



# Fisher House Foundation, Inc.

Audited Financial Statements  
Years Ended December 31, 2023 and 2022

**Fisher House Foundation, Inc.**

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Audited Financial Statements  
Years Ended December 31, 2023 and 2022

# Fisher House Foundation, Inc.

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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, 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 accompanying financial statements 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.

### ***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 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 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.

*BDO USA, P.C.*

McLean, Virginia  
July 22, 2024

## Financial Statements

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# Fisher House Foundation, Inc.

## Statements of Financial Position

December 31,	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 69,142,382	\$ 64,328,647
Pledges and contributions receivable, net	9,753,682	9,098,707
Construction-in-progress	23,842,086	13,564,831
Split-interest agreement receivable	1,960,214	181,958
Prepaid expenses and other assets	290,571	258,191
Property and equipment, net	3,506	22,954
Right-of-use assets - finance leases	5,007	11,474
Right-of-use assets - operating leases	635,699	783,927
<b>Total assets</b>	<b>\$ 105,633,147</b>	<b>\$ 88,250,689</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 5,370,323	\$ 3,497,213
Retainage payable	2,013,918	902,316
Lease liabilities - finance leases	4,974	11,536
Lease liabilities - operating leases	732,127	914,283
<b>Total liabilities</b>	<b>8,121,342</b>	<b>5,325,348</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	76,138,339	66,814,045
With donor restrictions:		
Underwater endowments	-	(9,272)
Perpetual-in-nature	750,000	750,000
Purpose restrictions	11,581,047	9,838,669
Time and purpose restrictions	7,056,905	5,242,941
Time-restricted for future periods	1,985,514	288,958
Total with donor restrictions	21,373,466	16,111,296
<b>Total net assets</b>	<b>97,511,805</b>	<b>82,925,341</b>
<b>Total liabilities and net assets</b>	<b>\$ 105,633,147</b>	<b>\$ 88,250,689</b>

*See accompanying notes to the financial statements.*

# Fisher House Foundation, Inc.

## Statements of Activities and Change in Net Assets

Years Ended December 31,	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Changes in net assets:</b>						
<b>Revenue</b>						
Grants and contributions	\$ 35,262,483	\$ 19,340,222	\$ 54,602,705	\$ 40,626,990	\$ 11,426,212	\$ 52,053,202
Special events	638,865	25,300	664,165	705,025	107,000	812,025
Contributions - nonfinancial assets	5,911,462	-	5,911,462	10,507,239	-	10,507,239
Net assets released from restrictions	14,519,560	(14,519,560)	-	10,083,573	(10,083,573)	-
<b>Total revenue</b>	<b>56,332,370</b>	<b>4,845,962</b>	<b>61,178,332</b>	<b>61,922,827</b>	<b>1,449,639</b>	<b>63,372,466</b>
<b>Expenses</b>						
Program expenses	43,741,620	-	43,741,620	45,341,612	-	45,341,612
Management and general	2,647,548	-	2,647,548	2,458,902	-	2,458,902
Fundraising	1,614,878	-	1,614,878	1,285,252	-	1,285,252
<b>Total expenses</b>	<b>48,004,046</b>	<b>-</b>	<b>48,004,046</b>	<b>49,085,766</b>	<b>-</b>	<b>49,085,766</b>
Change in net assets before non-operating items	8,328,324	4,845,962	13,174,286	12,837,061	1,449,639	14,286,700
<b>Non-operating items</b>						
Investment return, net	995,970	416,208	1,412,178	192,197	9,895	202,092
<b>Total non-operating items</b>	<b>995,970</b>	<b>416,208</b>	<b>1,412,178</b>	<b>192,197</b>	<b>9,895</b>	<b>202,092</b>
Change in net assets	9,324,294	5,262,170	14,586,464	13,029,258	1,459,534	14,488,792
Net assets at the beginning of the year	66,814,045	16,111,296	82,925,341	53,784,787	14,651,762	68,436,549
<b>Net assets at the end of the year</b>	<b>\$ 76,138,339</b>	<b>\$ 21,373,466</b>	<b>\$ 97,511,805</b>	<b>\$ 66,814,045</b>	<b>\$ 16,111,296</b>	<b>\$ 82,925,341</b>

