

**Congressional Medal of Honor Society
of the United States of America**

Report on Financial Statements

For the years ended December 31, 2021 and 2020

Congressional Medal of Honor Society of the United States of America

Contents

	<u>Page</u>
Independent Auditor’s Report	1-2
Financial Statements	
Statements of Financial Position.....	3
Statement of Activities for the year ended December 31, 2021	4
Statement of Activities for the year ended December 31, 2020	5
Statement of Functional Expenses for the year ended December 31, 2021	6
Statement of Functional Expenses for the year ended December 31, 2020	7
Statements of Cash Flows	8
Notes to Financial Statements	9-20

Independent Auditor's Report

The Board of Directors
Congressional Medal of Honor Society
of the United States of America
Mount Pleasant, South Carolina

Opinion

We have audited the accompanying financial statements of the Congressional Medal of Honor Society of the United States of America (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 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 Organization's ability to continue as a going concern within one year after the date that the 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 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 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 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 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Elliott Davis, LLC

Charleston, South Carolina
July 21, 2022

Congressional Medal of Honor Society of the United States of America

Statements of Financial Position

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 2,131,489	\$ 1,366,074
Promises to give receivable, net	25,000	48,429
Contributions receivable	17,918	966,926
Prepaid expenses	80,845	173,571
Investments	2,785,366	2,854,708
Property and equipment, net	244,208	47,592
Intangible assets, net	83,761	117,628
Total assets	<u>\$ 5,368,587</u>	<u>\$ 5,574,928</u>
Liabilities and Net Assets		
Refundable advance	\$ -	\$ 149,200
Accounts payable	58,315	1,583
Accrued expenses	56,478	33,499
Capital lease obligation	9,529	15,099
Total liabilities	<u>124,322</u>	<u>199,381</u>
Net assets		
Without donor restrictions	3,897,025	4,586,551
With donor restrictions	1,347,240	788,996
Total net assets	<u>5,244,265</u>	<u>5,375,547</u>
Total liabilities and net assets	<u>\$ 5,368,587</u>	<u>\$ 5,574,928</u>

See Notes to Financial Statements

Congressional Medal of Honor Society of the United States of America

Statement of Activities

For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contribution and grant revenue	\$ 1,458,932	\$ 1,129,132	\$ 2,588,064
Contributions - Patriots Point Development Authority	42,274	-	42,274
In-kind contributions	12,716	-	12,716
Event income	18,500	-	18,500
Forgiveness of refundable advance	299,445	-	299,445
Interest income	15,352	-	15,352
Unrealized loss on investments	(9,624)	-	(9,624)
Total support and revenue	<u>1,837,595</u>	<u>1,129,132</u>	<u>2,966,727</u>
Net assets released from restrictions	<u>570,888</u>	<u>(570,888)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>2,408,483</u>	<u>558,244</u>	<u>2,966,727</u>
Expenses			
Program services			
Member services	1,614,987	-	1,614,987
Educational assistance	207,360	-	207,360
CDP	653,650	-	653,650
Healthcare	152,420	-	152,420
Total program services	<u>2,628,417</u>	<u>-</u>	<u>2,628,417</u>
Management and general	457,905	-	457,905
Fundraising	11,687	-	11,687
Total expenses	<u>3,098,009</u>	<u>-</u>	<u>3,098,009</u>
Change in net assets	(689,526)	558,244	(131,282)
Net assets, beginning of year	<u>4,586,551</u>	<u>788,996</u>	<u>5,375,547</u>
Net assets, end of year	<u>\$ 3,897,025</u>	<u>\$ 1,347,240</u>	<u>\$ 5,244,265</u>

See Notes to Financial Statements

Congressional Medal of Honor Society of the United States of America

Statement of Activities

For the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contribution and grant revenue	\$ 1,834,937	\$ 596,481	\$ 2,431,418
Contributions - Patriots Point Development Authority	42,547	-	42,547
In-kind contributions	246,621	-	246,621
Event income	170,000	-	170,000
Interest income	34,859	-	34,859
Unrealized loss on investments	(4,726)	-	(4,726)
Total support and revenue	<u>2,324,238</u>	<u>596,481</u>	<u>2,920,719</u>
Net assets released from restrictions	<u>543,607</u>	<u>(543,607)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>2,867,845</u>	<u>52,874</u>	<u>2,920,719</u>
Expenses			
Program services			
Member services	1,190,289	-	1,190,289
Educational assistance	25,000	-	25,000
CDP	732,040	-	732,040
Healthcare	101,045	-	101,045
Total program services	<u>2,048,374</u>	<u>-</u>	<u>2,048,374</u>
Management and general	346,744	-	346,744
Fundraising	62,105	-	62,105
Total expenses	<u>2,457,223</u>	<u>-</u>	<u>2,457,223</u>
Change in net assets	410,622	52,874	463,496
Net assets, beginning of year	<u>4,175,929</u>	<u>736,122</u>	<u>4,912,051</u>
Net assets, end of year	<u>\$ 4,586,551</u>	<u>\$ 788,996</u>	<u>\$ 5,375,547</u>

