

**THE PENTAGON FEDERAL CREDIT UNION
FOUNDATION**

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

YEARS ENDED DECEMBER 31, 2023 AND 2022

The Pentagon Federal Credit Union Foundation

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Independent Auditor's Report

Board of Directors
The Pentagon Federal Credit Union Foundation
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements of **The Pentagon Federal Credit Union Foundation**, (a nonprofit organization), which comprise the Consolidated Statements of Financial Position as of December 31, 2023 and 2022, and the related Consolidated 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.

In our opinion, the 2023 consolidated 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, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Pentagon Federal Credit Union 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.

Prior Period Financial Statements

The consolidated financial statements of **The Pentagon Federal Credit Union Foundation** as of and for the year ended December 31, 2022, were audited by other auditors whose report dated May 3, 2024, expressed an unmodified opinion on those statements.

Responsibilities of Management for the 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 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.

Independent Auditor's Report (Continued)

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 Pentagon Federal Credit Union Foundation's** ability to continue as a going concern within one year after the date that the consolidated 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 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Pentagon Federal Credit Union 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 Pentagon Federal Credit Union 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.



Rockville, Maryland
July 30, 2025

The Pentagon Federal Credit Union Foundation

Consolidated Statements of Financial Position

<i>December 31</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 7,595,019	\$ 6,708,016
Contributions receivable, net	733,673	1,278,664
Investments	6,863,251	5,794,432
Prepaid expenses and other	264,747	97,119
Total assets	\$ 15,456,690	\$ 13,878,231
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 776,002	\$ 196,606
Total liabilities	776,002	196,606
Commitments and contingencies		
Net assets		
Net assets without donor restrictions:		
Without donor restrictions	7,671,226	6,489,266
Noncontrolling interest in VEFB LP	5,392,070	5,435,872
Total net assets without donor restrictions	13,063,296	11,925,138
Net assets with donor restrictions	1,617,392	1,756,487
Total net assets	14,680,688	13,681,625
Total liabilities and net assets	\$ 15,456,690	\$ 13,878,231

The accompanying Notes to Financial Statements are an integral part of these financial statements.

The Pentagon Federal Credit Union Foundation

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 231,397	\$ 1,160,846	\$ 1,392,243
Contributed nonfinancial assets	1,224,663	-	1,224,663
Special events revenue:			
Gross revenue	2,759,408	-	2,759,408
Costs of direct benefits to donors	(173,020)	-	(173,020)
Investment income	436,431	-	436,431
Net assets released from restrictions	1,299,941	(1,299,941)	-
Total revenues and other support	5,778,820	(139,095)	5,639,725
Expenses			
Program services	2,467,056	-	2,467,056
Supporting activities			
General and administrative	721,397	-	721,397
Fundraising - direct	1,355,698	-	1,355,698
Fundraising - other	96,511	-	96,511
Total supporting activities	2,173,606	-	2,173,606
Total expenses	4,640,662	-	4,640,662
Change in net assets	1,138,158	(139,095)	999,063
Change in noncontrolling interest	(43,802)	-	(43,802)
Change in net assets after noncontrolling interest	1,094,356	(139,095)	955,261
Net assets, beginning of year	11,925,138	1,756,487	13,681,625
Capital additions from noncontrolling interest	-	-	-
Net assets, end of year	\$ 13,063,296	\$ 1,617,392	\$ 14,680,688

The accompanying Notes to Financial Statements are an integral part of these financial statements.