*See accompanying notes to the financial statements.*



## Fisher House Foundation, Inc.

### Statement of Functional Expenses

<i>Year Ended December 31,</i>	2023			
	Program	Management and General	Fundraising	Total
Grants and awards	\$ 32,238,956	\$ -	\$ -	\$ 32,238,956
Public service announcements - donated	519,000	-	-	519,000
Salaries and other benefits	2,873,026	1,831,209	637,133	5,341,368
Event costs	172,127	-	190,303	362,430
Office expenses, insurance and other	986,677	448,434	380,966	1,816,077
Consulting and professional fees	691,688	230,785	138,077	1,060,550
Education and promotion	5,244,770	6,560	59,670	5,311,000
Printing and publications	300,702	4,137	89,026	393,865
Rent expense	150,456	102,693	33,109	286,258
Travel	554,031	16,727	84,336	655,094
Depreciation and amortization	10,187	7,003	2,258	19,448
<b>Total expenses</b>	<b>\$ 43,741,620</b>	<b>\$ 2,647,548</b>	<b>\$ 1,614,878</b>	<b>\$ 48,004,046</b>

*See accompanying notes to the financial statements.*

## Fisher House Foundation, Inc.

### Statement of Functional Expenses

<i>Year Ended December 31,</i>	2022			
	Program	Management and General	Fundraising	Total
Grants and awards	\$ 29,167,377	\$ -	\$ -	\$ 29,167,377
Public service announcements - donated	1,117,750	-	-	1,117,750
Salaries and other benefits	2,365,741	1,786,750	591,158	4,743,649
Event costs	148,500	-	40,439	188,939
Office expenses, insurance and other	952,087	404,947	277,566	1,634,600
Consulting and professional fees	690,024	132,413	127,744	950,181
Education and promotion	8,267,387	6,892	111,089	8,385,368
Printing and publications	287,661	12,263	61,564	361,488
Rent expense	124,516	90,472	30,421	245,409
Travel	2,198,699	9,135	39,881	2,247,715
Depreciation and amortization	21,870	16,030	5,390	43,290
<b>Total expenses</b>	<b>\$ 45,341,612</b>	<b>\$ 2,458,902</b>	<b>\$ 1,285,252</b>	<b>\$ 49,085,766</b>

*See accompanying notes to the financial statements.*

# Fisher House Foundation, Inc.

## Statements of Cash Flows

Years Ended December 31,	2023	2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 14,586,464	\$ 14,488,792
<b>Adjustments to reconcile change in net assets to net cash provided by operating activities:</b>		
Depreciation and amortization	19,448	43,290
Change in value of split-interest agreement receivable	(3,599)	(4,463)
Realized and unrealized gain on investments	(1,045)	(13,496)
Amortization of right-of-use assets - finance leases	6,467	20,863
Non-cash lease expense	254,271	225,675
Donated investments received	(439,474)	(467,389)
Proceeds from sales of donated securities	440,520	480,885
Cost of houses donated	21,443,972	20,158,016
<b>Changes in operating assets and liabilities:</b>		
Pledges and contributions receivable	(654,975)	(1,056,090)
Split-interest agreement receivable	(1,774,657)	48,145
Prepaid expenses and other assets	(32,380)	232,542
Accounts payable and accrued expenses	1,873,110	1,986,037
Lease liabilities - operating leases	(288,200)	(255,928)
Retainage payable	1,111,602	902,316
<b>Net cash provided by operating activities</b>	<b>36,541,524</b>	<b>36,789,195</b>
<b>Cash flows from investing activities:</b>		
Additions to construction-in-progress	(31,721,227)	(31,803,724)
<b>Net cash used in investing activities</b>	<b>(31,721,227)</b>	<b>(31,803,724)</b>
<b>Cash flows from financing activity:</b>		
Principal reduction in lease liabilities - finance leases	(6,562)	(20,801)
<b>Net cash used in financing activity</b>	<b>(6,562)</b>	<b>(20,801)</b>
Net increase in cash and cash equivalents	4,813,735	4,964,670
Cash and cash equivalents at the beginning of the year	64,328,647	59,363,977
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 69,142,382</b>	<b>\$ 64,328,647</b>
<b>Supplemental disclosure of cash flow information:</b>		
Acquisition of property and equipment through finance lease	\$ -	\$ 32,337
Non-cash change in deferred rent	\$ -	\$ 160,609
Operating lease assets obtained in exchange for operating lease liabilities	\$ 106,044	\$ 949,399

*See accompanying notes to the financial statements.*

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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### 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 accompanying financial statements are presented on the accrual basis of accounting, whereby revenue and support are recognized when earned, and expenses when incurred and, accordingly, reflect all significant receivables, payables and other liabilities. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### ***Basis of presentation***

The Foundation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities*. As required by the Not-for-Profit Entities Topic of the Codification, the Foundation 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.

