

**FIRST COMMAND EDUCATIONAL FOUNDATION**

**Financial Statements**  
**Years Ended December 31, 2014 and 2013**



FIRST COMMAND EDUCATIONAL FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
<b>Financial Statements:</b>	
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
First Command Educational Foundation

We have audited the accompanying financial statements of First Command Educational Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

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

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

### 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, 2014 and 2013, 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.

***AuldridgeGriffin, P.C.***

Fort Worth, Texas  
August 5, 2015

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 99,850	\$ 151,688
Pledges receivable	-	3,905
Due from First Command Financial Services, Inc.	8,674	7,722
Inventory	7,677	9,169
Assets restricted for endowment	1,127,012	1,078,480
Board reserved investments	158,022	73,288
Total current assets	1,401,235	1,324,252
Property and equipment, net	4,758	6,685
Total assets	\$ 1,405,993	\$ 1,330,937
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Scholarships payable	\$ 500	\$ -
Accrued expenses and other liabilities	46,754	41,175
Pledges payable	4,750	3,000
Total current liabilities	52,004	44,175
Total liabilities	52,004	44,175
Net assets:		
Unrestricted		
Undesignated	126,236	171,311
Board designated	160,000	100,000
Total unrestricted	286,236	271,311
Temporarily restricted	113,753	111,451
Permanently restricted	954,000	904,000
Total net assets	1,353,989	1,286,762
Total liabilities and net assets	\$ 1,405,993	\$ 1,330,937

The accompanying notes are an integral part of these financial statements.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2014 and 2013**

	2014			2013				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
<b>Revenues and other support:</b>								
Contributions	\$ 640,940	\$ 61,351	\$ -	\$ 702,291	\$ 628,383	\$ 33,835	\$ -	\$ 662,218
Special events	55,082	-	-	55,082	42,825	-	-	42,825
Donated facilities, materials and services	96,408	-	-	96,408	100,635	-	-	100,635
Investment income	45,044	5,541	-	50,585	78,856	12,258	-	91,114
Net assets released from restriction	14,590	(14,590)	-	-	8,538	(8,538)	-	-
Net assets transferred to endowment fund	-	(50,000)	50,000	-	-	-	-	-
Total revenues and other support	852,064	2,302	50,000	904,366	859,237	37,555	-	896,792
<b>Expenses:</b>								
Program services:								
Scholarship program	327,848	-	-	327,848	281,797	-	-	281,797
Education	393,649	-	-	393,649	292,656	-	-	292,656
Total program services expenses	721,497	-	-	721,497	574,453	-	-	574,453
Development and fundraising	76,682	-	-	76,682	110,562	-	-	110,562
Management and general administrative	38,960	-	-	38,960	53,195	-	-	53,195
Total expenses	837,139	-	-	837,139	738,210	-	-	738,210
Increase (decrease) in net assets	14,925	2,302	50,000	67,227	121,027	37,555	-	158,582
Net asset adjustments	-	-	-	-	4,218	(4,218)	-	-
Net assets at beginning of year	271,311	111,451	904,000	1,286,762	146,066	78,114	904,000	1,128,180
Net assets at end of year	\$ 286,236	\$ 113,753	\$ 954,000	\$ 1,353,989	\$ 271,311	\$ 111,451	\$ 904,000	\$ 1,286,762

The accompanying notes are an integral part of these financial statements.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2014 and 2013**

	2014	2013
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 67,227	\$ 158,582
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	3,303	2,770
Loss (gain) on investment securities	19,903	(40,516)
Changes in operating assets and liabilities:		
Pledges receivable	3,905	3,115
Amounts due to related parties	(952)	4,078
Inventory	1,492	2,781
Scholarships payable	500	(5,220)
Accrued expenses and other liabilities	5,579	4,165
Pledges payable	1,750	(13,500)
Cash provided by operating activities	102,707	116,255
<b>Cash flows from investing activities:</b>		
Purchases of equipment	(1,376)	(1,859)
Purchases of investments	(91,443)	(75,317)
Proceeds from redemption and sale of investments	3,409	200,000
Payments for assets restricted for endowment	(65,135)	(185,817)
Cash used in investing activities	(154,545)	(62,993)
Net increase (decrease) in cash flows	(51,838)	53,262
Cash and cash equivalents at beginning of year	151,688	98,426
Cash and cash equivalents at end of year	\$ 99,850	\$ 151,688
Supplemental data - cash paid for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 1 - Nature of Operations and Summary of Significant Accounting Principles**

*Organization*

First Command Educational Foundation (the "Foundation") is a 501(c)(3) public charity that provides grant support for charitable, religious, scientific, literary or educational purposes and conducts financial educational programs. The major programs of the Foundation are as follows:

*Scholarship Program* - provides scholarships for those military and civilian individuals pursuing undergraduate and graduate degrees as well as trade programs and professional certification.