The Pentagon Federal Credit Union Foundation

Consolidated Statement of Activities and Changes in Net Assets

<i>Year Ended December 31, 2022</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Contributions	\$ 3,513,423	\$ 1,243,314	\$ 4,756,737
Contributed nonfinancial assets	1,387,259	2,383	1,389,642
Grant revenue	110,200	240,050	350,250
Special events revenue:			
Gross revenue	2,836,206	-	2,836,206
Costs of direct benefits to donors	(137,617)	-	(137,617)
Investment income	59,544	25,504	85,048
Net assets released from restrictions	1,634,337	(1,634,337)	-
Total revenues and other support	9,403,352	(123,086)	9,280,266
Expenses			
Program services	4,035,998	-	4,035,998
Supporting activities			
General and administrative	936,397	-	936,397
Fundraising - direct	1,111,187	-	1,111,187
Fundraising - other	65,788	-	65,788
Total supporting activities	2,113,372	-	2,113,372
Total expenses	6,149,370	-	6,149,370
Change in net assets	3,253,982	(123,086)	3,130,896
Change in noncontrolling interest	134,510	-	134,510
Change in net assets after noncontrolling interest	3,388,492	(123,086)	3,265,406
Net assets, beginning of year	4,821,156	1,879,573	6,700,729
Capital additions from noncontrolling interest	3,850,000		3,850,000
Net assets, end of year	\$ 11,925,138	\$ 1,756,487	\$ 13,681,625

The accompanying Notes to Financial Statements are an integral part of these financial statements.

The Pentagon Federal Credit Union Foundation

Consolidated Statement of Functional Expenses

	Program Services				Direct Fundraising			Support Services		Total
	Military Heroes	Verteran Entrepreneur Investment Program	Outreach	Total Program Services	Programs	Special Events	Total Direct Fundraising Expenses	General and Administrative	Fundraising	
<i>Year Ended December 31, 2023</i>										
Grant expenses	\$ 1,243,567	\$ 34,243	\$ -	\$ 1,277,810	\$ 120,000	\$ -	\$ 120,000	\$ -	\$ -	\$ 1,397,810
Donated - professional services	105,226	292,267	53,165	450,658	82,103	117,464	199,567	405,250	96,511	1,151,986
Special events	41,980	44,568	6,467	93,015	200,960	580,657	781,617	-	-	874,632
Professional and outside services	148,361	188,567	-	336,928	38,400	-	38,400	128,947	-	504,275
Travel and conference	23,314	28,045	18,174	69,533	108,080	8,575	116,655	3,187	-	189,375
Bank and merchant service fees	-	-	-	-	-	-	-	80,737	-	80,737
Sponsorships	43,000	41,000	37,500	121,500	-	-	-	-	-	121,500
Donated - office space	-	-	-	-	-	-	-	55,329	-	55,329
Instructors/speakers/performers	20,133	-	-	20,133	-	16,800	16,800	-	-	36,933
Legal fees	-	7,341	-	7,341	-	-	-	12,500	-	19,841
Printing and publications	4,436	-	90	4,526	18,607	3,367	21,974	674	-	27,174
Computer and software	4,000	42,050	875	46,925	4,614	9,125	13,739	4,934	-	65,598
Marketing and public relations	1,997	9,369	2,108	13,474	731	9,162	9,893	13,882	-	37,249
Postage and shipping	1,566	789	2,169	4,524	19,539	149	19,688	824	-	25,036
Memberships and subscriptions	1,042	2,833	-	3,875	-	-	-	315	-	4,190
Training and learning materials	-	-	-	-	-	-	-	9,850	-	9,850
Office supplies	-	68	-	68	-	-	-	519	-	587
Donated - other	-	-	-	-	3,850	13,000	16,850	-	-	16,850
Business meetings	531	2,143	9,865	12,539	-	285	285	4,449	-	17,273
Other miscellaneous expenses	1,625	107	2,475	4,207	-	230	230	-	-	4,437
Total	\$ 1,640,778	\$ 693,390	\$ 132,888	\$ 2,467,056	\$ 596,884	\$ 758,814	\$ 1,355,698	\$ 721,397	\$ 96,511	\$ 4,640,662

The accompanying Notes to Financial Statements are an integral part of these financial statements.

