Fisher House Foundation, Inc.

Audited Financial Statements
Years Ended December 31, 2020 and 2019

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Contents

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Independent Auditor's Report

Board of Trustees
Fisher House Foundation, Inc.
Rockville, Maryland

Opinion

We have audited the financial statements of Fisher House Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 audits. 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 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 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 issued or available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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.

BDO USA, LLP

McLean, Virginia
May 26, 2021

Financial Statements

Fisher House Foundation, Inc.

Statements of Financial Position

December 31,	**2020**	2019
Assets		
Cash and cash equivalents	**$ 33,089,239**	$ 25,991,642
Pledges and contributions receivable, net	**8,413,865**	11,071,016
Construction-in-progress	**3,799,003**	30,324,174
Split-interest agreement receivable	**268,476**	310,480
Prepaid expenses and other assets	**797,938**	495,955
Property and equipment, net	**88,525**	128,251
Total assets	**$ 46,457,046**	$ 68,321,518
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 2,877,311**	$ 5,209,611
Retainage payable	**-**	1,921,696
Deferred rent	**182,737**	198,805
Total liabilities	**3,060,048**	7,330,112
Net assets		
Without donor restrictions	**31,425,935**	51,175,648
With donor restrictions		
Underwater endowments	**(19,543)**	(22,671)
Perpetual-in-nature	**750,000**	750,000
Purpose restrictions	**6,128,408**	3,804,603
Time and purpose restrictions	**4,633,723**	4,973,346
Time-restricted for future periods	**478,475**	310,480
Total with donor restrictions	**11,971,063**	9,815,758
Total net assets	**43,396,998**	60,991,406
Total liabilities and net assets	**$ 46,457,046**	$ 68,321,518

See accompanying notes to the financial statements.

Fisher House Foundation, Inc.

Statements of Activities and Change in Net Assets

Years Ended December 31,	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets:						
Revenue						
Grants and contributions	**$ 36,234,032**	**$ 9,334,269**	**$ 45,568,301**	$ 43,430,829	$ 12,230,061	$ 55,660,890
Special events	**-**	**210,000**	**210,000**	1,497,911	-	1,497,911
Donated goods	**7,563,304**	**-**	**7,563,304**	6,475,049	-	6,475,049
Net assets released from restrictions	**7,392,092**	**(7,392,092)**	**-**	14,256,268	(14,256,268)	-
Total revenue	**51,189,428**	**2,152,177**	**53,341,605**	65,660,057	(2,026,207)	63,633,850
Expenses						
Program expenses	**67,863,767**	**-**	**67,863,767**	82,092,544	-	82,092,544
Management and general	**2,284,744**	**-**	**2,284,744**	2,432,588	-	2,432,588
Fundraising	**1,006,610**	**-**	**1,006,610**	1,664,920	-	1,664,920
Total expenses	**71,155,121**	**-**	**71,155,121**	86,190,052	-	86,190,052
Change in net assets before non-operating items	**(19,965,693)**	**2,152,177**	**(17,813,516)**	(20,529,995)	(2,026,207)	(22,556,202)
Non-operating items						
Investment return, net	**215,980**	**3,128**	**219,108**	480,409	11,555	491,964
Total non-operating items	**215,980**	**3,128**	**219,108**	480,409	11,555	491,964
Change in net assets	**(19,749,713)**	**2,155,305**	**(17,594,408)**	(20,049,586)	(2,014,652)	(22,064,238)
Net assets at the beginning of the year	**51,175,648**	**9,815,758**	**60,991,406**	71,225,234	11,830,410	83,055,644
Net assets at the end of the year	**$ 31,425,935**	**$ 11,971,063**	**$ 43,396,998**	$ 51,175,648	$ 9,815,758	$ 60,991,406

See accompanying notes to the financial statements.

Fisher House Foundation, Inc.

