



The Pentagon Federal Credit Union Foundation

Financial Statements
Years Ended December 31, 2018 and 2017

The Pentagon Federal Credit Union Foundation

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The Pentagon Federal Credit Union Foundation

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Independent Auditor's Report

Board of Directors
The Pentagon Federal Credit Union Foundation
Alexandria, Virginia

We have audited the accompanying financial statements of The Pentagon Federal Credit Union Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pentagon Federal Credit Union Foundation as of December 31, 2018 and 2017, 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.

BDO USA, LLP

June 18, 2019

Financial Statements

The Pentagon Federal Credit Union Foundation

Statements of Financial Position

<i>December 31,</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 3,694,151	\$ 2,409,597
Contributions receivable	6,930	57,095
Note receivable	100,000	-
Prepaid expenses and other	1,200	44,583
Property and equipment, net	16	209
Total assets	\$ 3,802,297	\$ 2,511,484
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 349,217	\$ 79,158
ARK loan liability	54,760	60,820
Total liabilities	403,977	139,978
Commitments and contingencies		
Net assets		
Without donor restrictions	1,838,794	1,676,701
With donor restrictions	1,559,526	694,805
Total net assets	3,398,320	2,371,506
Total liabilities and net assets	\$ 3,802,297	\$ 2,511,484

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Statements of Activities and Changes in Net Assets

<i>Years ended December 31,</i>	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions	\$ 478,539	\$ 1,334,462	\$ 1,813,001	\$ 368,595	\$ 634,208	\$ 1,002,803
Donated services	1,669,549	-	1,669,549	738,785	-	738,785
Grant revenue	-	422,655	422,655	-	385,700	385,700
Special events revenue:						
Gross revenue	2,664,161	-	2,664,161	1,965,542	-	1,965,542
Costs of direct benefits to donors	(365,934)	-	(365,934)	(158,217)	-	(158,217)
Interest income	857	1,200	2,057	856	-	856
Net assets released from restrictions	893,596	(893,596)	-	1,204,479	(1,204,479)	-
Total revenues	5,340,768	864,721	6,205,489	4,120,040	(184,571)	3,935,469
Expenses						
Program services	3,837,388	-	3,837,388	2,060,269	-	2,060,269
Supporting services:						
Management and general	548,710	-	548,710	363,845	-	363,845
Fundraising - direct	748,056	-	748,056	756,529	-	756,529
Fundraising - other	44,521	-	44,521	47,750	-	47,750
Total expenses	5,178,675	-	5,178,675	3,228,393	-	3,228,393
Change in net assets	162,093	864,721	1,026,814	891,647	(184,571)	707,076
Net assets, beginning of year	1,676,701	694,805	2,371,506	785,054	879,376	1,664,430
Net assets, end of year	\$ 1,838,794	\$ 1,559,526	\$ 3,398,320	\$ 1,676,701	\$ 694,805	\$ 2,371,506

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Statement of Functional Expenses