The Pentagon Federal Credit Union Foundation

Consolidated Statement of Functional Expenses

	Program services						Direct fundraising			Supporting activities		Total
	Dream Makers	Military Heroes	Defenders Lodge	Verteran Entrepreneur Investment Program	Outreach	Total Program Services	Programs	Special Events	Total Direct Fundraising Expenses	General and Administrative	Fundraising	
<i>Year Ended December 31, 2022</i>												
Grant expenses	\$ 9,964	\$ 2,156,023	\$ 33,354	\$ 163,450	\$ 24,081	\$ 2,386,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,386,872
Donated - professional services	13	262,336	-	464,847	64,348	791,544	175,684	62,541	238,225	248,406	53,755	1,331,930
Special events	-	6,777	-	63,928	-	70,705	-	629,703	629,703	3,788	-	704,196
Professional and outside services	-	256,831	-	267,436	-	524,267	-	-	-	141,773	-	666,040
Travel and conference	-	8,177	-	52,930	19,703	80,810	212	10,978	11,190	4,710	45	96,755
Bank and merchant service fees	-	2,506	-	37	-	2,543	42,315	44,267	86,582	100	683	89,908
Sponsorships	-	50,000	-	28,014	6,015	84,029	-	-	-	-	-	84,029
Donated - office space	-	-	-	-	-	-	-	-	-	55,329	-	55,329
Instructors/speakers/performers	-	-	-	7,900	-	7,900	-	43,694	43,694	-	-	51,594
Legal fees	-	-	-	39,663	-	39,663	-	-	-	11,503	-	51,166
Printing and publications	-	362	-	625	1,150	2,137	41,759	4,044	45,803	319	-	48,259
Computer and software	-	10,000	-	8,620	-	18,620	6,351	5,700	12,051	200	8,916	39,787
Marketing and public relations	-	2,358	-	11,654	1,775	15,787	-	-	-	-	-	15,787
Postage and shipping	-	3,715	-	424	-	4,139	9,019	-	9,019	210	77	13,445
Memberships and subscriptions	-	996	-	6,131	-	7,127	-	-	-	495	-	7,622
Training and learning materials	-	-	-	3,500	-	3,500	-	-	-	-	-	3,500
Office supplies	-	76	-	1,209	-	1,285	-	-	-	857	374	2,516
Donated - other	-	2,383	-	-	-	2,383	-	-	-	-	-	2,383
Business meetings	-	156	-	534	-	690	-	-	-	327	122	1,139
Rental of furniture and equipment	-	-	-	850	-	850	-	206	206	-	-	1,056
Other miscellaneous expenses	-	(9,612)	-	759	-	(8,853)	34,714	-	34,714	468,380	1,816	496,057
Total	\$ 9,977	\$ 2,753,084	\$ 33,354	\$ 1,122,511	\$ 117,072	\$ 4,035,998	\$ 310,054	\$ 801,133	\$ 1,111,187	\$ 936,397	\$ 65,788	\$ 6,149,370

The accompanying Notes to Financial Statements are an integral part of these financial statements.

The Pentagon Federal Credit Union Foundation

Consolidated Statements of Cash Flows

<i>Years Ended December 31</i>	2023	2022
Cash flows from operating activities		
Changes in net assets	\$ 999,063	\$ 3,130,896
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Realized/unrealized loss (gain) on investments	(388,791)	455,854
Change in discount on contributions receivable	(14,470)	21,337
(Increase) decrease in assets:		
Contributions receivable	559,461	(1,293,839)
Prepaid expenses	(167,628)	(3,539)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	579,396	23,233
ARK loan liability	-	(6,926)
Net cash provided by operating activities	1,567,031	2,327,016
Cash flows from investing activities		
Capital additions from noncontrolling interest	-	3,850,000
Proceeds from sale of investments	-	313,327
Purchases of investments	(680,028)	(3,749,995)
Net cash used in investing activities	(680,028)	413,332
Net change in cash and cash equivalents	887,003	2,740,348
Cash and cash equivalents, beginning of year	6,708,016	3,967,668
Cash and cash equivalents, end of year	\$ 7,595,019	\$ 6,708,016

The accompanying Notes to Financial Statements are an integral part of these financial statements.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

1. Organization and significant accounting policies

Organization: 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 statements of financial position.