Statement of Functional Expenses

	2020			
Year Ended December 31,	Program	Management and General	Fundraising	Total
Grants and awards	$ 57,888,421	$ -	$ -	$ 57,888,421
Public service announcements - donated	618,400	-	-	618,400
Salaries and other benefits	1,743,242	1,572,180	421,437	3,736,859
Event costs	4,713	-	6,411	11,124
Office expenses, insurance and other	681,060	384,345	225,298	1,290,703
Consulting and professional fees	713,461	192,993	205,883	1,112,337
Education and promotion	5,851,104	3,733	57,795	5,912,632
Printing and publications	160,113	7,860	45,913	213,886
Rent expense	117,332	103,087	27,848	248,267
Travel	64,451	1,167	10,925	76,543
Depreciation and amortization	21,470	19,379	5,100	45,949
Total expenses	**$ 67,863,767**	**$ 2,284,744**	**$ 1,006,610**	**$ 71,155,121**

See accompanying notes to the financial statements.

Fisher House Foundation, Inc.

Statement of Functional Expenses

	2019			
Year Ended December 31,	Program	Management and General	Fundraising	Total
Grants and awards	$ 73,041,518	$ -	$ -	$ 73,041,518
Public service announcements - donated	1,564,950	-	-	1,564,950
Salaries and other benefits	1,697,120	1,506,296	533,065	3,736,481
Event costs	392,125	-	84,944	477,069
Office expenses, insurance and other	675,837	402,417	264,771	1,343,025
Consulting and professional fees	739,060	368,085	196,019	1,303,164
Education and promotion	2,981,090	3,732	390,300	3,375,122
Printing and publications	183,610	10,737	57,651	251,998
Rent expense	117,501	104,400	35,002	256,903
Travel	674,916	14,828	95,809	785,553
Depreciation and amortization	24,817	22,093	7,359	54,269
Total expenses	**$ 82,092,544**	**$ 2,432,588**	**$ 1,664,920**	**$ 86,190,052**

See accompanying notes to the financial statements.

Fisher House Foundation, Inc.

Statements of Cash Flows

Years Ended December 31,	**2020**	2019
Cash flows from operating activities:		
Change in net assets	**$ (17,594,408)**	$ (22,064,238)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**45,949**	54,269
Change in value of split-interest agreement receivable	**(6,141)**	(6,955)
Realized and unrealized (gain) loss on investments	**(2,317)**	918
Donated investments received	**(848,423)**	(560,054)
Change in deferred rent	**(16,068)**	28,689
Cost of houses donated	**50,553,331**	62,328,298
Changes in operating assets and liabilities:		
Pledges and contributions receivable	**2,657,151**	(5,047,160)
Split-interest agreement receivable	**48,145**	48,145
Prepaid expenses and other assets	**(301,983)**	(76,669)
Accounts payable and accrued expenses	**(2,332,300)**	(897,035)
Retainage payable	**(1,921,696)**	(281,227)
Deferred revenue	**-**	(220,700)
Total adjustments	**47,875,648**	55,370,519
Net cash provided by operating activities	**30,281,240**	33,306,281
Cash flows from investing activities:		
Additions to construction-in-progress	**(24,028,160)**	(53,656,267)
Purchases of property and equipment	**(6,223)**	(11,153)
Proceeds from sales of donated securities	**850,740**	559,136
Net cash used in investing activities	**(23,183,643)**	(53,108,284)
Net increase (decrease) in cash and cash equivalents	**7,097,597**	(19,802,003)
Cash and cash equivalents at the beginning of the year	**25,991,642**	45,793,645
Cash and cash equivalents at the end of the year	**$ 33,089,239**	$ 25,991,642

See accompanying notes to the financial statements.

1. The Organization and Summary of Significant Accounting Policies

Fisher House Foundation, Inc. (the Foundation) is a not-for-profit foundation incorporated under the laws of the State of Delaware on March 31, 1993. Fisher Houses are facilities constructed for the purpose of providing temporary lodging for members of the armed services and their families receiving care in military and veterans' hospitals. The Foundation was formed for, and program services consist of, constructing and donating Fisher Houses to various branches of the U.S. armed services and the Department of Veterans Affairs (the Donees), providing gratuitous guidance and supervisory, as well as monetary, assistance in connection with the Donees' management and operation of the Fisher Houses. The Foundation also funds the scholarship program and provides military personnel and their families with free air travel and hotel rooms. In addition, the Foundation's objectives are:

(a) To promote and enhance the public perception and image of Fisher Houses and the U.S. armed forces, and to provide financial assistance to current members of the U.S. armed services, veterans and their families.

(b) To promote, encourage and provide support to enhance the communication and cooperation among the military and federal, state and local governments, and private foundations involved or associated with Fisher Houses through publications and support programs.