#### ***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.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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### *Revenue recognition*

#### *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, 2023 and 2022, Fisher House had remaining available award balances on federal grants and contracts of \$10,621,964 and \$11,685,926, 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. There was no deferred revenue recognized as of December 31, 2023 and 2022 respectively.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

### Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized as revenue and expenses in the statements of activities and change in net assets, none of which had donor-imposed restrictions, were comprised of:

<i>December 31,</i>	<b>2023</b>	<b>2022</b>	<b>Utilization</b>	<b>Valuation Techniques and Inputs</b>
Donated media and goods	\$ 4,891,100	\$ 8,756,610	Utilized within program services and fund-raising.	Donated media valued at determined rate from related companies making the donations. Donated goods are valued at estimated fair value based on current value for similar goods that are purchased or on retail values if none are purchased.
Donated air miles and hotel rewards points	761,198	1,550,680	Utilized within program services	Air miles and hotel rewards points are valued at their fair value as determined by the related airline's loyalty programs and by the hotels respectively.
Donated equipment	228,240	186,496	Utilized within program services	Valued at the standard hourly rental rates normally charged for such rental services.
Donated services	30,924	13,453	Utilized within program services, fundraising, management and general expenses	Fair value as determined by the current market rates for such services.
<b>Total contributed nonfinancial assets</b>	<b>\$ 5,911,462</b>	<b>\$ 10,507,239</b>		

Donated media time is used for public service announcements, radio promotions, and magazine ads is reported at fair value at the determined rate from the related organization making the donation as of the date of donation. Donated goods consist of contributed merchandise, phone cards with stored value, and gift certificates.

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

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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flyer miles. During 2023 and 2022, the Foundation provided 1,078 and 1,183 free round-trip tickets, respectively. These tickets were valued at approximately \$716,000 and \$1,466,000, for the years ended December 31, 2023 and 2022 respectively.

Donated hotel rewards points are not valued until they are redeemed by the Foundation and used in the Hotels for Heroes Program. 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 2023 and 2022, the Foundation provided 274 and 507 nights of lodging, respectively, which were valued at approximately \$44,000 and \$84,000, respectively.

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 as determined by the current market rates for such services. Donated equipment relates to donated rental construction equipment.

### ***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 the houses are expensed when the house is donated.

### ***Lease accounting***

The Foundation assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the Foundation's right to control the use of an identified asset for a period of time in exchange for consideration. The Foundation determines whether the lease classification is an operating or financing lease at the commencement date.

The Foundation has operating and finance leases for which right-of-use assets and lease liabilities are recorded in the accompanying statements of financial position in accordance with FASB ASC 842, *Leases*. The Foundation measures its operating and finance lease assets and liabilities using a risk-free rate of return selected based on the term of the lease.

As a matter of policy, the Foundation has elected to exclude leases with terms of 12 months or less ("Short-Term") from the statements of financial position. The Foundation had no short-term leases as of December 31, 2023 and 2022.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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The Foundation considers the likelihood of exercising renewal or termination terms in measuring the right-of-use assets and lease liabilities. If the Foundation is not reasonably certain that a lease will be extended or terminated early, the additional term is not included in the determination of the lease liability and right-of-use asset.

The Foundation's office space includes non-lease components such as common-area maintenance costs, utilities, and other maintenance costs. The Foundation has elected to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed, or variable based on an index or rate. Non-lease components that are not fixed are expensed as incurred as variable lease payments.

### ***Split-interest agreement***

The Foundation is named as a beneficiary of certain Charitable Lead Annuity Trusts (the Trusts). Under these agreements, 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 Trusts 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 recorded on a trade-date basis. The Foundation liquidates donated securities immediately upon receipt to minimize exposure to market risk.

### ***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, 2023 and 2022.



# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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### ***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 those 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 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.

### ***Retainage Payable***

As part of the Foundation's contractual agreements with its contractors, a portion of the contract price is withheld as retainage payable until the satisfactory completion of the project. Retainage payable is recognized when progress billings are approved, and a portion of the payment is withheld as retainage. The timing of the release of retainage payable varies by contract but typically occurs upon the completions of the project or upon achievement of specified milestones.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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### *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, 2023 and 2022 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, 2019 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 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, 2023 and 2022 approximate \$63.9 million and \$63.3 million, respectively. The Foundation's pledges and split-interest agreement 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 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses* (ASC 326), which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost. The Foundation adopted this new guidance on January 1, 2023 utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Foundation's financial statements.

