The Pentagon Federal Credit Union Foundation

Consolidated Financial Statements
Year Ended December 31, 2021

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

The Pentagon Federal Credit Union Foundation

Consolidated Financial Statements
Year Ended December 31, 2021

The Pentagon Federal Credit Union Foundation

Contents

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Independent Auditor’s Report

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

Opinion

We have audited the consolidated financial statements of The Pentagon Federal Credit Union Foundation (the “Foundation”), which comprise the consolidated statements of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, consolidated functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, and the consolidated changes in its net asset 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 audit 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 Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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

November 15, 2022

Consolidated Financial Statements

The Pentagon Federal Credit Union Foundation

Consolidated Statement of Financial Position

December 31,		2021
Assets		
Cash and cash equivalents	$	3,967,668
Contributions receivable		6,162
Investments		2,757,764
Prepaid expenses and other		149,434
Total assets	$	6,881,028
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	$	173,373
ARK loan liability		6,926
Total liabilities		180,299
Commitments and contingencies		
Net assets		
Net assets without donor restrictions:		
Without donor restrictions		3,100,774
Noncontrolling interest in VEFB LP		1,720,382
Total net assets without donor restrictions		4,821,156
Net assets with donor restrictions		318,474
Total net assets		5,139,630
Total liabilities and net assets	$	5,319,929

See accompanying notes to the consolidated financial statements.

The Pentagon Federal Credit Union Foundation

Consolidated Statement of Activities and Changes in Net Assets

Year ended December 31,	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	$ 1,563,905	$ 2,075,784	$ 3,639,689
Donated services	2,661,996	-	2,661,996
Grant revenue	52,350	171,350	223,700
Special events revenue:			-
Gross revenue	2,748,091	300,000	3,048,091
Costs of direct benefits to donors	(121,035)	-	(121,035)
Interest income	4,932	33,000	37,932
Net assets released from restrictions	2,261,660	(2,261,660)	-
Total revenues	9,171,899	318,474	9,490,373
Expenses			
Program services	4,778,977	-	4,778,977
Supporting services:			
Management and general	582,270	-	582,270
Fundraising - direct	1,275,687	-	1,275,687
Fundraising - other	264,522	-	264,522
Total expenses	6,901,456	-	6,901,456
Change in net assets	2,270,443	318,474	2,588,917
Change in noncontrolling interest	29,618	-	29,618
Change in net assets after noncontrolling interest	2,300,061	318,474	2,618,535
Net assets, beginning of year	800,713		2,361,812
Capital additions from noncontrolling interest	1,750,000	-	1,750,000
Net assets, end of year	$ 4,821,156	$ 318,474	$ 6,730,347

See accompanying notes to consolidated financial statements.