Principles of consolidation: The accompanying consolidated financial statements include PFCUF and its wholly-owned subsidiary, VEIP GP LLC. VEIP GP LLC has the power to direct the activities of VEIP LP, therefore the consolidated financial statements also include VEIP LP. Unless otherwise noted, PFCUF and the consolidated entities are collectively referred to herein as “the Foundation”. All significant interorganizational 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).

Measure of operations: The Foundation's operating income includes contributions, contributed nonfinancial assets, grant revenue, special events revenue and interest income, and expenses for program and supporting services which supports the Foundation's mission.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

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.

Concentrations of Credit Risk: The Foundation maintains all cash balance at financial institutions. Accounts at these institutions are insured by the National Credit Union Administration up to \$250,000. Uninsured balances aggregate \$6,817,193 and \$6,090,730 as of December 31, 2023 and 2022, 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.

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.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

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 Pentagon Federal Credit Union Foundation

Notes to Financial Statements

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.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

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: 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.

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 consolidated statements 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.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

Contributed Nonfinancial Assets: The Foundation receives contributed nonfinancial assets in the form of donated services and donated goods. 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 (PFCU) 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.

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.

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

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 three programs that benefit veterans, active-duty service members, military families, and caregivers.

The Military Heroes Program provides financial assistance to meet the individual and collective needs of our military community. The Foundation provides high-impact financial assistance to prevent a significant crisis or improve quality of life for veterans.

The Pentagon Federal Credit Union Foundation

Notes to Financial Statements

In 2018, Veteran Entrepreneur Investment Program (VEIP) was launched as part of the Foundation's mission to provide financial opportunities for veterans. First, VEIP offers entrepreneurship training through workshops and webinars, in which the curriculum contains start-up financials, pitch preparation, and various sources of capital. Second, VEIP's Master's Program is the flagship fundraising accelerator that prepares growth-stage, veteran-owned start-ups to raise investor funds. Third, through its two investment funds, VEIP invests seed capital in veteran-owned businesses and connects entrepreneurs to other funders.

Whereas VEIP's Fund Alpha is financed through a \$1 million contribution by the Pentagon Federal Credit Union, the successor Fund Bravo is supported by four limited partners as well as an additional contribution from the Pentagon Federal Credit Union. The latter fund has raised \$6.6 million. At exit, returns on all investments are distributed back to limited partners and the remainder of proceeds are reinvested into the program to support future veteran-owned business ventures.

In 2021, the Foundation launched its Afghan Rescue and Resettlement Program to support 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.

Advertising Costs: Advertising costs are expensed as incurred. For the years ended December 31, 2023 and 2022, advertising expense totaled \$37,250 and \$15,787, respectively.

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 consolidated 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.

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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 consolidated 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 2020.

Subsequent events: Management has evaluated events for disclosure in these consolidated financial statements through July 30, 2025, which is the date the consolidated financial statements were available to be issued.

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.

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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.

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Capital contributions are recorded when received. As of December 31, 2023 and 2022, the committed capital of the Limited Partners is \$7,000,000, of which, \$5,600,000 has been called and collected with no intention to collect further.

As of December 31, 2023 and 2022, committed capital of the General Partner is \$1,000,000, of which \$800,000 has been called and collected with no intention to collect further. The Partnership owed the General Partner the amount of \$200,000 as of December 31, 2023 for the capital collected in advance.

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 years ended December 31, 2023 and 2022, the Foundation received donated services and support of \$1,224,663 and \$1,387,259, respectively.