See Notes to Financial Statements

Congressional Medal of Honor Society of the United States of America

Statement of Functional Expenses

For the year ended December 31, 2021

	Program Services					Management and General	Fundraising	Total
	Member Services	Educational Assistance	CDP	Healthcare	Total Program			
Compensation and related expenses								
Salaries	\$ 322,398	\$ 22,431	\$ 351,945	\$ 124,446	\$ 821,220	\$ 122,604	\$ 9,542	\$ 953,366
Employee benefits	47,613	3,366	52,818	18,676	122,473	18,400	1,432	142,305
Payroll taxes	23,704	1,676	26,295	9,298	60,973	9,160	713	70,846
Total compensation and related expenses	393,715	27,473	431,058	152,420	1,004,666	150,164	11,687	1,166,517
Other expenses								
Events	631,809	-	-	-	631,809	-	-	631,809
Professional services	-	62,666	57,648	-	120,314	275,860	-	396,174
Travel - program	229,560	-	-	-	229,560	-	-	229,560
Trainings	-	-	161,968	-	161,968	-	-	161,968
Program expenses	59,045	97,221	2,976	-	159,242	-	-	159,242
Coins and books	110,008	-	-	-	110,008	-	-	110,008
Depreciation and amortization	44,294	-	-	-	44,294	14,765	-	59,059
Miscellaneous	54,427	-	-	-	54,427	-	-	54,427
Awards	24,374	-	-	-	24,374	-	-	24,374
Telephone and internet	21,628	-	-	-	21,628	1,138	-	22,766
Scholarships	-	20,000	-	-	20,000	-	-	20,000
Office supplies	7,264	-	-	-	7,264	7,264	-	14,528
Widows stipend	14,067	-	-	-	14,067	-	-	14,067
Postage and shipping	9,301	-	-	-	9,301	2,325	-	11,626
Insurance	9,550	-	-	-	9,550	-	-	9,550
Maintenance	3,443	-	-	-	3,443	3,443	-	6,886
Dues	2,502	-	-	-	2,502	2,501	-	5,003
Bank charges	-	-	-	-	-	445	-	445
Total expenses	\$ 1,614,987	\$ 207,360	\$ 653,650	\$ 152,420	\$ 2,628,417	\$ 457,905	\$ 11,687	\$ 3,098,009

See Notes to Financial Statements

Congressional Medal of Honor Society of the United States of America

Statement of Functional Expenses

For the year ended December 31, 2020

	Program Services				Total Program	Management and General	Fundraising	Total
	Member Services	Educational Assistance	CDP	Healthcare				
Compensation and related expenses								
Salaries	\$ 299,379	\$ -	\$ 307,800	\$ 83,152	\$ 690,331	\$ 104,866	\$ 8,963	\$ 804,160
Employee benefits	42,890	-	44,096	11,913	98,899	15,023	1,284	115,206
Payroll taxes	21,529	-	22,135	5,980	49,644	7,541	645	57,830
Total compensation and related expenses	363,798	-	374,031	101,045	838,874	127,430	10,892	977,196
Other expenses								
Events	366,267	-	-	-	366,267	-	-	366,267
Professional services	23,514	-	57,457	-	80,971	202,424	51,213	334,608
Trainings	-	-	299,411	-	299,411	-	-	299,411
Travel - program	170,335	-	-	-	170,335	-	-	170,335
Coins and books	98,039	-	-	-	98,039	-	-	98,039
Awards	44,448	-	-	-	44,448	-	-	44,448
Program expenses	29,727	-	1,141	-	30,868	-	-	30,868
Depreciation and amortization	21,775	-	-	-	21,775	7,258	-	29,033
Scholarships	-	25,000	-	-	25,000	-	-	25,000
Widows stipend	24,101	-	-	-	24,101	-	-	24,101
Telephone and internet	20,036	-	-	-	20,036	1,055	-	21,091
Insurance	8,421	-	-	-	8,421	-	-	8,421
Miscellaneous	7,444	-	-	-	7,444	-	-	7,444
Postage and shipping	5,460	-	-	-	5,460	1,365	-	6,825
Office supplies	3,212	-	-	-	3,212	3,212	-	6,424
Maintenance	2,634	-	-	-	2,634	2,634	-	5,268
Dues	1,078	-	-	-	1,078	1,078	-	2,156
Bank charges	-	-	-	-	-	288	-	288
Total expenses	\$ 1,190,289	\$ 25,000	\$ 732,040	\$ 101,045	\$ 2,048,374	\$ 346,744	\$ 62,105	\$ 2,457,223