The Pentagon Federal Credit Union Foundation

Consolidated Statement of Functional Expenses

Year ended December 31,	2021													
	Program Services								Direct Fundraising			Support Services		
	ARK Loans Program	Dream Makers	Military Heroes	Defenders Lodge	Veteran Entrepreneur Investment Program	PREVENTS	Outreach	Total Program Services	Programs	Special Events	Total Direct Fundraising Expenses	Management and General	Fundraising	Total Expenses
Grants given	$ 1,000	$ 800,468	$ 1,449,615	$ 31,775	$ 365,940	$ -	$ -	$ 2,648,798	$ -	$ -	$ -	$ -	$ -	$ 2,648,798
Sponsorships	-	12,000	25,000	-	16,500	-	27,800	81,300	-	30,800	30,800	-	-	112,100
Loan subsidy	10,202	-	-	-	-	-	-	10,202	-	-	-	-	-	10,202
Legal fees	-	-	-	-	64,084	-	-	64,084	-	-	-	9,976	-	74,060
Professional and outside services	-	37,264	128,546	-	274,559	-	-	440,369	14,608	28,323	42,931	88,300	1,050	572,650
Office supplies	-	-	-	43	(102)	-	-	(59)	-	176	176	39	26	182
Computer and software	-	-	8,567	-	2,371	-	-	10,938	114	2,395	2,509	1,650	5,514	20,611
Telephone and communications	-	-	97	-	-	-	-	97	-	-	-	-	-	97
Postage and shipping	-	-	229	-	69	-	-	298	9,992	854	10,846	1,357	454	12,955
Printing and publications	-	-	400	-	538	-	-	938	27,940	3,164	31,104	-	-	32,042
Training and learning materials	-	-	-	-	2,500	-	-	2,500	-	-	-	-	-	2,500
Bank and merchant service fees	-	128	1,270	-	-	-	-	1,398	60,916	-	60,916	-	-	62,314
Memberships and subscriptions	-	-	-	-	100	-	-	100	-	-	-	-	-	100
Business meetings	-	-	-	-	891	-	111	1,002	-	-	-	1,723	-	2,725
Travel and conference	-	-	2,058	1,249	42,057	-	3,266	48,630	-	14,023	14,023	25,175	3,170	90,998
Marketing and public relations	-	-	-	-	39,181	-	-	39,181	-	5,706	5,706	22,170	3,355	70,412
Special events	-	-	-	-	28,645	-	-	28,645	20,000	373,345	393,345	40,000	-	461,990
Instructors/speakers/performers	-	-	-	-	16,000	-	-	16,000	-	6,065	6,065	-	-	22,065
Rental of furniture and equipment	-	-	-	-	444	-	-	444	-	38,617	38,617	-	-	39,061
Other miscellaneous expenses	-	-	1,335	-	3,727	-	-	5,062	621	(6,026)	(5,405)	3,916	25	3,598
Donated - professional services	5,041	249,791	344,107	-	637,421	856	141,834	1,379,050	489,096	154,958	644,054	332,635	250,928	2,606,667
Donated - office space	-	-	-	-	-	-	-	-	-	-	-	55,329	-	55,329
Total expenses	$ 16,243	$ 1,099,651	$ 1,961,224	$ 33,067	$ 1,494,925	$ 856	$ 173,011	$ 4,778,977	$ 623,287	$ 652,400	$ 1,275,687	$ 582,270	$ 264,522	$ 6,901,456

See accompanying notes to consolidated financial statements.

The Pentagon Federal Credit Union Foundation

Consolidated Statement of Cash Flows

Year ended December 31,	2021
Cash flows from operating activities	
Change in net assets	$ 2,588,917
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Donated stock	(13,343)
Decrease (increase) in assets	
Contributions receivable	5,297
Prepaid expenses and other	803
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	81,179
ARK loan liability	(9,857)
Net cash provided by operating activities	2,652,996
Cash flows from investing activities	
Capital additions from noncontrolling interest	1,750,000
Purchases of investments	(1,810,000)
Net cash used in investing activities	(60,000)
Increase in cash and cash equivalents	2,592,996
Cash and cash equivalents, beginning of year	1,374,672
Cash and cash equivalents, end of year	$ 3,967,668

See accompanying notes to consolidated financial statements.

1. Organizations and Summary of Significant Accounting Policies

Organizations

The Pentagon Federal Credit Union Foundation ("PFCUF") is a nonprofit organization formed to support the members of the United States defense community by offering programs that instill financial literacy and provide military members, veterans and their communities with the skills and resources to realize financial stability and opportunity. PFCUF's vision is that all service members are able to serve the nation free of financial worry and that every veteran has a strong financial future.

On March 16, 2021, PenFed Foundation VEIP GP LLC ("VEIP GP LLC") was formed as a limited liability company under the Delaware Limited Liability Company Act. VEIP GP LLC's primary purpose is to serve as a general partner to a limited partnership as below. PFCUF is the sole member of VEIP GP LLC.

On March 16, 2021, the Veteran Entrepreneur Fund Bravo LP ("VEFB LP"), a Delaware limited partnership, was formed in accordance with the Limited Partnership Agreement (the "LPA") and commenced operations in 2021 with its first capital call. The VEFB LP has determined that it is an investment company in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946 ("ASC 946") and follows the guidance in ASC 946. The primary purpose of the VEFB LP is to make investments in emerging, post-traction growth companies with scalable businesses where the majority of equity is owned by a military veteran or military spouse. VEFB LP is managed by the general partner, VEIP GP LLC, who is considered as the primary beneficiary of VEIP LP. The interest owned by the limited partners are reflected as noncontrolling interest in the accompanying consolidated statement of financial position.

Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of Pentagon Federal Credit Union Foundation and its wholly-owned subsidiary, VEIP GP LLC which also consolidates VEIP GP LLC's accounts since VEIP GP LLC has the power to direct the activities of VEIP LP. Unless otherwise noted, the Pentagon Federal Credit Union Foundation and the consolidated entities are collectively referred to herein as the "Foundation". All significant inter-organizational accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated 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 (pledges 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.

Investments

The Foundation holds investments in companies under the Veteran Entrepreneur Investment Program (VEIP). These investments take the form of convertible debt, simple agreements for equity (SAFEs), preferred shares, and common stock. Investment transactions are accounted for on a trade date basis. Investment transactions outside conventional channels, such as private transactions, are recorded as of the date the Foundation obtains the right to demand the securities purchased or to collect the proceeds from a sale and incurs an obligation to pay for securities purchased or to deliver securities sold, respectively. Gains and losses on the sale of investments are determined using the specific identification method. Periodic changes in the fair value of investments are reported as a change in unrealized gains or losses. Distributions from investments are recorded as dividends, capital gains or return of capital depending upon the circumstances as reported by the portfolio company.

Valuation of Investments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the Foundation discloses and recognizes the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation approaches used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date;

- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

- Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation approaches and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Foundation. The Foundation considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment.

The Foundation's investments have been classified within Level 3 as they have unobservable inputs. Level 3 investments may include common and preferred equity securities, simple agreements for future equity ("SAFE"), convertible notes, warrants and other financial instruments. When observable prices are not available for these securities, the Foundation uses one or more valuation approaches (e.g., cost, the market approach (including recent financing rounds), the income approach for which sufficient and reliable data is available). Within Level 3, the use of the market approach generally consists of using the use of comparable market data or recent/pending transactions in the same or similar securities of the issuer. The use of the income approach generally consists of calculating the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. The selection of appropriate valuation approaches may be affected by the availability and reliability of relevant inputs. In some cases, one valuation approach may provide the best indication of fair value while in other circumstances, multiple valuation approaches may be appropriate. The results from applying various approaches may not be representative of fair value, due to factors such as assumptions made in the valuation. In some situations, the Foundation may determine it is appropriate to evaluate and weigh the results to develop a range of possible values, with the fair value based on the Foundation's assessment of the most representative point within the range.

The inputs considered by the Foundation in estimating the fair value of Level 3 investments include the original transaction price, completed or pending third-party transactions in the underlying investment or comparable issuers, recapitalizations or other transactions undertaken by the issuer, offerings in the equity or debt capital markets, changes in financial ratios or cash flows, historical and projected revenues, public market or private market transactions, valuations for comparable companies, information obtained from independent appraisal of the fair market value of a portfolio company's common stock, and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., multiplying a key performance metric of the investee company such as revenues by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparable, and in some instances by reference to option pricing models or other similar methods. The Foundation has valued such investments on the premise that they may not be sold without registration under the Securities Act of 1933. Level 3 investments may also be adjusted to reflect liquidity and/or non-transferability, with the amount of such discount estimated by the Foundation in the absence of market information. Assumptions used by the Foundation due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Foundation's results of operations.

Investments may be classified as Level 2 when market information is available, yet the investment is not traded in an active market and/or the investment is subject to transfer restrictions, or the valuation is adjusted to reflect the illiquidity and/or non-transferability of the securities. Investments whose values are based on quoted market prices in active markets are therefore classified in Level 1 of the fair value hierarchy, and include actively-traded, listed equity securities.

Investments are recorded at fair value (see Note 5) as determined in good faith by the Foundation.

Noncontrolling Interest

For noncontrolling interest, the consolidated financial statements are presented as if the parent (controlling interest) and other minority interest (noncontrolling interest) in partially owned subsidiaries have similar economic interests in a single entity. As a result, investment in noncontrolling interest is reported as net assets in the consolidated financial statements. Furthermore, the consolidated financial statements include 100% of a controlled subsidiary's earnings, rather than only the Foundation's share. Lastly, transactions between the Foundation and noncontrolling interests are reported in net assets as transactions between entities provided that these transactions do not create a change in control.

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 consolidated statement of activities. The statement of functional expenses presents 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 Accounted for in Accordance with Contributions Accounting

Contributions and grants

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 in the period received or pledged, 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 statement of activities as net assets released from restrictions.