*Education* - provides financial education courses and classroom instruction to individuals, businesses, and community organizations.

*Basis of Accounting and Presentation*

The financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Net assets, revenues and other support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted net assets* - net assets not subject to donor-imposed stipulation. Unrestricted net assets subject to voluntary resolution of the Board of Directors are reported as board designated.

*Temporarily restricted net assets* - net assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation and/or the passage of time.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be retained permanently with all or part of the income earned on related investments available for general or specific purposes.

Revenues and other support are reported as increases in unrestricted net assets unless use of the related amount is limited by donor-imposed and/or time restrictions. Support and revenues that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is recognized. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporarily restricted net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Foundation to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the year. Actual results could differ from those estimates.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 1 - Nature of Operations and Summary of Significant Accounting Principles (Continued)**

*Tax Exempt Status*

The Foundation is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Prior to January 1, 2006, the Foundation was classified as a private foundation as defined in Section 509(a) of the Internal Revenue Code. Effective January 1, 2006, the Foundation voluntarily terminated its private foundation status and is now classified as a public charity as defined in Section 509(a)(1) of the Internal Revenue Code. The Foundation is subject to applicable and Federal unrelated business income tax and federal excise tax.

Because the Foundation is exempt from Federal income taxes, no provision has been made for Federal income tax. The Foundation recognizes interest accrued related to unrecognized tax benefits and penalties in management and general administrative expenses, if any. For 2014 and 2013, there were no interest or penalty expenses. The Foundation is not under examination for tax purposes by any jurisdiction. Open tax years include 2011 forward.

*Cash Equivalents*

The Foundation considers all interest-bearing deposits and short-term investments purchased with maturities of three months or less to be cash equivalents. As of December 31, 2014 and 2013, there were no amounts held in excess of FDIC limits. Amounts related to endowments funds are held in separate accounts as required.

*Pledges Receivable*

Unconditional promises to give are recognized as support in the period in which the promise is made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. There are no pledges receivable as of December 31, 2014. Because all significant receivable balances are due within one year, no present value discount has been applied to the balances for 2013.

*Property and Equipment*

Property and equipment is stated at cost less accumulated depreciation. Donated assets are recorded at their estimated fair value on the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, generally five years. The Foundation capitalized all assets with cost greater than \$1,000 and estimated useful life greater than one year. In 2014 and 2013, all property and equipment was classified as computer equipment. For the years ended December 31, 2014 and 2013, depreciation expense was \$3,303 and \$2,770 respectively, and accumulated depreciation was \$20,852 and \$17,549, respectively.

*Inventories*

Inventories are comprised of educational materials stated at the lower of cost or market determined by the first-in first-out method.



FIRST COMMAND EDUCATIONAL FOUNDATION  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2014 and 2013

**NOTE 1 - Nature of Operations and Summary of Significant Accounting Principles (Continued)**

*Assets Restricted for Endowment*

Assets restricted for endowment consist of investments and cash and cash equivalents both temporarily and permanently restricted by donors. The related investments are stated at fair value using quoted market prices when available. If quoted market prices are not available, estimated fair values are determined based on quoted market prices of similar financial instruments. Realized and unrealized gains and losses are reflected in the statement of activities as investment income or loss.

*Scholarship and Pledges Payable*

Scholarships and pledges payable are recorded as a liability and scholarship program expense when a commitment is approved by the Chief Executive Officer.

*Donated Facilities, Materials and Services*

Donated facilities, materials and services are recognized as contributions in accordance with ASC topic *Accounting for Contributions Received and Contributions Made* if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. During 2014 and 2013, the Foundation received the use of facilities, materials and services that met these criteria for recognition for the general operation of the Foundation.

*Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Fair Value of Financial Instruments*

The carrying value of pledges receivable, amounts due from First Command Financial Services, Inc., and all liabilities approximate fair value principally because of the short maturity of those items. Estimated fair values of the assets restricted for endowment also approximate their carrying amounts as further described in Note 4.

*Concentration of Credit Risk*

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments, pledges receivable, and contributions. The Foundation places its cash with quality financial institutions; however, amounts occasionally exceed federally insured limits. Investments included in assets restricted for endowment are held by third parties and are subject to market risk. As of December 31, 2014 and 2013, there were no concentrations of credit risk related to pledges receivable. Contributions from two related party donors comprise approximately 62% and 57% of total contributions for 2014 and 2013, respectively.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 2 - Investments**

Investments, included as assets restricted for endowment and board reserved investments, at market value as of December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Government securities	\$ 157,732	\$ 123,329
Mutual funds and other securities	1,087,486	900,601
Total investments	1,245,218	1,023,930
Cash included in assets restricted for endowment	39,816	127,838
	\$ 1,285,034	\$ 1,151,768

The following summarizes the investment return for the years ended December 31, 2014 and 2013:

	2014	2013
Interest, dividends and realized gains	\$ 70,488	\$ 50,598
Unrealized gain (loss) on investments	(19,903)	40,516
Total investment return	\$ 50,585	\$ 91,114

**NOTE 3 - Donor Designated Endowment**

The Foundation's endowment consists of individual funds established by donor-restricted contributions for the purpose of generating future scholarship funding. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Texas Prudent Management of Institutional Funds Act (TPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowments and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation. Net unrealized gains and losses on endowment-related investments are classified as unrestricted net assets.

During the past several years, contributions were collected and recorded as temporarily restricted for the purposes of accumulating funds to establish a permanently restricted endowment funds. In 2014, the funds were accumulated and the amount of the endowment was transferred from the temporarily restricted to the permanently restricted net assets as shown in the Statement of Activities.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2014 and 2013

**NOTE 3 - Donor Designated Endowment (Continued)**

*Investment Return Objectives, Risk Parameters and Strategies*

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding for scholarships supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which meets the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions for scholarship. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy*

Because actual investment returns in any given year vary, the Foundation reviews investment return throughout the year in conjunction with authorizing distributions to ensure the distributions do not liquidate the underlying endowment assets. In general, the Foundation distributes all earnings on the endowment assets, relying on additional donations to grow the principal investment assets.

Endowment asset composition by type of fund as of December 31, 2014 and 2013 is as follows:

	2014		2013		
	Unrestricted	Temporary Restricted	Unrestricted	Temporary Restricted	Permanently Restricted
	\$ 59,259	\$ 113,753	\$ 63,029	\$ 111,451	\$ 904,000

Changes in endowment assets as of December 31, 2014 are as follows:

	Unrestricted	Temporary Restricted	Permanently Restricted	Total Endowment Assets
Endowment assets, beginning of year	\$ 63,029	\$ 111,451	\$ 904,000	\$ 1,078,480
Reclassification	-	(50,000)	50,000	-
Contributions	-	61,351	-	61,351
Amounts appropriated	(46,034)	(14,590)	-	(60,624)
Net unrealized gains (losses)	4,067	(20,670)	-	(16,603)
Other investment income	38,197	26,211	-	64,408
Endowment assets, end of year	<u>\$ 59,259</u>	<u>\$ 113,753</u>	<u>\$ 954,000</u>	<u>\$ 1,127,012</u>

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 3 - Donor Designated Endowment (Continued)**

Changes in endowment assets as of December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Assets</u>
Endowment assets, beginning of year	\$ 68,004	\$ 78,114	\$ 904,000	\$ 1,050,118
Prior period adjustment	(83,831)	(4,218)	-	(88,049)
Contributions	-	33,835	-	33,835
Amounts appropriated	-	(8,538)	-	(8,538)
Net unrealized gains	34,831	5,685	-	40,516
Other investment income	44,025	6,573	-	50,598
Endowment assets, end of year	<u>\$ 63,029</u>	<u>\$ 111,451</u>	<u>\$ 904,000</u>	<u>\$ 1,078,480</u>

**NOTE 4 - Fair Value Measurements**

FASB ASC topic *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2014 and 2013