### *Recent accounting pronouncement not yet adopted*

The Foundation has assessed other accounting pronouncements issued or effective during the year ended December 31, 2023 and deemed they were not applicable to the Foundation or are not anticipated to have a material effect on the financial statements.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

### 2. Pledges and Contributions Receivable, Net

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

	2023	2022
Due in less than one year	\$ 4,968,396	\$ 5,978,636
Due in one to five years	4,785,286	3,120,071
	<b>\$ 9,753,682</b>	<b>\$ 9,098,707</b>

### 3. Split-interest Agreement Receivable

The Foundation is a beneficiary of two Charitable Lead Annuity Trusts that are controlled by third-party trustees. Under one agreement, the Foundation receives fixed annual distributions from one trust through January 2027. These payments are guaranteed irrespective of market performance of the investments. Under the other agreement, the Foundation receives variable payments to include interest of an increasing percentage over ten years through April 2035. These payments will be variable based upon market performance of the investments. Annual distributions under the terms of these agreements are as follows:

*Years ending December 31,*

2025	\$ 48,146
2026	199,317
2027	206,131
2028	168,546
2029	178,178
2030-2035	1,352,174
Less: discount for present value	(192,278)
Total split-interest agreement receivable	<b>\$ 1,960,214</b>

The Foundation used discount rates in the ranging from of 2.0% - 5.1% in determining the present value of the annual distributions to be collected at the time the Trusts were established.

### 4. Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Furniture and fixtures	\$ 164,528	\$ 164,528
Computer and other equipment	65,496	65,496
Leasehold improvements	37,618	37,618
	<b>267,642</b>	<b>267,642</b>
Less: accumulated depreciation and amortization	<b>(264,136)</b>	<b>(244,688)</b>
Total property and equipment	<b>\$ 3,506</b>	<b>\$ 22,954</b>

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

### 5. Net Assets With Donor Restrictions

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

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
Purpose restrictions:		
Construction of Fisher Houses	\$ 8,966,177	\$ 8,260,781
Support of Designated Fisher Houses	1,166,407	1,373,274
Other	1,448,463	204,614
Time and purpose restrictions:		
Construction of Fisher Houses	4,649,217	4,365,000
Scholarship Program	2,333,000	820,000
Heroes Program or Other	74,688	57,941
Time restrictions:		
Split interest in trusts held by others	1,960,214	181,958
Event donations	25,300	107,000
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)	-	(9,272)
	<b>\$ 21,373,466</b>	<b>\$ 16,111,296</b>

During the years ended December 31, 2023 and 2022, net assets with donor restrictions were released, based on the Foundation's satisfaction of donor stipulations, as follows:

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
Construction of Fisher Houses	\$ 10,849,517	\$ 4,563,009
Designated houses	1,447,459	1,311,623
Scholarship programs	1,095,630	1,589,592
Heroes and Sponsor-a-Family Programs	641,406	624,836
Other	441,002	1,950,832
Time restrictions	44,546	43,681
	<b>\$ 14,519,560</b>	<b>\$ 10,083,573</b>

### 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 Scholarship for Military Children (SFMC) scholarship program.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

The Board of Trustees of the Foundation has interpreted Maryland Uniform Prudent Management of Institutional Funds Act (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, 2023 and 2022, the Foundation's endowment had the following net asset composition:

	With donor Restrictions 2023	With donor Restrictions 2022
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	-	(9,272)
<b>Total endowment funds</b>	<b>\$ 750,000</b>	<b>\$ 740,728</b>

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ -	\$ 730,833	\$ 730,833
Investment return, net	-	9,895	9,895
Endowment net assets, December 31, 2022	-	740,728	740,728
Investment return, net	-	33,139	33,139
Appropriations	-	(23,867)	(23,867)
<b>Endowment net assets, December 31, 2023</b>	<b>\$ -</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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### *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, 2023 and 2022, the cumulative amount of deficiencies reported in net assets with donor restrictions was \$0 and \$9,272, 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 \$149,325 and \$133,471 for the years ended December 31, 2023 and 2022, respectively.

## **8. Related Party Transactions**

For the years ended December 31, 2023 and 2022, certain officers and trustees made contributions to the Foundation totaling \$62,961 and \$81,718, respectively. Further, affiliates of certain trustees made contributions totaling \$25,000 during each of the years ended December 31, 2023 and 2022.

For the years ended December 31, 2023 and 2022, the Foundation did not compensate any officer of the Foundation.

## **9. Major Grantors and Donors**

For the year ended December 31, 2023, twenty-two donors and grantors accounted for 40% of the Foundation's revenue. For the year ended December 31, 2022, seventeen donors and grantors accounted for 34% of the Foundation's revenue.

As of December 31, 2023, three donors and grantors represent 57% of the pledges and contributions receivable balance. As of December 31, 2022, three donors and grantors represent 44% of the pledges and contributions receivable balance.