Conditional contributions that are those with a measurable performance or other barrier and right of return, are recognized as revenue when the conditions on which they depend have been substantially met.

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 consolidated financial statements.

Special Events

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

Concentrations of Credit Risk

The Foundation maintains all 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 $3,263,600 at December 31, 2021, 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 consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated 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 helps military and veterans by providing assistance toward down payment and closing costs for the purchase of a home. Grants are available up to $5,000 for eligible applicants purchasing their first home.

Through the Military Heroes program, the Foundation provides to eligible applicants (specifically post-September 11 combat veterans) temporary emergency financial assistance for rent, mortgage, utilities or car payments to prevent a near-term challenge from becoming a life-changing crisis. The Foundation also supports caregivers with childcare assistance and short-term educational expenses. As part of the Military Heroes program, the Foundation committed to raise $12.5 million for the building of the Defender's Lodge, which was 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 (DVA).

In 2021, the Foundation launched its Afghan Rescue and Resettlement Program to support our country's Afghan refugee allies as part of the Military Heroes program. The Foundation provides food, clothing, housing, transportation, childcare, and other essentials to vetted Afghan families who bravely fought alongside U.S. service members as they resettle in the United States. The program has a focus on resettling Afghan women and their families who worked alongside U.S. Army women soldiers through the Army's Cultural Support Team (CST).

Also in 2021, as part of a strategic 20-year review of the Foundation's programs, the Board of Directors voted to sunset the Military Heroes Emergency Financial Assistance Program, the Dream Makers Program and the ARK Loan program. The Board voted to redesign Military Heroes Program to focus on high-impact financial assistance to prevent a significant crisis or improve quality of life for veterans. The improved Military Heroes Grant Program will be launched in 2022.

The VEIP provides veteran-owned start-ups with seed capital to build and grow their businesses, creating a robust network for veteran-owned businesses to succeed and to 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 revert to the program to support future veteran-owned business ventures.

On November 26, 2019, the President's Roadmap to Empower Veterans and End the National Tragedy of Suicide (PREVENTS) Executive Order Office, administered by the DVA and the Foundation entered into an agreement. This agreement sets forth a structure in which both DVA and the Foundation will work in a mutually beneficial manner to advance and improve the quality of life for U.S. service veterans. The Foundation created a designated fund to support the development of a national public awareness campaign on suicide prevention. All funds raised through this collaboration will support the design, implementation, and products of a public health awareness campaign on suicide prevention, in conjunction with the roadmap established in the PREVENTS Executive Order.

The Outreach program involves meetings with potential beneficiaries of the Foundation's programs to educate them on programs that are available and accessible to them, along with meeting other veteran service organizations regarding how they can work together with the Foundation to serve the military community.

Advertising Costs

Advertising costs are expensed as incurred. For the year ended December 31, 2021, advertising expense totaled $70,412.

Income Taxes

PFCUF is a nonprofit organization incorporated under the laws of the Commonwealth 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. VEIP GP LLC and VEFB LP's earnings or losses are allocated to the partners for inclusion in each partner's separate tax return. As such, no provision for income taxes is included in the consolidated financial statements related to VEIP GP LLC and VEFB LP.

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. The Foundation is no longer subject to income tax examination by federal, state or local tax authorities for tax years before 2018.

Recent Accounting Pronouncement Not Yet Adopted

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-03, *Financial instruments - Credit Losses*. This ASU was issued to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by an entity. The ASU changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. Entities will be required to estimate credit losses over the entire contractual term of an instrument. The ASU includes financial assets recorded at amortized cost basis such as loan receivables, trade and certain other receivables as well as certain off-balance sheet credit exposures such as loan commitments and financial guarantees. The ASU does not apply to financial assets measured at fair value, promises to give (pledges receivable) and loans and receivables between entities under common control. The ASU is effective for the Foundation's consolidated financial statements for the fiscal year ending December 31, 2023. Early adoption may be selected for fiscal years beginning after December 15, 2018. Management is evaluating the potential impact of this guidance on its consolidated 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 Not-for-Profit entity 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. Management is evaluating the potential impact of this guidance on its consolidated financial statements.

2. VEFB LP Terms and Related Party Transactions

VEFB LP

VEFB LP (the "Partnership") is determined to be a variable interest entity and is managed by VEIP GP LLC (the "General Partner"), the primary beneficiary of VEFB LP.