For the year ended December 31,

2018

	Program Services				Direct Fundraising			Support Services			
	ARK Loans Program	Dream Makers	Military Heroes	Veteran Entrepreneur Investment Program	Total Program Services	Programs	Special Events	Total Direct Fundraising Expenses	Management and General	Fundraising	Total Expenses
Public relations	\$ -	\$ -	\$ 553,597	\$ 7,327	\$ 560,924	\$ -	\$ 228	\$ 228	\$ 18,650	\$ -	\$ 579,802
Special events	-	-	59,752	-	59,752	-	481,261	481,261	-	-	541,013
Professional and outside services	-	-	55	3,797	3,852	-	7,200	7,200	227,354	-	238,406
Professional donated services	60,284	162,227	178,912	-	401,423	111,586	124,194	235,780	164,628	16,028	817,859
Travel and conference	-	-	1,872	-	1,872	-	9,104	9,104	9,419	-	20,395
Business meetings	-	-	-	1,701	1,701	-	61	61	10,631	-	12,393
Rental of furniture and equipment	-	-	-	4,125	4,125	-	-	-	51,796	-	55,921
Office occupancy	-	-	-	-	-	-	-	-	29,600	-	29,600
Postage	19	19	148	-	186	-	466	466	6,506	-	7,158
Telephone and telecommunications	-	-	-	-	-	-	-	-	4,035	-	4,035
Personal property taxes	-	-	-	-	-	-	-	-	71	-	71
Office supplies	-	-	311	831	1,142	-	416	416	5,012	-	6,570
Printing and publications	-	-	100	1,396	1,496	-	1,225	1,225	20,297	2,618	25,636
Credit card processing fees	-	-	-	-	-	-	12,315	12,315	518	25,875	38,708
Military Heroes support	-	-	1,757,872	25,858	1,783,730	-	-	-	-	-	1,783,730
Dream Makers grants	-	898,935	-	-	898,935	-	-	-	-	-	898,935
Depreciation and amortization	-	-	-	-	-	-	-	-	193	-	193
Loan subsidy	118,250	-	-	-	118,250	-	-	-	-	-	118,250
Total expenses	\$ 178,553	\$ 1,061,181	\$ 2,552,619	\$ 45,035	\$ 3,837,388	\$ 111,586	\$ 636,470	\$ 748,056	\$ 548,710	\$ 44,521	\$ 5,178,675

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Statement of Functional Expenses

For the year ended December 31,

2017

	Program Services			Total Program Services	Direct Fundraising		Total Direct Fundraising Expenses	Support Services		Total Expenses
	ARK Loans Program	Dream Makers	Military Heroes		Programs	Special Events		Management and General	Fundraising	
Public relations	\$ -	\$ -	\$ 1,679	\$ 1,679	\$ -	\$ -	\$ -	\$ 8,000	\$ -	\$ 9,679
Special events	-	-	10,508	10,508	-	538,007	538,007	-	166	548,681
Professional and outside services	-	-	-	-	-	-	-	81,461	-	81,461
Professional donated services	64,491	102,484	165,971	332,946	92,978	110,436	203,414	158,479	14,016	708,855
Travel and conference	-	-	1,792	1,792	-	1,533	1,533	12,025	5,666	21,016
Business meetings	-	-	-	-	-	1,081	1,081	5,134	538	6,753
Rental of furniture and equipment	-	-	-	-	-	-	-	60,527	-	60,527
Office occupancy	-	-	-	-	-	-	-	29,600	-	29,600
Postage	136	136	346	618	-	-	-	148	-	766
Telephone and telecommunications	-	-	-	-	-	-	-	4,686	-	4,686
Personal property taxes	-	-	-	-	-	-	-	87	-	87
Office supplies	-	-	-	-	-	1,333	1,333	732	64	2,129
Printing and publications	-	-	171	171	-	4,231	4,231	2,724	-	7,126
Credit card processing fees	-	100	-	100	-	6,930	6,930	50	27,300	34,380
Military Heroes support	-	-	956,182	956,182	-	-	-	-	-	956,182
Dream Makers grants	-	593,476	-	593,476	-	-	-	-	-	593,476
Defender's Lodge building	-	-	25,000	25,000	-	-	-	-	-	25,000
Depreciation and amortization	-	-	-	-	-	-	-	192	-	192
Loan subsidy	137,797	-	-	137,797	-	-	-	-	-	137,797
Total expenses	\$ 202,424	\$ 696,196	\$ 1,161,649	\$ 2,060,269	\$ 92,978	\$ 663,551	\$ 756,529	\$ 363,845	\$ 47,750	\$ 3,228,393

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Statements of Cash Flows

<i>Years ended December 31,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 1,026,814	\$ 707,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	193	192
Decrease (increase) in assets		
Contributions receivable	50,165	(2,583)
Note receivable	(100,000)	-
Prepaid expenses and other	43,383	(43,208)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	270,059	31,190
ARK loan liability	(6,060)	(56,176)
Net cash provided by operating activities	1,284,554	636,491
Increase in cash and cash equivalents	1,284,554	636,491
Cash and cash equivalents, beginning of year	2,409,597	1,773,106
Cash and cash equivalents, end of year	\$ 3,694,151	\$ 2,409,597