See Notes to Financial Statements

Congressional Medal of Honor Society of the United States of America

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating activities		
Change in net assets	\$ (131,282)	\$ 463,496
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	59,059	29,033
Unrealized loss on investments	9,624	4,726
Change in discount - promises to give receivable	(1,571)	1,571
Forgiveness of refundable advance	(299,445)	-
Changes in operating assets and liabilities:		
Promises to give receivable	25,000	(50,000)
Contributions receivable	949,008	(737,761)
Grants receivable	-	-
Prepaid expenses	92,726	(154,916)
Accounts payable	56,732	(23,036)
Accrued expenses	22,979	18,278
Net cash provided by (used for) operating activities	<u>782,830</u>	<u>(448,609)</u>
Investing activities		
Purchases of intangible assets	(12,000)	(96,480)
Purchases of property and equipment	(209,808)	(22,426)
Purchases of investments	(15,282)	(120,744)
Proceeds from sales of investments	75,000	25,000
Net cash used for investing activities	<u>(162,090)</u>	<u>(214,650)</u>
Financing activities		
Proceeds from refundable advance	150,245	149,200
Principal payments on capital lease	(5,570)	(5,246)
Net cash provided by financing activities	<u>144,675</u>	<u>143,954</u>
Net increase (decrease) in cash and cash equivalents	765,415	(519,305)
Cash and cash equivalents, beginning of year	1,366,074	1,885,379
Cash and cash equivalents, end of year	<u>\$ 2,131,489</u>	<u>\$ 1,366,074</u>
Supplemental cash flow information		
Cash paid for		
Interest	<u>\$ 754</u>	<u>\$ 1,078</u>

See Notes to Financial Statements

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies

Nature of activities:

The Congressional Medal of Honor Society of the United States of America (the "Organization") is a nonprofit organization chartered by the United States Congress under Public Law 85-462 dated August 14, 1958. The members are recipients of the Medal of Honor who have accepted an invitation to join. A board of directors elected from the membership governs the Organization. The purposes of the Organization are to form a bond of friendship and comradeship among all holders of the Medal of Honor; to protect, uphold and preserve the dignity and honor of the Medal; to protect the name of the Medal of Honor and individual recipients from exploitation; to provide appropriate aid to all persons to whom the Medal has been awarded, their widows or their children, as well as to meet the needs of veterans, their widows, and children; to foster patriotism; to inspire and stimulate youth to become worthy citizens; and to award scholarship assistance to deserving children. The Organization also assists living recipients with travel to various Medal of Honor events held during the year. The Organization serves as the central point of contact for its members. It acts as liaison for Organization members with Federal and State agencies as well as veteran groups and individuals seeking information and contact with the members. In addition, the Organization maintains a museum honoring Medal of Honor recipients that was established by Congress in 1999 under Public Law 106-83 and is located on the hangar deck of the USS Yorktown at Patriots Point Naval and Maritime Museum in Mt. Pleasant, South Carolina. The Organization's national office is housed in the museum facility.

The Organization also operates several programs including the Character Development Program ("CDP") and the LiveUp Program.

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Net assets:

The Organization's net assets are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has no net assets with donor restrictions to be maintained in perpetuity as of December 31, 2021 or 2020.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Revenue recognition:

Contributions: Contributions received are recorded when received as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions, as long as there is no performance requirement attached to the contribution. In the instance where there is a performance obligation attached to the contribution, the portion that is attached to a performance requirement is recorded as deferred revenue until it is earned when the performance requirement is met, while the portion that is considered to be a contribution is recorded as revenue when received or unconditionally pledged. When a 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.