**NOTE 4 - Fair Value Measurements (Continued)**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

*Government securities, mutual funds and other securities:* The fair values of government securities, mutual funds and other securities are based on quoted market price and are classified in level 1 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2014 and 2013:

	<b>Assets as Fair Value as of December 31, 2014</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government securities	\$ 157,732	\$ -	\$ -	\$ 157,732
Mutual funds and other securities	1,087,486	-	-	1,087,486
	<b>\$ 1,245,218</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,245,218</b>

	<b>Assets as Fair Value as of December 31, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Government securities	\$ 123,329	\$ -	\$ -	\$ 123,329
Mutual funds and other securities	900,601	-	-	900,601
	<b>\$ 1,023,930</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,023,930</b>

**NOTE 5 - Pledges Receivable**

As of December 31, 2014 there are no amounts recorded as pledges receivable. As of December 31, 2013, no allowance has been recorded for pledges receivable as all pledges were considered to be collectible within one year. Pledges are determined to be uncollectable when, based on management's judgment, circumstances indicate that pledges receivable will not be collected.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 6 - Pledges Payable**

Pledges payable consist of amounts pledged to other organizations, generally to be used by those organizations to provide scholarships. These obligations are expected to be paid out as follows:

Amounts to be paid in:		
2015	\$	4,750
	\$	4,750

**NOTE 7 - Temporarily Restricted Net Assets**

Temporarily restricted net assets are comprised of the following at December 31, 2014 and 2013:

	2014	2013
Lt. Jay Smith	\$ 43,499	\$ 38,592
Dallas Lower Scholarships	15,516	11,952
Konecny	20,607	19,866
NTAGGL	2,419	41,041
Oaksmith	31,712	-
	\$ 113,753	\$ 111,451

**NOTE 8 - Permanently Restricted Net Assets**

Permanently restricted net assets include principal amounts of contributions restricted by donor stipulations to investment and reinvestment in perpetuity, income of which is restricted by donor stipulations to be used for scholarships.

**NOTE 9 - Advertising Costs**

The Foundation uses advertising to promote its programs. Advertising costs are expensed as incurred. There were no advertising expense for the year ended December 31, 2014. Advertising expense for the year ended December 31, 2013 was \$150.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 10 - Donated Use of Facilities and Services**

The value of donated use of facilities and services included as contributions in the financial statements and corresponding expenses are as follows at December 31, 2014 and 2013:

	2014	2013
Use of office space, furniture and equipment	\$ 36,813	\$ 39,220
Donated materials in support of special events	41,307	42,582
Donated general account services	17,389	17,990
Donated retirement plan administration services	899	843
	\$ 96,408	\$ 100,635

**NOTE 11 - Related Party Transactions**

The Foundation receives the donated value of facilities and services (see Note 10) from a related organization, First Command Financial Services, Inc. (FCFS). The Foundation reimburses FCFS for personnel expenses and other expenses paid on behalf of the Foundation. FCFS collects certain commissions on behalf of the Foundation. As of December 31, 2014 and 2013, the Foundation had a receivable from FCFS of \$8,674 and \$7,722, respectively.

**NOTE 12 - Employee Retirement Plans**

The Foundation has a 401(k) and profit sharing plan with a four year vesting schedule. The plan is available to all employees. Employees are immediately covered by a 3% safe harbor match and may begin elective deferrals provided the employee is over 18 years of age. After one year of service, employees are eligible to receive matching contributions from the Foundation. In addition, the Foundation may contribute a percentage of total salaries to employees under the profit sharing plan. For 2014 and 2013, the Foundation has accrued approximately \$27,000 and \$26,000, respectively, to be contributed to the Plan.

**NOTE 13 - Litigation**

The Foundation is not involved in any lawsuits in the ordinary course of business and there are no actions pending which will have a material adverse impact on the financial condition of the Foundation.

**FIRST COMMAND EDUCATIONAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**NOTE 14 - Commitments and Contingencies**

The Foundation entered into agreements during 2009 for equipment rental and website related services. Expense incurred under these agreements was approximately \$36,000 and \$36,700 for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, the terms of all lease agreements entered into by the Foundation had been completed and there were no future minimum lease payments required.

**NOTE 15 - Subsequent Events**

There were no subsequent events identified by management as of the issuance date of these financial statements.