

**Former Agents of the F.B.I. Foundation**

Financial Statements  
and Independent Auditors' Report

December 31, 2019 and 2018

**Former Agents of the F.B.I. Foundation**

Financial Statements  
December 31, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Former Agents of the F.B.I. Foundation

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Former Agents of the F.B.I. Foundation (“the Foundation”), which comprise the statements of financial position as of December 31, 2019 and 2018; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

### *Management’s Responsibility for the Financial Statements*

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

### *Auditor’s Responsibility*

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

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

***Auditor's Responsibility (continued)***

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

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia  
March 31, 2020

## Former Agents of the F.B.I. Foundation

### Statements of Financial Position December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 148,285	\$ 461,817
Investments	10,985,653	8,423,160
Contributions receivable	1,500	25,050
Prepaid expenses and other assets	23,016	18,231
Property and equipment, net	190,907	195,649
	<hr/>	<hr/>
Total assets	\$ 11,349,361	\$ 9,123,907
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 15,191	\$ 497
Scholarships payable	-	4,000
Due to related party	48,232	88,713
	<hr/>	<hr/>
Total liabilities	63,423	93,210
	<hr/>	<hr/>
<b>Net Assets</b>		
Without donor restrictions	9,220,636	8,016,427
With donor restrictions	2,065,302	1,014,270
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Total net assets	11,285,938	9,030,697
	<hr/>	<hr/>
Total liabilities and net assets	\$ 11,349,361	\$ 9,123,907
	<hr/> <hr/>	<hr/> <hr/>

## Former Agents of the F.B.I. Foundation

Statement of Activities  
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support</b>			
Contributions	\$ 663,088	\$ 914,699	\$ 1,577,787
Program services	1,549	-	1,549
Other income	1,097	-	1,097
Released from restrictions	48,333	(48,333)	-
	<u>714,067</u>	<u>866,366</u>	<u>1,580,433</u>
Total operating revenue and support			
<b>Expenses</b>			
Program services	500,224	-	500,224
Supporting services:			
Management and general	94,443	-	94,443
Fundraising	87,486	-	87,486
	<u>181,929</u>	<u>-</u>	<u>181,929</u>
Total supporting services			
Total expenses	<u>682,153</u>	<u>-</u>	<u>682,153</u>
<b>Change in Net Assets from Operations</b>	31,914	866,366	898,280
<b>Non-Operating Activity</b>			
Investment return, net	<u>1,172,295</u>	<u>184,666</u>	<u>1,356,961</u>
Total non-operating activity	<u>1,172,295</u>	<u>184,666</u>	<u>1,356,961</u>
<b>Change in Net Assets</b>	1,204,209	1,051,032	2,255,241
<b>Net Assets, beginning of year</b>	<u>8,016,427</u>	<u>1,014,270</u>	<u>9,030,697</u>
<b>Net Assets, end of year</b>	<u><u>\$ 9,220,636</u></u>	<u><u>\$ 2,065,302</u></u>	<u><u>\$ 11,285,938</u></u>

See accompanying notes.

## Former Agents of the F.B.I. Foundation

Statement of Activities  
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Support</b>			
Contributions	\$ 462,435	\$ 83,212	\$ 545,647
Program services	1,077	-	1,077
Other income	971	-	971
Released from restrictions	83,923	(83,923)	-
Total operating revenue and support	<u>548,406</u>	<u>(711)</u>	<u>547,695</u>
<b>Expenses</b>			
Program services	493,767	-	493,767
Supporting services:			
Management and general	104,486	-	104,486
Fundraising	97,800	-	97,800
Total supporting services	<u>202,286</u>	<u>-</u>	<u>202,286</u>
Total expenses	<u>696,053</u>	<u>-</u>	<u>696,053</u>
<b>Change in Net Assets from Operations</b>	(147,647)	(711)	(148,358)
<b>Non-Operating Activity</b>			
Investment return, net	<u>(452,086)</u>	<u>(77,133)</u>	<u>(529,219)</u>
Total non-operating activity	<u>(452,086)</u>	<u>(77,133)</u>	<u>(529,219)</u>
<b>Change in Net Assets</b>	(599,733)	(77,844)	(677,577)
<b>Net Assets, beginning of year</b>	<u>8,616,160</u>	<u>1,092,114</u>	<u>9,708,274</u>
<b>Net Assets, end of year</b>	<u><u>\$ 8,016,427</u></u>	<u><u>\$ 1,014,270</u></u>	<u><u>\$ 9,030,697</u></u>

See accompanying notes.