(c) To support and encourage programs designed to maintain the high-quality standards of care and management associated with Fisher Houses.

Basis of accounting

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

Use of estimates

The preparation of financial statements in accordance with U.S. 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. Such estimates also affect the reported amounts of revenues and expenses during the reporting year. Actual results may differ from estimates under different assumptions or conditions.

Revenue recognition

Donated Goods, Services, and Media Time

Donated goods consist of contributed merchandise, phone cards with stored value, and gift certificates. These are reported at their fair value as of the date of donation.

Donated air miles are not valued until they are redeemed by the Foundation and used in the Hero Miles Programs. The Foundation's Hero Miles Program provides service members, veterans, and their families who meet certain criteria free round-trip tickets using donated frequent flyer miles.

During 2020 and 2019, the Foundation provided 585 and 1,182 in free round-trip tickets, respectively. These tickets were valued at approximately $739,000 and $1,340,000, respectively. These amounts are included in donated goods charged to program services for the years ended December 31, 2020 and 2019.

Donated hotel rewards points are not valued until they are redeemed by the Foundation and used in the Hotels for Heroes Programs. The Foundation's Hotels for Heroes Program provides qualified service members, veterans, and their families free hotel rooms, using donated hotel reward points, when rooms at a Fisher House are not available. During 2020 and 2019, the Foundation provided 1,188 and 1,670, respectively, nights of lodging, which were valued at approximately $167,000 and $288,000, respectively. These amounts are included in donated goods, services, and media time which were charged to program services for the years ended December 31, 2020 and 2019.

Magazine printing and photography services donated as part of program services, fundraising, or management and general expenses are recorded in the accompanying financial statements at their fair value on date of receipt to the extent that such amounts can be reasonably estimated. During 2020 and 2019, the Foundation received $7,680 and $22,800, respectively, in such services. These amounts are included in donated goods, services, and media time, which were charged to program services for the years ended December 31, 2020 and 2019.

Donated media time used for public service announcements, radio promotions, and magazine ads is reported at its fair value as estimated by management as of the date of donation. During 2020 and 2019, the Foundation received donated media time which was valued approximately at $6,200,000 and $4,400,000, respectively. These amounts are included in donated goods and were charged in equal amounts to program services and fund-raising for the years ended December 31, 2020 and 2019.

Contribution revenue

Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as contributions with donor restrictions that increase those net asset classes. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions. Bequests are recorded as revenue when the probate courts declare a will valid and the proceeds are measurable. Irrevocable split-interest agreements, including charitable remainder trusts, charitable lead trusts and perpetual trusts, are recorded as revenue when the trust agreements become irrevocable.

Contributions are recorded at fair value, which is net of estimated uncollectible amounts. The Foundation uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on experience as well as management's analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions, including multi-year pledges and split interest agreements to be received after one year, are recorded at the present value of the estimated future cash flows. Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years.

Conditional promises to give, including those received under multi-year grant agreements, are recognized as revenue when the conditions on which they depend have been substantially met.

Grant revenue

The Foundation receives grant funding from federal agencies and private foundations. Revenue is recognized only to the extent of expenditures under the terms of the grants. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. Excess expenses incurred are borne by the Foundation. Unexpended funds are returned to the grantors if required by the grant agreement. Expenditures incurred by the Foundation which have not yet been submitted to the government for reimbursement are recorded as contributions receivable.

At December 31, 2020 and 2019, Fisher House had remaining available award balances on the federal grants and contracts of $8,973,518 and $6,374,793, respectively. These award balances are not recognized as assets and will be recognized as revenue as the project progress and conditions are met, generally as expenses are incurred.

Special events revenue

Registration and fees are recognized upon completion of the related event. Some payments and fees are received in advance of the related event. These amounts are reflected in the accompanying statements of financial position as deferred revenue.

Cash equivalents

The Foundation considers all highly-liquid instruments with original maturities of three months or less to be cash equivalents.

Pledges and contributions receivable

Pledges and contributions receivable are recorded at face value, and then discounted to present value using interest rates appropriate to the estimated length of time for realization. All pledges and contributions receivable are reviewed annually for future collectability. Management determines the allowance for doubtful receivables by regularly evaluating individual receivables and considering the donor’s financial condition and current economic conditions.