Management Fee

The General Partner (or its designee) shall be compensated on a quarterly basis for services rendered during the term of the Partnership by the payment of a management fee in advance by the Partnership in cash to the General Partner (or its designee) on the first day of each fiscal quarter (or portion thereof) (each a "*Management Fee Payment Date*"), of a management fee. Notwithstanding the foregoing, the first payment shall be due upon the date on which the Limited Partners' initial capital contributions are due and shall be for the amount accrued since the initial closing date plus the amount due from the period from such initial drawdown date to the beginning of the subsequent management fee payment date of the Partnership.

The management fee for each fiscal quarter during the investment period shall be an amount equal to the aggregate capital commitments of all Limited Partners as of the first day of each such quarter multiplied by 0.5% (or 2.0% per annum) and after the Investment Period shall be 0.4375% (or 1.75% per annum) of the Partnership's invested capital (the "*Management Fee Percentage*").

Beginning with the first full fiscal quarter following the end of the investment period and thereafter for the balance of the term of the Partnership, the quarterly management fee payable (prior to the adjustments) shall be set to an amount equal to the value of the Partnership's aggregate invested capital as of the first day of each such quarter (with the value of any securities and other assets of the Partnership determined in the sole discretion of the General Partner and subject to review and approval of the LPA Committee) multiplied by the management fee percentage.

Allocation of Profits and Losses

The Partnership's profits and losses are allocated as follows:

Profit and loss of the Partnership for each accounting period shall initially be apportioned among the Partners in proportion to their Partnership percentages as an interim step in determining final allocations. The amount of such profit and loss so apportioned to the General Partner shall be and remain allocated to the capital account of the General Partner.

Any profit of the Partnership initially allocated to each Limited Partner for such accounting period shall be reallocated between such Limited Partner and the General Partner as follows: first, to the capital account of such Limited Partner to the extent that such Limited Partner was previously allocated an amount of management fee or Partnership expense (net of Idle funds income) that has not been restored by previous allocations; Second, to the capital account of such Limited Partner to the extent that such Limited Partner was previously allocated an amount of loss that have not been restored by previous allocations; and thereafter, (1) twenty percent (20%) to the capital account of the General Partner and (2) eighty percent (80%) to capital account of such Limited Partner.

Any loss of the Partnership initially allocated to each Limited Partner for such accounting period shall be reallocated between such Limited Partner and the General Partner as follows: first, twenty percent (20%) to the capital account of the General Partner and eighty percent (80%) to the capital account of such Limited Partner until the cumulative Loss allocated for the current accounting period and all prior accounting periods equals the cumulative profit allocated with respect to such Limited Partner for the current accounting period and all prior accounting periods; and thereafter, one hundred percent (100%) to the capital account of such Limited Partner.

All expense items in respect of the payment by the Partnership of the management fee owed shall be allocated to the capital accounts of the Limited Partners in accordance with their respective Partnership percentages.

All idle funds income and expenses of the Partnership (other than management fees) for each accounting period shall be allocated to the capital accounts of the partners in proportion to respective Partnership percentages.

Contributions and Withdrawals

Each partner admitted to the Partnership committed a specific dollar amount to be drawn down according to the terms of the LPA. Capital contributions by a partner for the purpose of acquiring investments or payment of management fees and partnership expenses reduce such partner's remaining capital commitment.

Capital contributions are recorded when received. As of December 31, 2021, committed capital of the Limited Partners is $7,000,000, of which $1,750,000 has been called and collected. As of December 31, 2021, committed capital of the General Partner is $1,000,000, of which $250,000 has been called and $1,000,000 has been collected.

Except for specific circumstances described in the LPA, a Limited Partner is not permitted to withdraw any amount from its capital account.

Other Related Party Transactions

The Foundation receives cash contributions and donated services and support from the Pentagon Federal Credit Union. For the year ended December 31, 2021, the Foundation received cash contributions of $1,000,000. Also, for the year ended December 31, 2021, the Foundation received donated services and support of $2,661,996.

3. Restricted Grants

In 2021, the Foundation received $409,384 from third party donors to support the Military Heroes Program. For the year ended December 31, 2021, the amount of these funds utilized for the Military Heroes program was $318,429 which is included in total net assets released from restrictions amount for the Military Heroes program.