See accompanying notes to financial statements.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization

The Pentagon Federal Credit Union Foundation (the "Foundation") is a nonprofit organization formed to support the members of the United States defense community by offering programs that instill financial literacy and by providing accessible thrift and credit services. The Foundation's goal is to ensure that members of the United States defense community have the skills and resources they need to secure a sound financial future for themselves and their families. The Foundation also assists injured soldiers returning from overseas conflicts through its Military Heroes programs, which are further described below.

Basis of Presentation

The accompanying financial statements 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).

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds held at a related party financial institution. The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give are recognized as revenue and contribution receivable in the period the promises are made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management considers all promises to give to be fully collectible, therefore, no allowance for uncollectible pledges has been established.

Note receivable

Note receivable arises from a loan to a qualifying organization. Note receivable is stated at the amount of unpaid principal, adjusted for a present value discount and an allowance for loan losses, when deemed appropriate. The Foundation records an allowance when management determines that collectability is not probable. Management's estimate is based on review of the loan comprising the note receivable balance and considers known and inherent risks, the estimated fair value of the underlying collateral, if any, and current economic conditions. Management considers the note receivable to be fully collectible, therefore, no allowance for loan losses has been established.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated and recorded using the straight-line method over the following estimated useful lives of the assets.

Furniture and fixtures	8 years
Computer equipment	3 - 5 years
Computer software	3 - 5 years
Office equipment	5 years

Classification of Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that is consistently applied. Professional donated services are allocated on the basis of actual time and effort.

Revenue Recognition

The Foundation receives contributions and grants from private donors and from related affiliated organizations. Contributions and grants, including unconditional promises to give, are recognized as revenue when received, as applicable, and are available for use in general operations unless restricted by the donor. Those that are restricted by the donor are recognized as increase in net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue from special events is recognized when the events occur. Expenses that directly benefit the donors are recorded as an offset to revenue in the year of the event.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

Donated Services

Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation.

Employees of the Pentagon Federal Credit Union donate services to the Foundation. The Foundation has recorded the estimated value of services related to administration, fundraising and consulting services as contributions and related expenses, as reflected in the Foundation's financial statements.

Concentration of Credit Risk

The Foundation maintains all of its cash balance at one financial institution. Accounts at this institution are insured by the National Credit Union Administration up to \$250,000. Uninsured balances aggregate to \$3,565,108 and \$2,214,928 at December 31, 2018 and 2017, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and in the accompanying notes. Actual results could differ from those estimates.

Programs

The Foundation maintains four programs designed to benefit individuals who devote their lives to the defense of our country. The Asset Recovery Kit Loan ("ARK") program is designed to combat payday lending, offering our soldiers a more cost effective alternative to meet their short-term cash flow needs, as well as educational programs to instill financial literacy. Through the ARK program, the Foundation guarantees the repayment of ARK loans made to military personnel by the Pentagon Federal Credit Union, as well as other participating defense credit unions. ARK guarantees resulting in repayment to participating credit unions are recorded as loan subsidy expense when identified, based on actual and anticipated losses.

The Dream Makers program is a first-time homebuyers program for those in the service of our country's national security. The program is designed to assist those eligible persons who do not qualify for a mortgage due to the required down payment and/or closing costs. Grants are available up to \$5,000 in closing or down payment costs toward a home purchase.