Construction-in-progress

Costs of construction of Fisher Houses to be donated are capitalized as incurred. All costs incurred in connection with the construction of a Fisher House are expensed when the house is donated.

Split-interest agreement

The Foundation is one of the beneficiaries of a certain Charitable Lead Annuity Trust (the Trust). Under this agreement, the Foundation records a contribution with a donor restriction at the present value of the estimated future benefits to be received. Subsequent changes in fair value are recorded as changes in the value of the agreement in the net assets with donor restrictions class. Distributions from the Trust are reflected as reductions in net assets with donor restrictions and reclassified from net assets with donor restrictions to net assets without donor restrictions.

Property and equipment

The Foundation's policy is to capitalize property and equipment in excess of $1,000. Property and equipment are stated at cost. Expenditures for major additions and improvements are capitalized; and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets of three to five years. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the estimated useful lives of the underlying assets or the term of the related lease.

Donated securities

Donated securities are reported at their fair value as of the date of donation. Sales of such securities are reflected on a trade-date basis.

Valuation of long-lived assets

The Foundation reviews the valuation of its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No indicators of impairment were identified as of December 31, 2020 and 2019.

Net assets

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

Net assets without donor restrictions – Net assets without donor restrictions are those net assets that are not subject to donor or grantor-imposed restrictions.

Net assets with donor restrictions - Net assets with donor restrictions generally result from net contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and the restriction removed by actions of the Foundation pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Additionally, there are some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use the income earned on related investments for general or specific purposes. The Foundation's donor-restricted endowment is subject to the authoritative guidance issued by the Financial Accounting Standards Board (the FASB) on net asset classifications of endowment funds, such that earnings on donor-restricted endowments are reflected as net assets with donor restrictions until such amounts are appropriated for expenditure.

Functional allocation of expenses

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the accompanying statements of activities and change in net assets. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related benefits are allocated based upon executive level timesheets or job descriptions. The percentage derived from payroll costs is used to allocate overhead costs to activities benefited. Overhead costs are those expenses that cannot be tied directly to an activity including some expenses in the natural expense categories of printing and publications, travel, depreciation and amortization, consulting and professional fees, rent, office expenses, insurance, and other.

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC). No provision for income taxes was recorded during the years ended December 31, 2020 and 2019 since the Foundation had no significant unrelated business income. The Foundation is not a private Foundation pursuant to section 509(a)(1) of the IRC.

In accordance with authoritative guidance issued by the FASB, the Foundation recognizes tax liabilities when, despite management's belief that tax return positions are supportable, the Foundation believes that certain positions may not be fully sustained upon review by tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences impact income tax expense in the period in which such determination is made. Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax expense. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2016 and prior. Management has evaluated the Foundation's tax positions and has concluded that the Foundation has taken no material uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Concentrations of credit risk

The Foundation's assets that are exposed to credit risk consist primarily of cash and cash equivalents, pledges and contributions receivable, notes receivable, and split-interest agreement receivable. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Foundation has not experienced losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2020 approximate $31.8 million. The Foundation's pledges, split-interest agreement receivable, contributions, and notes receivable balances consist primarily of amounts due from individuals and corporations. The Foundation maintains reserves for potential credit losses when deemed necessary and historically such losses have been within management's expectations.

Recently adopted authoritative guidance

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU assists in the determination of the nature of the transaction which will then govern the expense recognition methodology and timing of the transaction. The ASU is effective for contributions made by the Foundation in periods beginning after December 15, 2019. The Foundation adopted this update in 2020 under the modified prospective basis. The adoption of this update did not materially impact grants and awards expense in the financial statements.

Recent accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10 and 2020-05, the last which deferred the effective date for private companies and not-for-profit organization fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedient available. The Foundation is evaluating the effect that adoption of this new standard will have on the Foundation's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The ASU requires that a nonprofit present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed nonfinancial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period and, if used, a description of how the asset was employed should be included, (c) any donor imposed restrictions related to contributed nonfinancial assets, (d) valuation methods and inputs utilized to determine a fair value measure at initial recognition, and (e) the principal or most advantageous market utilized to calculate fair value if it is a market in which the NFP is restricted by the donor from selling or utilizing the contributed nonfinancial assets. The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption of the ASU is permitted. The Foundation is evaluating the effect that adoption of this new standard will have on the Foundation's financial statements.