Additionally, the Foundation received $110,000 from other third party donors in 2021 to support the Veteran Entrepreneur Investment Program.

Last, the Foundation received $583,910 to support the Afghan Rescue and Resettlement Program which began in 2021. For the year ended December 31, 2021, the amount of funds utilized for the Afghan Rescue and Resettlement Program was $203,266, which is included in total net assets released from restrictions amount for the Afghan Rescue and Resettlement Program.

4. Contributions Receivable

As of December 31, 2021, contributions receivable includes unconditional promises to give due in less than one year in the amount of $6,162. These receivables are recorded at their unpaid balances which approximate fair value.

5. Fair Value of Financial Instruments

Assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the provisions of ASC Topic 820.

The following table presents the investments carried by level within the fair value hierarchy as of December 31, 2021:

	Investment Assets at Fair Value at December 31, 2021			
Description	Level 1	Level 2	Level 3	Total
Common stocks	$ 13,343	$ -	$ -	$ 13,343
Convertible notes	-	-	700,000	700,000
Preferred stocks	-	-	934,421	934,421
SAFEs	-	-	1,110,000	1,110,000
Total	$ 13,343	$ -	$ 2,744,421	$ 2,757,764

The following table outlines purchases and transfers of Level 3 assets for the year ended December 31, 2021:

	Fair Value Measurements Using Level 3 Inputs			
	Convertible Notes	Preferred Stocks	SAFEs	Total
Purchases	$ 100,000	$ 700,000	$ 1,010,000	$ 1,810,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-

The following table summarizes the quantitative inputs and assumptions used for investments categorized in Level 3 of the fair value hierarchy as of December 31, 2021. The disclosure below includes financial instruments for which fair value is based on unobservable but non-quantitative inputs. Such items include financial instruments for which the determination of fair value is based on cost, prices from last transactions or third-party pricing information without adjustment, or net asset value.

	Fair Value at December 31, 2021	Valuation Techniques	Significant Unobservable Inputs
Convertible notes	$ 700,000	Market Approach: Current value	Face value of note
Preferred stocks	934,421	Market Approach: Last round price	Recent financing activity
SAFEs	1,110,000	Market Approach: Current value	Face value of note
Total fair value	**$ 2,744,421**		

6. Net Assets With Donor Restrictions

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

December 31,	2021
Military Heroes	$ 501,540
Defender's Lodge	28,173
Veteran Entrepreneur Investment Program	1,049,860
2022 and 2023 Night of Heroes Gala and Golf Tournament	300,000
	$ 1,879,573

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:

Year ended December 31,	2021
Military Heroes	$ 838,725
Veteran Entrepreneur Investment Program	1,314,968
Defender's Lodge	33,067
Dream Makers	5,000
2021 Night of Heroes Gala	69,900
	$ 2,261,660

7. Noncontrolling Interest in VEFB LP

Noncontrolling interest represents the ownership interests of VEFB LP by the Limited Partners. The amount shown in the consolidated statement of activities represents the noncontrolling owners' share of net loss of VEFB LP for the year ended December 31, 2021. The amount shown in the consolidated statement of financial position represents contributions of limited partners to VEFB LP's capital net of share of accumulated net loss allocated to limited partners.

The noncontrolling interest balance for the year ended December 31, 2021 consists of the following:

December 31,		2021
Beginning balance, noncontrolling interest	$	-
Capital additions from noncontrolling interest		1,750,000
Share in net loss of VEFB LP during the year		(29,618)
Ending balance, noncontrolling interest	$	1,720,382

8. 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 consolidated statement of financial position date, comprise the following:

December 31,		2021
Cash and cash equivalents	$	3,967,668
Contributions receivable		6,162
Total financial assets		3,973,830
Less amount unavailable for general expenditure within one year, due to:		
Restricted by donors with time or purpose restrictions		(1,879,573)
Total financial assets available to meet cash needs for general expenditure within one year	$	2,094,257

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.

9. Subsequent Events

The Foundation evaluated subsequent events through November 15, 2022, which is the date the consolidated financial statements were available to be issued. There are no events that require adjustments to, or disclosure in, these consolidated financial statements.