Grants: Grants are earned and recorded as revenue when the grant funds are received or unconditionally pledged, if there is no performance requirement in the grant agreement. At that time, any grantor restrictions are considered when recording the revenue. For any grant agreements that include performance obligations, the Organization determines when the performance obligations will be met (i.e., at a certain point in time or over time). Revenue is recognized accordingly when the related performance obligation is met. Grant funds with a performance requirement which are received in advance are recorded as deferred revenue and are recognized as revenue when performance requirements are met.

Events: Event revenue is recorded and recognized on the day of the event. While some benefit is received by attendees, it is considered immaterial relative to the amount paid. Any payment received before the event (tickets and sponsorship) is recorded as deferred revenue and released at a point in time, when the event occurs.

Contributions receivable, including promises to give receivable:

Contributions and promises to give receivable are recognized as revenue when they are unconditionally pledged or awarded. Contributions and promises to give receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization provides for an allowance for uncollectible contributions based on management's estimate of the collectability of the receivables. No allowance has been recorded at December 31, 2021 or 2020, as management believes all receivables are fully collectible. No discount has been recorded as of December 31, 2021. A discount of \$1,571 has been recorded as of December 31, 2020.

Cash and cash equivalents:

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Availability of funds for general expenditures:

The Organization has certain net assets that are available for general expenditures within one year of December 31, 2021 and 2020 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (see Note 2). For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to ongoing activities of the Character Development Program, member services program, healthcare program, and educational assistance program, as well as the conduct of services undertaken to support these activities, to be general expenditures. The Organization has certain donor-restricted net assets that are available for general expenditures within the next year because the restrictions on the net assets are expected to be met by conducting normal program activities.

Fair value of financial instruments:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. generally accepted accounting principles ("US GAAP") establishes a fair value hierarchy, which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The Organization's assets are classified within Levels 1 and 2 of the fair value hierarchy.

Investments:

Investments in fixed income securities are stated at their fair values in the Statements of Financial Position. Cash held in the investment accounts to be invested in the short term is also included in investments in the Statements of Financial Position.

Property and equipment:

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 10 years, once assets are placed in service.

Intangible assets:

The Organization's intangible assets consist of website development costs. Amortization is computed using the straight-line method based on the assets' estimated useful lives of three years and is included in depreciation and amortization expense on the Statements of Functional Expenses.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Museum collections:

The Organization's museum collection consists of items that serve as the memorabilia and research center for the Medal of Honor, its Recipients, and the Congressional Medal of Honor Society, which are held for public exhibition, education, or research. The collection includes a premiere database of all Medal of Honor Recipients and their citations, reference files on all 3,500-plus Medal of Honor Recipients, photographs of Recipients and medals of honor (both modern and historical), oral histories and interviews, subject files, research papers, research library, artifacts, statistical analysis of Recipients and the Medal of Honor Society, and the history of the Congressional Medal of Honor Society. The Organization's collections management policy includes guidance on the preservation, care, and maintenance of the collections and procedures relating to the accession/deaccession of collection items.

The Organization follows the Financial Accounting Standards Board's ("FASB") *Accounting for Contributions Received and Contributions Made*. Under this guidance, collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets in the period of acquisition. Contributions of collection items are not recognized in the Statements of Activities. Proceeds from deaccessions or insurance recoveries are reflected in the Statements of Activities based on the absence or existence and nature of donor-imposed restrictions and are designated for future collection acquisitions. There were no purchases or sales of museum collection items during the years ended December 31, 2021 or 2020.

Income tax status:

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction and has been classified as an organization other than a private foundation.

US GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. US GAAP also provides guidance on derecognition of tax benefits, classification on the statement of financial position, interest and penalties, accounting in interim periods, and disclosure.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance for the years ended December 31, 2021 or 2020.

Donated services:

Donated services are recognized as contributions in accordance with *Accounting for Contributions Received and Contributions Made*, 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. Volunteers also provide services that are not recognized as contributions because the recognition criteria were not met.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense allocation:

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

Expenses of the Organization include:

Program expenses - Program expenses include the costs of providing member services, educational assistance, the CDP, and healthcare programs.

Management and general expenses - Management and general expenses include the general and administrative costs of the Organization.