## **10. Lease Commitments**

The Foundation has operating and finance lease arrangements which expire at various dates from fiscal year 2024 to fiscal year 2026. All lease agreements are accounted for under FASB ASC 842.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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### *Operating Leases*

The Foundation has recorded right-of-use assets in the accompanying statement of financial position as of December 31, 2023 for the following operating leases relating to its office space and computer equipment:

- a) The Foundation has an operating lease in Maryland for 7,836 square feet of space dedicated for general business operations. The lease will expire on February 28, 2026, and the Foundation has an option of an early termination of the lease. However, the Foundation does not expect to exercise this option. Rental payments under the lease are approximately \$261,600 per year and are subject to a 2.5% increase at the beginning of each lease year. Rental payments under these leases include base rental amounts for the terms of each lease unless the lease contains variable costs based on an index or rate. If a lease does include indexed or variable costs at a specific rate, the Foundation includes those costs as part of operating lease expense.
- b) Storage space - The Foundation is renting space for general storage of business records. The lease expires on February 28, 2026. Rental payments under the lease are approximately \$6,800 per year.
- c) Parking space - The Foundation is renting space for employee parking. The lease expires on February 28, 2026. Rental payments under the lease are approximately \$19,400 per year.
- d) Computer equipment - The Foundation entered into a new lease agreement during the year to lease computer network and hardware-as-a-service equipment. The lease expires on August 31, 2026. Rental payments under the lease are approximately \$34,000 per year.

The Foundation's operating leases do not contain residual value guarantees. The Foundation's office spaces typically include non-lease components such as common-area maintenance costs, utilities, and other maintenance costs. The Foundation has elected to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed or variable based on an index or rate. Non-lease components that are not fixed are expenses as incurred as variable lease payments.

### *Finance Lease*

The Foundation has recorded a right-of-use asset balance in the accompanying statement of financial position as of December 31, 2023 for the lease of a copier. The lease expires on December 31, 2024. Rental payments under the lease are approximately \$6,600 per year. The Foundation's finance lease does not include variable lease payments.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

The maturity of the lease liability under the Foundation’s operating and finance leases as of December 31, 2023 is as follows:

<i>Years Ending December 31,</i>	Operating Leases	Finance Lease
2024	\$ 332,348	\$ 4,995
2025	339,214	-
2026	75,797	-
	747,359	4,995
Less: imputed interest	(15,232)	(21)
<b>Lease liabilities recognized</b>	<b>\$ 732,127</b>	<b>\$ 4,974</b>

Within the statements of functional expenses, operating lease expense is included in “Rent expense” or “Office expenses, insurance and other” while amortization expense and interest expense is included in “Office expenses, insurance and other”.

These amounts for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Operating lease costs (costs resulting from lease payments)	\$ 254,273	\$ 237,815
Amortization of right-of-use assets - finance leases	6,467	20,863
Interest on lease liabilities - finance leases	98	176
<b>Total lease costs</b>	<b>\$ 260,838</b>	<b>\$ 258,854</b>

Supplemental quantitative information related to operating and finance leases for the year ended December 31, 2023:

	Operating Leases	Finance Leases
Cash paid for amounts included in the measurement of lease liabilities	\$ 300,476	\$ 6,660
Weighted - average remaining lease terms	2.23	0.78
Weighted - average discount rate	1.84%	1.20%



# Fisher House Foundation, Inc.

## Notes to the Financial Statements

Supplemental quantitative information related to operating and finance leases for the year ended December 31, 2022:

	Operating Leases	Finance Leases
Cash paid for amounts included in the measurement of lease liabilities	\$ 265,771	\$ 21,646
Weighted - average remaining lease terms	3.16	1.78
Weighted - average discount rate	1.42%	1.20%

### 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:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 69,142,382	\$ 64,328,647
Pledges and contributions receivable, net	9,753,682	9,098,707
<b>Total financial assets</b>	<b>78,896,064</b>	<b>73,427,354</b>
Less: amounts not available for general expenditures within one year:		
Net assets with donor restrictions	(21,373,466)	(16,111,296)
Pledges and contributions receivable to be received in more than one year	(4,785,286)	(3,120,071)
<b>Financial assets not available for general expenditures within one year</b>	<b>(26,158,752)</b>	<b>(19,231,367)</b>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 52,737,312</b>	<b>\$ 54,195,987</b>

The Foundation analyzes its cash position before each project and commits 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 when needed. 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, 2023.

# Fisher House Foundation, Inc.

## Notes to the Financial Statements

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### 12. Subsequent Events

The Foundation has evaluated its December 31, 2023 financial statements for subsequent events through July 22, 2024, 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.