$ 129,094	\$ -
Investments restricted for endowment	288,786	203,773
Investments to be held in perpetuity	1,004,000	1,004,000
Investments reserved by the Board	396,001	404,692
	\$ 1,817,881	\$ 1,612,465

**First Command Educational Foundation**  
**Notes to Financial Statements**

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**4. Contributions of Nonfinancial Assets**

The Foundation received the following contributions of nonfinancial assets during the year ended December 31, 2023:

	Program Services	Management and general	Fundraising	Total
Professional services	\$ 55,970	\$ -	\$ -	\$ 55,970
Rent	22,645	-	-	22,645
Goods	-	270	29,523	29,793
	<u>\$ 78,615</u>	<u>\$ 270</u>	<u>\$ 29,523</u>	<u>\$ 108,408</u>

The Foundation received the following contributions of nonfinancial assets during the year ended December 31, 2022:

	Program Services	Management and general	Fundraising	Total
Professional services	\$ 51,911	\$ -	\$ -	\$ 51,911
Rent	22,645	-	-	22,645
Goods	-	1,057	9,422	10,479
	<u>\$ 74,556</u>	<u>\$ 1,057</u>	<u>\$ 9,422</u>	<u>\$ 85,035</u>

***Professional Services***

Contributed professional services are valued and reported at the standard invoice rate that would have been charged by the donor.

***Goods***

Contributed goods are reported at the fair market value of similar goods for sale online.

***Rent***

The fair value of contributed rent is based on a recent comparable rental price in the same city's real estate market.

There were no restrictions on contributions of nonfinancial assets as of December 31, 2023 and 2022.

**First Command Educational Foundation**  
**Notes to Financial Statements**

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**5. Net Assets Without and With Donor Restrictions**

Net assets without donor restrictions consist of the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 129,827	\$ 123,448
Board designated	<u>396,001</u>	<u>404,692</u>
	<u>\$ 525,828</u>	<u>\$ 528,140</u>

Net assets with donor restrictions consist of the following purposes at December 31:

	<u>2023</u>	<u>2022</u>
Endowed scholarships:		
Beyland	\$ 33,868	\$ 23,409
Carroll H Payne	754,000	754,000
Dallas Lowe Scholarships	77,654	70,632
Konecny	99,119	79,368
Lt. Jay Smith	148,925	135,480
NTAGGL	51,675	41,874
Oaksmith	<u>127,545</u>	<u>112,689</u>
	<u>\$ 1,292,786</u>	<u>\$ 1,217,452</u>

Net assets with donor restrictions include principal amounts of \$1,004,000 of contributions restricted by donor stipulations to investment and reinvestment in perpetuity, the income of which is restricted by donor stipulations to be used for scholarships.

**6. Endowment Funds**

The Foundation has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The board of directors of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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 the original value of gifts donated to the permanent endowment as net assets with donor restrictions.

## **First Command Educational Foundation**

### **Notes to Financial Statements**

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The earnings from the original gift are classified as net asset with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Foundation, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowment. The Foundation has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the program of the Foundation and to provide scholarships. Distributions consist of net investment income and may, under certain conditions, include a portion of the cumulative realized and unrealized gains and losses.

Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve an average total annual rate of return, which exceeds the average annual return of the combined benchmark allocations while assuming a moderate level of investment risk. Returns may vary significantly from this target from year to year.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation targets a diversified asset allocation by investing approximately 40% of the fund in fixed income, 45% of the fund in domestic equities and 5% in international equities, and investing the remaining 10% of the fund in cash and cash equivalents.

**First Command Educational Foundation**  
**Notes to Financial Statements**

Changes in endowment funds with donor restrictions are as follows at December 31, 2023:

	Accumulated gains (losses) and other	Restricted in perpetuity	Total
Endowment net assets, beginning of year	\$ 213,452	\$ 1,004,000	\$ 1,217,452
Contributions	39,812	-	39,812
Investment income	21,932	-	21,932
Unrealized and realized gains	33,510	-	33,510
Amounts appropriated	(19,920)	-	(19,920)
Endowment net assets, end of year	<u>\$ 288,786</u>	<u>\$ 1,004,000</u>	<u>\$ 1,292,786</u>

Changes in endowment funds with donor restrictions are as follows at December 31, 2022:

	Accumulated gains (losses) and other	Restricted in perpetuity	Total
Endowment net assets, beginning of year	\$ 248,634	\$ 1,004,000	\$ 1,252,634
Contributions	38,400	-	38,400
Investment income	14,910	-	14,910
Unrealized and realized losses	(69,644)	-	(69,644)
Amounts appropriated	(18,848)	-	(18,848)
Endowment net assets, end of year	<u>\$ 213,452</u>	<u>\$ 1,004,000</u>	<u>\$ 1,217,452</u>

## 7. Related Party Transactions

The Foundation received donated value of facilities and services from a related party Foundation, 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. The Foundation has a receivable from FCFS totaling \$0 and \$31,093 at December 31, 2023 and 2022, respectively. The Foundation received contributions from FCFS totaling \$674,343 and \$716,431 during the year ended December 31, 2023 and 2022, respectively.

During the year ended December 31, 2023, the Foundation received contributions approximately \$4,500 from members of the board of directors and employees.

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**8. Employee Retirement Plan**

The Foundation has a 401(k) and profit-sharing plan (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, the 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 Plan. For 2023 and 2022, the Foundation contributed \$42,013 and \$27,748, respectively, to the Plan.

**9. Liquidity and Availability of Resources**

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows as of December 31:

	2023	2022
Cash and cash equivalents	\$ 96,491	\$ 255,996
Related party receivable	5,092	31,093
Pledges receivable	1,500	5,145
Other receivable	9,198	933
Investments	1,817,881	1,612,465
Total financial assets	1,930,162	1,905,632
Less amounts unavailable for general expenditures within one year:		
Board-designated investments	396,001	404,692
Future expendable donor-restricted endowment	288,786	213,452
Endowment investments to be held in perpetuity	1,004,000	1,004,000
Financial assets not available for general expenditures	1,688,787	1,622,144
Total financial assets available to meet cash needs for general expenditures within one year	\$ 241,375	\$ 283,488

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stabilities, maintaining adequate liquid assets to fund near-term operating needs, and maintain sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. In the event the need arises to utilize the board-designated accounts for liquidity purposes, the reserves could be drawn upon through board resolution. During the years ended December 31, 2023 and 2022, the level of liquidity and reserved was managed within the Foundation's policy requirements.

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**10. Subsequent Events**

The Foundation has evaluated subsequent events through January 23, 2025, the date the financial statements were available to be issued, and concluded that no additional disclosures are required.