3. Restricted grants

During the years ended December 31, 2023 and 2022, the Foundation received \$168,423 and \$121,931, respectively, from third party donors to support the Military Heroes Program. For the years ended December 31, 2023 and 2022, the amount of funds utilized for the Military Heroes program was \$0 and \$9,630, respectively, which is included in total net assets released from restrictions amount for the Veteran Entrepreneur Investment program.

Additionally, the Foundation received \$152,993 and \$452,281 from third party donors to support the Veteran Entrepreneur Investment Program during the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, the amount of funds utilized for the Veteran Entrepreneur Investment program was \$548,123 and \$330,965, respectively, which is included in total net assets released from restrictions amount for the Veteran Entrepreneur Investment program.

Last, the Foundation received \$30,822 and \$913,113 to support the Afghan Rescue and Resettlement Program during the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, the amount of funds utilized for the Afghan Rescue and Resettlement Program was \$601,818 and \$722,761, respectively, which is included in total net assets released from restrictions amount for the Afghan Rescue and Resettlement Program.

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Notes to Financial Statements

4. Contributions receivable As of December 31, 2023 and 2022, contributions receivable amounted to \$733,673 and \$1,278,664, respectively, net of allowance for discount of \$7,391 and \$21,337, respectively. Out of the total contributions receivable balances as of December 31, 2023 and 2022, unconditional promises to give due in more than one year amounted to \$400,000 and \$650,000, respectively, which was discounted using 4.79% rate. These receivables are recorded at their unpaid balances which approximate fair value.

5. Contributed nonfinancial assets The Foundation received contributed nonfinancial assets in the form of donated clothing, professional services and office rent. For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included:

Type of Donation	Valuation Techniques	Donor Restrictions	2023	2022
Donated clothing	Value of similar items using the Salvation Army Donation Value Guide	Donor restricted for Afghan Rescue and Resettlement Program beneficiaries.	\$ -	\$ 2,383
Professional services provided by Pentagon Federal Credit Union	Salaries for PFCU employees are valued based on actual wages and estimated time spent dedicated to the Foundation responsibilities and other reimbursements are valued based on actual costs	None	1,169,334	1,331,930
Office rent	Fair value per square foot of the entire office space multiplied by the number of square feet occupied by the Foundation	None	55,329	55,329
Total			\$ 1,224,663	\$ 1,389,642

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Notes to Financial Statements

6. 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 tables present the investments carried by level within the fair value hierarchy as of December 31, 2023 and 2022:

Investments at Fair Value at December 31, 2023				
Description	Level 1	Level 2	Level 3	Total
Common stocks	\$ 16	\$ -	\$ 1,064,882	\$ 1,064,898
Convertible notes	-	-	1,360,000	1,360,000
Preferred stocks	-	-	1,688,353	1,688,353
SAFEs	-	-	2,750,000	2,750,000
Total	\$ 16	\$ -	\$ 6,863,235	\$ 6,863,251

Investments at Fair Value at December 31, 2022				
Description	Level 1	Level 2	Level 3	Total
Common stocks	\$ 16	\$ -	\$ 500,000	\$ 500,016
Convertible notes	-	-	1,350,000	1,350,000
Preferred stocks	-	-	1,834,416	1,834,416
SAFEs	-	-	2,110,000	2,110,000
Total	\$ 16	\$ -	\$ 5,794,416	\$ 5,794,432

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The following tables outline transactions of Level 3 assets for the years ended December 31, 2023 and 2022:

Fair Value Measurements Using Level 3 Inputs at December 31, 2023

	Common stocks	Convertible notes	Preferred stocks	SAFEs	Total
Purchases	\$ -	\$ -	\$ 24,000	\$ 650,000	\$ 674,000
Return of investments	\$ 499,882	\$ -	\$ 100,431	\$ (205,494)	\$ 394,819
Transfers in/out	\$ 65,000	\$ 10,000	\$ (270,494)	\$ 195,494	\$ -