The Foundation also works directly with military healthcare providers and other military support groups to fulfill the unmet needs of wounded personnel and their families through its Military Heroes program. As part of the Military Heroes program, the Foundation committed to raise \$12.5 million for the building of the Defender's Lodge, completed in 2013 for wounded warriors and veterans where they can stay for free while receiving poly-trauma care at the Veterans Administration hospital in Palo Alto, California. Upon completion, the Defender's Lodge was donated by the Foundation to U.S. Department of Veteran Affairs.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

The Veteran Entrepreneur Investment Program (VEIP) provides veteran-owned start-ups with seed capital to build and grow their businesses, create a robust network for veteran-owned businesses to succeed and enable the Foundation to perpetually re-invest returns in future veteran-owned businesses. The VEIP is funded by outside donors with The Pentagon Federal Credit Union, a related party, matching up to \$1 million in contributions in 2018 to the Foundation. The Foundation's VEIP plans to invest in three to five selected businesses a year. Returns on all investments will go back into the program to support future veteran-owned business ventures.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2018 and 2017, advertising expense totaled \$25,635 and \$7,126, respectively.

Income Taxes

The Foundation is a nonprofit organization incorporated under the laws of Virginia on December 4, 2001. It is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. No material taxable unrelated business income was generated and accordingly, no provision for income taxes has been made in the accompanying financial statements.

The Foundation follows the accounting guidance that creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its financial statements. Under the requirements of this guidance, organizations could now be required to record an obligation as the result of tax positions they have historically taken on various tax exposure items. The Foundation is not required to record such an obligation.

Recently Adopted Authoritative Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Foundation has adopted the ASU and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented except the Foundation has opted to present the liquidity and availability information for 2018 only as permitted under the ASU in the year of adoption. There was no effect on the change in net assets reported at December 31, 2017.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

Recent Accounting Pronouncement Not Yet Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update supersedes previously issued guidance on revenue recognition and will apply to virtually all industries. The core principle of this new guidance is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies the performance obligation. The new standard will be effective for nonpublic entities for annual reporting periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of this ASU on its financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU contains additional guidance clarifying when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) versus when an entity should classify the aggregate amount into one class of cash flows on the basis of predominance. The amendments are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Foundation is currently evaluating the impact of this ASU on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. ASU 2018-08 provides guidance to assist in the determination of whether a transaction is a contribution or an exchange transaction. If the transaction is deemed to be a contribution the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. ASU 2018-08 will assist in the determination of the nature of the transaction which will then govern the revenue and expense recognition methodology and timing of the transaction. ASU 2018-08 is effective for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. The ASU is effective for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. The Foundation is currently evaluating the impact of this ASU on its financial statements.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

2. Property and Equipment

Property and equipment at December 31, 2018 and 2017, are summarized as follows:

<i>December 31,</i>	2018		2017	
Furniture and fixtures	\$	1,600	\$	1,600
Computer equipment		16,688		16,688
Computer software		9,137		9,137
Office equipment		1,011		1,011
		28,436		28,436
Less accumulated depreciation and amortization		(28,420)		(28,227)
Property and equipment, net	\$	16	\$	209

Depreciation and amortization expense for the years ended December 31, 2018 and 2017, totaled \$193 and \$192, respectively.

3. Related-Party Transactions

The Foundation receives cash contributions and donated services and support from The Pentagon Federal Credit Union. For the years ended December 31, 2018 and 2017, the Foundation received cash contributions of \$715,000 and \$24,857, respectively. Also, for the years ended December 31, 2018 and 2017, the Foundation received donated services and support of \$1,669,549 and \$738,785, respectively.

4. Restricted Grants

In 2016, the Pentagon Federal Credit Union ("PenFed") participated in the Federal Home Loan Bank ("FHLB") of Atlanta Affordable Housing Program ("AHP") as a member of the FHLB Atlanta. PenFed utilizes the Foundation to manage the funds within this program and to identify qualified recipients. These funds are restricted for use in the AHP. For the years ended December 31, 2018 and 2017, revenues with donor restrictions related to this program were recognized in the amount of \$45,155 and \$0, respectively.

Also in 2016, the Foundation agreed with the U.S. Department of Veterans Affairs to accept funds from private industry to then use to assist veterans. Thereto, the Foundation received \$750,000 from a third party donor, which stipulated that the funds be distributed where the need is greatest for veterans in certain specified geographic areas in the U.S. For the years ended December 31, 2018 and 2017, the amount of funds that have been released from their restrictions was \$147,531 and \$110,974, respectively, which is included in the total net assets released from restrictions amount for Military Heroes program.