2. Pledges and Contributions Receivable, Net

Pledges and contributions receivable consist of the following at December 31:

	2020	2019
Due in less than one year	$ 6,335,436	$ 10,676,112
Due in one to five years	2,078,429	394,904
	$ 8,413,865	$ 11,071,016

3. Split-interest Agreement Receivable

The Foundation is one of the beneficiaries of a certain Charitable Lead Annuity Trust that is controlled by a third-party trustee. Under the agreement, the Foundation receives fixed annual distributions from the trust through January 2027. These payments are guaranteed irrespective of market performance of the investments. Annual distributions under the terms of this agreement as of December 31, 2020 are as follows:

Years ending December 31,	
2021	$ 48,145
2022	48,145
2023	48,145
2024	48,145
2025	48,145
Thereafter	46,562
Less: discount for present value	(18,811)
	$ 268,476

The Foundation used a discount rate of 2.0% in determining the present value of the annual distributions to be collected at the time the Charitable Lead Annuity Trust was established.

4. Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Furniture and fixtures	$ 164,528	$ 164,528
Computer and other equipment	44,818	46,887
Leasehold improvements	37,618	37,618
	246,964	249,033
Less: accumulated depreciation and amortization	(158,439)	(120,782)
	$ 88,525	$ 128,251

5. Net Assets With Donor Restrictions

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

	2020	2019
Purpose restrictions:		
Construction of Fisher Houses	**$ 3,890,320**	$ 2,413,962
Support of Designated Fisher Houses	**1,390,219**	867,351
Heroes Program	**243,480**	151,453
Other	**604,389**	371,837
Time and purpose restrictions:		
Construction of Fisher Houses	**2,325,000**	3,659,346
Scholarship Program	**2,250,000**	1,194,000
Heroes Program or Other	**58,723**	120,000
Time restrictions:		
Split-interest in trusts held by others	**478,475**	310,480
Perpetual-in-nature:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor (Note 6)	**750,000**	750,000
Underwater endowment funds (Note 6)	**(19,543)**	(22,671)
	$ 11,971,063	$ 9,815,758

During the years ended December 31, 2020 and 2019, $7,392,092 and $14,256,268, respectively, of net assets with donor restrictions were released, based on the Foundation's satisfaction of donor stipulations, as follows:

	2020	2019
Scholarship programs	**$ 1,428,684**	$ 1,635,766
Designated houses	**1,572,828**	1,804,402
Heroes and Sponsor a Family Programs	**667,076**	1,296,436
Construction of Fisher Houses	**3,143,572**	9,263,553
Other	**537,928**	214,921
Time restrictions	**42,004**	41,190
	$ 7,392,092	$ 14,256,268

6. Endowment

The Foundation's endowment consists of a donor-restricted endowment fund. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. This endowment was established in 2008 with a perpetual donor restriction on the corpus of $750,000, with investment earnings on the fund to be used by the Foundation for the SFMC (Scholarship for Military Children) scholarship program.

The Board of Trustees of the Foundation has interpreted Maryland UPMIFA 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 net assets with donor restrictions, perpetual-in-nature (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 as net assets with donor restrictions, perpetual-in-nature is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Foundation and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Foundation
(7) The investment policies of the Foundation

As of December 31, 2020 and 2019, the Foundation's endowment had the following net asset composition:

	With donor Restrictions 2020	With donor Restrictions 2019
Donor-restricted endowment fund:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ **750,000**	750,000
Accumulated losses on the investments	**(19,543)**	(22,671)
Total endowment funds	$ **730,457**	727,329

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	$ -	$ 715,774	$ 715,774
Investment return, net	-	11,555	11,555
Endowment net assets, December 31, 2019	-	727,329	$ 727,329
Investment return, net	-	3,128	3,128
Endowment net assets, December 31, 2020	$ -	$ 730,457	$ 730,457

Underwater endowment

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with authoritative guidance issued by the FASB, deficiencies of this nature are reported in net assets with donor restrictions. For the years ending December 31, 2020 and 2019, the cumulative amount of deficiencies reported in net assets with donor restrictions was $19,543 and $22,671, respectively.

Spending policy and investment objectives related to spending policy

The Foundation has adopted investment and spending policies for cash contributions with donor restrictions that attempt to provide a predictable stream of funding to programs while maintaining purchasing power. All earnings from these funds are reflected as net assets with donor restrictions, until appropriated for program expenditures.