**Former Agents of the F.B.I. Foundation**

Statement of Functional Expenses  
For the Year Ended December 31, 2019

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Personnel costs	\$ 132,313	\$ 47,084	\$ 56,135	\$ 103,219	\$ 235,532
Assistance	19,919	-	-	-	19,919
Awards	25,696	-	-	-	25,696
History and remembrance	25,263	-	1,698	1,698	26,961
Partnerships and contributions	61,623	-	-	-	61,623
Scholarships	200,000	-	-	-	200,000
Professional fees	150	10,226	2,100	12,326	12,476
General office expenses	1,697	6,138	5,989	12,127	13,824
Fundraising and other	-	-	11,199	11,199	11,199
Administrative expenses	3,425	16,996	1,889	18,885	22,310
Travel, meetings, and committee	27,474	12,043	7,144	19,187	46,661
Miscellaneous	-	1,008	202	1,210	1,210
Depreciation and amortization	2,664	948	1,130	2,078	4,742
<b>Total Expenses</b>	<b>\$ 500,224</b>	<b>\$ 94,443</b>	<b>\$ 87,486</b>	<b>\$ 181,929</b>	<b>\$ 682,153</b>

*See accompanying notes.*



## Former Agents of the F.B.I. Foundation

Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Personnel costs	\$ 119,283	\$ 57,256	\$ 55,913	\$ 113,169	\$ 232,452
Assistance	37,996	-	-	-	37,996
Awards	10,417	-	-	-	10,417
History and remembrance	14,324	-	4,844	4,844	19,168
Partnerships and contributions	65,410	-	-	-	65,410
Scholarships	201,488	-	-	-	201,488
Legal fees	1,900	600	3,210	3,810	5,710
Accounting fees	-	10,246	-	10,246	10,246
General office expenses	939	5,197	5,114	10,311	11,250
Fundraising and other	5,261	18,381	14,884	33,265	38,526
Travel, meetings, and committee	32,066	10,003	11,640	21,643	53,709
Miscellaneous	-	607	-	607	607
Depreciation and amortization	4,683	2,196	2,195	4,391	9,074
<b>Total Expenses</b>	<b>\$ 493,767</b>	<b>\$ 104,486</b>	<b>\$ 97,800</b>	<b>\$ 202,286</b>	<b>\$ 696,053</b>

*See accompanying notes.*

## Former Agents of the F.B.I. Foundation

### Statements of Cash Flows For the Years Ended December 31, 2019 and 2018

	2019	2018
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,255,241	\$ (677,577)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	(914,173)	864,932
Realized gain on investments	(85,903)	(49,392)
Donated stock	(972,138)	(10,331)
Depreciation and amortization	4,742	9,074
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	23,550	(25,050)
Prepaid expenses and other assets	(4,785)	(9)
Increase (decrease) in:		
Accounts payable and accrued expenses	14,694	(7,159)
Scholarships payable	(4,000)	2,000
Due to related party	(40,481)	(2,725)
Net cash provided by operating activities	276,747	103,763
<b>Cash Flows from Investing Activities</b>		
Note repayments from related party	-	16,091
Purchases of property and equipment	-	(13,712)
Purchases of investments	(1,820,130)	(1,687,808)
Proceeds from sales of investments	1,229,851	1,036,668
Net cash used in investing activities	(590,279)	(648,761)
<b>Net Decrease in Cash and Cash Equivalents</b>	(313,532)	(544,998)
<b>Cash and Cash Equivalents, beginning of year</b>	461,817	1,006,815
<b>Cash and Cash Equivalents, end of year</b>	\$ 148,285	\$ 461,817
<b>Noncash Investing and Financing Transactions</b>		
Donated stock	\$ 972,138	\$ 10,331

See accompanying notes.

## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 1. Nature of Operations

Former Agents of the F.B.I. Foundation (“the Foundation”) provides charitable support to members of the Society of Former Special Agents of the Federal Bureau of Investigation, Inc. (“the Society”) and their families. The Foundation distributes various awards and scholarships to members and their families, as well as gives assistance to other needy and deserving individuals and groups involved in the field of law enforcement.

The Foundation’s primary sources of support and revenue are donations from members of the Society. The Foundation is a Virginia non-stock corporation, and its affairs are managed by a Board of Trustees, which is comprised of members of the Society, appointed by the Society’s Board of Directors. There is not a majority of Board overlap and, accordingly, the Foundation’s financial statements are not consolidated with the Society’s. The Foundation shares office space and administrative staff with the Society.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting and Presentation

The Foundation’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) 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.

#### Cash Equivalents

For the purpose of the statements of cash flows, the Foundation considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition are amounts held for investment.

## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are reported in the accompanying statements of activities.

#### Contributions Receivable

Contributions receivable represent unconditional promises to give. All contributions receivable are due within one year and recorded at net realizable value. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. No allowance for doubtful accounts is recorded as management believes that all receivables are fully collectible.

#### Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from seven to forty years. Expenditures for maintenance and repairs are expensed as incurred.

#### Scholarships Payable

Scholarships payable consist of amounts awarded to students for undergraduate tuition, fees, and course-required incidentals and supplies, and are determined by a majority vote of the Board of Trustees. Certain eligibility requirements must be met for students who apply for scholarships. The Foundation did not have any outstanding scholarships payable at December 31, 2019.

#### Revenue Recognition

Contributions are recognized when cash, securities, an unconditional promise to give, or other assets are received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Foundation reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

Revenue from all other sources is recognized when earned.

#### Contributed Services

The Foundation receives a substantial amount of services donated by volunteers in carrying out its program services. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*.

#### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Advertising Costs

The Foundation expenses advertising costs as incurred. There were no advertising expenses for the years ended December 31, 2019 and 2018.

#### Measure of Operations

The Foundation includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes interest and dividends, realized and unrealized gains and losses on investments, and investment management fees.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 2. Summary of Significant Accounting Policies (continued)

#### Adopted Accounting Pronouncement

FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Foundation has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the Foundation's implementation of ASU 2018-08.

#### Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 31, 2020, the date the financial statements were available to be issued.

### 3. Liquidity and Availability

The Foundation strives to maintain liquid financial assets on hand to meet 90 days of general expenditures. As part of its liquidity plan, management periodically reviews the Foundation's liquid asset needs and adjusts the cash balances as necessary. Amounts in excess of operating liquidity needs are invested in short-term and highly liquid securities.

## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 3. Liquidity and Availability (continued)

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2019	2018
Cash and cash equivalents	\$ 148,285	\$ 461,817
Investments appropriated for current use	10,985,653	8,423,160
Contributions receivable	1,500	25,050
Less: donor-restricted net assets	<u>(2,065,302)</u>	<u>(1,014,270)</u>
Total available for general expenditures	<u>\$ 9,070,136</u>	<u>\$ 7,895,757</u>

### 4. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Foundation maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

### 5. Investments and Fair Value Measurements

The Foundation follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 5. Investments and Fair Value Measurements (continued)

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Foundation uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Foundation's fair value hierarchy for those investments measured on a recurring basis at December 31:

	Level 1	Level 2	Level 3	Total
<u>2019:</u>				
Money market funds	\$ 432,910	\$ -	\$ -	\$ 432,910
Mutual funds – bonds	4,564,149	-	-	4,564,149
Mutual funds – equities	5,988,594	-	-	5,988,594
<b>Total investments</b>	<b>\$ 10,985,653</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,985,653</b>
<u>2018:</u>				
Money market funds	\$ 353,176	\$ -	\$ -	\$ 353,176
Mutual funds – bonds	3,807,276	-	-	3,807,276
Mutual funds – equities	4,255,294	-	-	4,255,294
Equities – common stocks	7,414	-	-	7,414
<b>Total investments</b>	<b>\$ 8,423,160</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,423,160</b>



## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 5. Investments and Fair Value Measurements (continued)

Investment income (loss) consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 402,600	\$ 328,546
Unrealized gain (loss)	914,173	(864,932)
Realized gain	85,903	49,392
Investment management fees	<u>(45,715)</u>	<u>(42,225)</u>
Total investment income (loss)	<u>\$ 1,356,961</u>	<u>\$ (529,219)</u>

### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 70,437	\$ 70,437
Building	151,063	151,063
Building improvements	9,381	9,381
Furniture and fixtures	<u>4,294</u>	<u>4,294</u>
Total property and equipment	235,175	235,175
Less: accumulated depreciation	<u>(44,268)</u>	<u>(39,526)</u>
Property and equipment, net	<u>\$ 190,907</u>	<u>\$ 195,649</u>

## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 7. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted as follows at December 31:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Peter O'Neil Fund	\$ 833,954	\$ -
Disaster Relief Fund	608,382	492,073
J. Edgar Hoover Fund	162,973	149,505
Lawler Fund	109,526	104,601
Grove Foundation Fund	113,735	102,880
Zeiss Fund	71,154	66,646
Fran Keogh Memorial Fund	32,315	28,556
Hashman Fund	21,096	27,544
LA Chapter Retired Agents Fund	24,636	21,493
Martyrs/Remembrance Fund	78,730	13,294
Skilled Trades Fund	8,801	7,678
	<u>2,065,302</u>	<u>1,014,270</u>
Total purpose restricted	<u>2,065,302</u>	<u>1,014,270</u>
Net assets with donor restrictions	<u>\$ 2,065,302</u>	<u>\$ 1,014,270</u>

### 8. Related Party Transactions

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

All functions necessary to perform the Foundation's mission are performed by the Society's employees. The Foundation reimburses the Society for these personnel costs, as well as other costs incurred by the Society in performing the Foundation's functions, such as depreciation of property. Also, during the year, in conjunction with membership billing, the Society collects contributions on behalf of the Foundation. The amounts reimbursed to the Society were \$363,053 and \$262,977 for the years ended December 31, 2019 and 2018, respectively. The Foundation had a payable of \$48,232 and \$88,713 to the Society at December 31, 2019 and 2018, respectively.

## Former Agents of the F.B.I. Foundation

Notes to Financial Statements  
December 31, 2019 and 2018

### 8. Related Party Transactions (continued)

#### Board Member Contributions

The Foundation receives support from members of the Board of Trustees. During the years ended December 31, 2019 and 2018, the Foundation received contributions from Board members in the amount of \$12,563 and \$6,175, respectively.

#### Fettler Park, LLC

In 2009, the Foundation and the Society entered into an agreement to form Fettler Park, LLC (“the LLC”), of which the Foundation owns 25% and the Society owns 75%. The purpose of the entity is to purchase and hold office space that the Foundation and Society utilize for their day-to-day operations. The Foundation and Society share operating costs of this property based on the aforementioned ownership percentages. Per the terms of the operating agreement of the LLC, the members intend for the company to be treated as an unincorporated association excluded from Subchapter K of the Internal Revenue Code (IRC) pursuant to Section 761. Accordingly, they do not treat the company as a partnership for income tax purposes and each member agrees to separately report its proportionate share of all income, gains, deductions, and losses from the joint venture. The statements of financial position and activities reflect only the Foundation’s share of the land and building, as well as income and expenses related to this investment.

### 9. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, general office expenses, and travel and meetings expenses, which are allocated based on a weighted average of employees’ time spent on these activities. Additionally, personnel costs are allocated on the basis of estimates of time and effort.

### 10. Income Taxes

The Foundation is recognized as a tax-exempt organization under IRC Section 501(c)(3) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense was recorded in the accompanying financial statements for the years ended December 31, 2019 and 2018, as the Foundation engaged in no unrelated business activities. Contributions to the Foundation are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Foundation’s tax positions and concluded that the financial statements do not include any uncertain tax positions.