In 2018 and 2017, Foundation received \$300,000 and \$250,000, respectively, from Disabled American Veterans to provide emergency financial assistance and financial counseling to ill and injured veterans. For the years ended December 31, 2018 and 2017, the amount of funds that have been released from their restrictions was \$201,146 and \$157,025, respectively, which is included in the total net assets released from restrictions amount for Military Heroes program.

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Notes to Financial Statements

The Foundation also received \$77,500 and \$135,700 from other third party donors in 2018 and 2017, respectively, to support Military Heroes Program. For the years ended December 31, 2018 and 2017, the total amount of \$0 and \$40,963, respectively, has been released from their restrictions and included in the total net assets released from restrictions amount for Military Heroes program.

5. Contributions Receivable

As of December 31, 2018 and 2017, contributions receivable includes unconditional promises to give due in less than one year in the amount of \$6,930 and \$57,095, respectively. These receivables are recorded at their unpaid balances which approximate fair value.

6. Note Receivable

On October 19, 2018, the Foundation entered into an agreement with True Made Foods, Inc. ("TMF"), under the VEIP program to invest \$100,000. This agreement was consummated in a convertible promissory note (the "Note"), payable to the Foundation with interest at 6% per annum, for which the principal and interest is due in full December 31, 2019. The Note is convertible to preferred stock in TMF upon a qualifying equity financing, pursuant to which TMF sells shares of a series of preferred stock with certain restrictions regarding the issued value of the preferred stock. As of December 31, 2018, no such equity financing has occurred.

As of December 31, 2018, the fair value of note receivable approximates the carrying amount because of its short maturity.

7. ARK Loan Liability

As part of the Foundation's ARK program, the Foundation accrues a liability related to loans guaranteed by the program that must be repaid in the event the borrower defaults. The Foundation estimates the accrual based on historical charge-offs. As of December 31, 2018 and 2017, the Foundation recorded a liability of \$54,760 and \$60,820, respectively.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at:

<i>December 31,</i>		2018		2017
Military Heroes	\$	363,336	\$	694,805
Defender's Lodge		40,025		-
Veteran Entrepreneur Investment Program		1,156,165		-
	\$	1,559,526	\$	694,805

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

<i>Years ended December 31,</i>	2018	2017
Military Heroes	\$ 803,406	\$ 766,829
Defender's Lodge	-	437,650
Veteran Entrepreneur Investment Program	45,035	-
Dream Makers	45,155	-
	<hr/>	<hr/>
	\$ 893,596	\$ 1,204,479

9. Liquidity and Availability of Resources

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>December 31,</i>	2018
Cash and cash equivalents	\$ 3,694,151
Contributions receivable	6,930
	<hr/>
Total financial assets	3,701,081
Less amount unavailable for general expenditure within one year, due to:	
Restricted by donors with purpose restrictions	(1,559,526)
	<hr/>
Total financial assets available to meet cash needs for general expenditure within one year	\$ 2,141,555

As part of the Foundation's liquidity management, financial assets are structured to provide availability to meet the needs of the general expenditure and liabilities as they come due. The Foundation's financial assets profile is reviewed in detail during the annual budget process and financial assets are aligned to meet the operational needs of the Foundation. The Foundation keeps cash in excess of daily requirements in money market funds.

10. Subsequent Events

Subsequent events have been evaluated by management through June 18, 2019, the date the financial statements were available to be issued. There were no events noted that required adjustment or to disclosure in these financial statements other than the following:

Veterans Speakers Bureau, LLC

On March 5, 2019, the Foundation entered into an operating agreement with an individual and created the Veterans Speakers Bureau, LLC, a Virginia limited liability company, as part of the Foundation's VEIP program. The Veterans Speakers Bureau, LLC shall trade under the name "PenFed Foundation Speakers Bureau". The initial capital contribution from the Foundation and the individual amounted to \$147,000 and \$153,000 representing 49% and 51% ownership, respectively.