7. Benefit Plan

The Foundation maintains a defined contribution 401(k) profit sharing plan (the Plan) for all employees who are over the age of 21. Participants may make voluntary contributions up to the maximum amount allowable by law. The Foundation’s contributions to the Plan are at the discretion of management and vest to the participants immediately.

The Foundation recorded contributions to the Plan of $108,019 and $103,371 for the years ended December 31, 2020 and 2019, respectively.

8. Related Party Transactions

For the years ended December 31, 2020 and 2019, certain officers and trustees made contributions to the Foundation totaling $29,030 and $94,000, respectively. Further, the affiliates of certain trustees made contributions of $25,000 and $60,000, during years ended December 31, 2020 and 2019, respectively.

For the years ended December 31, 2020 and 2019, the Foundation compensated an officer of the Foundation total amounts of $58,168 and $57,251, respectively, for his services in connection with the scholarship program and consulting. Such amounts have been charged to expense as program services.

9. Major Grantors and Donors

For the year ended December 31, 2020, five donors/grantors accounted for 29% of the Foundation's revenue. For the year ended December 31, 2019, five donors/grantors accounted for 35% of the Foundation's revenue.

As of December 31, 2020, three donors/grantors represent 68% of the pledges and contributions receivable balance. As of December 31, 2019, one grantor represent 33% of the pledges and contributions receivable balance.

10. Commitments

The Foundation leases office space under the terms of a non-cancelable operating lease that expires in February 2026. The lease agreement provides for an annual 2.5% escalation of the base rent and a ten-month abatement period. The Foundation is also responsible for certain operating expenses. The following is a schedule by year of the future minimum lease payments required under this operating lease as of December 31, 2020:

Years ending December 31,	
2021	$ 264,455
2022	268,619
2023	268,511
2024	275,215
2025	282,082
Thereafter	47,398
	$ 1,406,280

The Foundation recognizes the total cost of its office lease ratably over the respective lease periods. The difference between rent paid and rent expense is reflected as deferred rent in the accompanying statements of financial position.

Rent expense aggregated $248,266 and $256,903 for the years ended December 31, 2020 and 2019, respectively.

11. Liquidity and Availability of Resources

The following represents the Foundation's financial assets available within one year of the statements of financial position date for general expenditures:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	$ 33,089,239	$ 25,991,642
Pledges and contributions receivable, net	8,413,865	11,071,016
Total financial assets	41,503,104	37,062,658
Less: amounts not available for general expenditures within one year:		
Net assets with donor restrictions	(11,971,063)	(9,815,758)
Pledges and contributions receivable to be received in more than one year	(2,078,429)	(394,904)
Financial assets not available for general expenditures within one year	(14,049,492)	(10,210,662)
Financial assets available to meet cash needs for general expenditures within one year	$ 27,453,612	$ 26,851,996

The Foundation analyzes its cash position before each project and will only commit to a construction project when there is cash on hand to fund the project along with all expected operating expenditures for one year into the future. The Foundation has averaged over $30 million in contributions with no donor restrictions over the last five years and expects to maintain this in the next year. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. The Foundation invests excess cash in a strategic liquidity account which allows withdrawals with 30 days' notice. The Foundation believes its available resources and future earnings will provide more than adequate resources to meet their financial obligations for the year following the statement of financial position date of December 31, 2020.

12. Risks and Uncertainties

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin.

On March 11, 2020, the WHO declared COVID-19 a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. COVID-19 pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presented potential material uncertainty and risk with respect to the Foundation, its performance, and its financial results.

In an effort to ensure the health and well-being of the Foundation's staff and to sustain its work and mission, the staff moved to a mandatory telework status beginning in March 2020. The Foundation implemented procedures to ensure the safety of staff members as they conducted business. Several events were cancelled including galas, races, and other large gatherings, but the Foundation continued to bring in contributions and other revenue. The COVID-19 pandemic has not produced material impacts to the Foundation's revenue or change in net assets.

On March 27, 2020, the President of the United States signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

13. Subsequent Events

The Foundation has evaluated its December 31, 2020 financial statements for subsequent events through May 26, 2021, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events that would require recognition or disclosure in the financial statements.