Fair Value Measurements Using Level 3 Inputs at December 31, 2022

	Common stocks	Convertible notes	Preferred stocks	SAFEs	Total
Purchases	\$ 500,000	\$ 1,350,000	\$ 399,995	\$1,500,000	\$ 3,749,995
Return of investments	\$ -	\$ (300,000)	\$ -	\$ -	\$ (300,000)
Provision for investment losses	\$ -	\$ (400,000)	\$ -	\$ -	\$ (400,000)
Transfers in/out	\$ -	\$ -	\$ 500,000	\$(500,000)	\$ -

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The following tables summarize the quantitative inputs and assumptions used for investments categorized in Level 3 of the fair value hierarchy as of December 31, 2023 and 2022. 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 adjustments, or net asset value.

	Fair Value at December 31, 2023	Valuation Techniques	Significant Unobservable Inputs
Common stocks	\$ 1,064,898	Market Approach: Current Value	Latest transaction price
Convertible notes	1,360,000	Market Approach: Current Value	Contractual value
Preferred stocks	1,073,852	Option Pricing Method Backsolve + Market Adjustment	Volatility Estimates / Market Adjustment
Preferred stocks	398,600	Option Pricing Method Backsolve (Pro Forma)	Volatility Estimates
Preferred stocks	215,901	Third Party 409A	Volatility Estimates
SAFEs	2,750,000	Market Approach: Current Value	Original transaction price
Total fair value	\$ 6,863,251		

	Fair Value at December 31, 2022	Valuation Techniques	Significant Unobservable Inputs
Common stocks	\$ 500,000	Market Approach: Current Value	Face value of note
Convertible notes	1,350,000	Market Approach: Current Value	Face value of note
Preferred stocks	1,834,416	Market Approach: Current Value	Recent financing activity
SAFEs	2,110,000	Market Approach: Current Value	Face value of note
Total fair value	\$ 5,794,416		

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Notes to Financial Statements

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

December 31,	2023	2022
Military Heroes	\$ 299,790	\$ 702,364
Veteran Entrepreneur Investment Program	508,994	904,123
2022 and 2023 Night of Heroes Gala and Golf Tournament	808,608	150,000
Total net assets with donor restrictions	\$ 1,617,392	\$ 1,756,487

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:

December 31,	2023	2022
Military Heroes	\$ 601,818	\$ 784,220
Veteran Entrepreneur Investment Program	548,123	671,944
Defender's Lodge	-	28,173
2023 Night of Heroes Gala and Golf Event	150,000	150,000
Total releases from donor restrictions	\$ 1,299,941	\$ 1,634,337

8. 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 years ended December 31, 2023 and 2022. The amount shown in the consolidated statements 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 years ended December 31, 2023 and 2022 consists of the following:

December 31,	2023	2022
Beginning balance, noncontrolling interest	\$ 5,435,872	\$ 1,720,382
Capital additions from noncontrolling interest	-	3,850,000
Share in net loss of VEFB LP during the year	(43,802)	(134,510)
Ending balance, noncontrolling interest	\$ 5,392,070	\$ 5,435,872

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Notes to Financial Statements

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 consolidated statements of financial position date, comprise the following:

Financial assets at year-end:	2023	2022
Cash and cash equivalents	\$ 7,595,019	\$ 6,708,016
Contribution receivable, net	733,673	1,278,664
Total financial assets	8,328,692	7,986,680
Less those unavailable for general expenditure within one year due to:		
Restricted by donors with time or purpose restrictions	(1,617,392)	(1,756,487)
Financial assets available to meet general expenditures over the next twelve months	\$ 6,711,300	\$ 6,230,193

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 to December 31, 2023, the Foundation had determined that the fair value of its investments held at December 31, 2023 should be written down by approximately \$1,084,000 as a result of a lack of financial performance by the underlying portfolio companies and a high probability that the Foundation will not be able to recover its original investment.