Fundraising expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors and grantors.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits	Based on payroll allocation
Payroll taxes	Based on payroll allocation
Professional services	Direct costs to programs; remaining to management/general
Program expenses	Direct costs to programs; remaining to management/general
Depreciation and amortization	Based on utilization of assets
Telephone and internet	Based on estimate of utilization
Printing	Based on estimate of utilization
Office supplies	Based on estimate of utilization
Postage and shipping	Based on estimate of utilization
Maintenance	Based on estimate of utilization
Dues	Based on estimate of utilization
Equipment rental	Based on estimate of utilization
Interest on capital lease	Based on utilization of assets

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 1. Summary of Significant Accounting Policies, Continued

New accounting pronouncements:

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is effective for fiscal years ending December 31, 2022 and after. The ASU establishes a dual approach for classifying leases as either financing or operating leases and requires recognition of a right-of-use asset and lease liability on the Statements of Financial Position for both types of leases. This distinction will be relevant for the pattern of expense recognition in the Statements of Activities. The Organization is currently assessing the impact of adoption of this new guidance on existing leases in the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. This standard addresses the presentation and disclosures of these types of contributions and is intended to increase transparency around contributed nonfinancial assets (“gifts in kind”) received by not-for-profit organizations, including transparency on how these assets are used. The Organization is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization’s net assets or changes in net assets.

Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 21, 2022, the date the financial statements were available to be issued.

Note 2. Availability and Liquidity

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statements of Financial Position date, are comprised of the following at December 31:

	<u>2021</u>	<u>2020</u>
Assets at year end	\$ 5,368,587	\$ 5,574,928
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	(80,845)	(173,571)
Investments maturing in excess of one year	-	(118,332)
Property and equipment, net	(244,208)	(47,592)
Intangible assets, net	(83,761)	(117,628)
Promises to give receivable due after one year	-	(25,000)
Assets available to meet cash needs for general expenditures within one year	<u>\$ 4,959,773</u>	<u>\$ 5,092,805</u>

As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 3. Investments

Investments were comprised of the following as of December 31:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash and cash alternatives	\$ 2,710,011	\$ 2,710,011	\$ 2,279,240	\$ 2,279,240
Fixed income:				
Corporate bonds	75,000	75,355	415,000	422,276
Certificates of deposit	-	-	150,000	153,192
Total investments	<u>\$ 2,785,011</u>	<u>\$ 2,785,366</u>	<u>\$ 2,844,240</u>	<u>\$ 2,854,708</u>

Note 4. Fair Value of Financial Instruments

US GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. US GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs an analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

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 Organization 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.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 4. Fair Value of Financial Instruments, Continued

The following is a description of the valuation methodologies used for instruments measured at fair value:

Cash and cash alternatives: Valued at cost, which approximates fair value.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Certificates of deposit: Valued using the rates currently offered for deposits of similar remaining maturities.

There were no assets or liabilities measured on a non-recurring basis at December 31, 2021 or 2020.

The table below presents information about the Organization's assets measured at fair value as of December 31:

	2021			
	(Level 1)	(Level 2)	(Level 3)	Fair Value
Cash and cash alternatives	\$ 2,710,011	\$ -	\$ -	\$ 2,710,011
Fixed income:				
Corporate bonds	-	75,355	-	75,355
Certificates of deposit	-	-	-	-
	<u>\$ 2,710,011</u>	<u>\$ 75,355</u>	<u>\$ -</u>	<u>\$ 2,785,366</u>
2020				
	(Level 1)	(Level 2)	(Level 3)	Fair Value
Cash and cash alternatives	\$ 2,279,240	\$ -	\$ -	\$ 2,279,240
Fixed income:				
Corporate bonds	-	422,276	-	422,276
Certificates of deposit	-	153,192	-	153,192
	<u>\$ 2,279,240</u>	<u>\$ 575,468</u>	<u>\$ -</u>	<u>\$ 2,854,708</u>

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 5. Concentrations

Concentrations of credit risk arising from cash deposits and investments in excess of insured limits:

At December 31, 2021 and 2020, the Organization's cash consisted solely of cash on hand and on deposit, and the Organization had no cash equivalents. The Organization maintains its cash deposits in a high-quality financial institution. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

At December 31, 2021 and 2020, the Organization maintains its investments, including cash in its investment portfolio, in one financial institution. The Securities Investor Protection Corporation ("SIPC") insures brokerage accounts at this institution up to \$500,000 with a maximum of \$250,000 allowed for cash claims. The institution also purchased excess SIPC coverage through various syndicates of a London-based firm. The additional protection has an aggregate firm limit of \$750 million, including a sub-limit of \$1.9 million per customer for cash above basic SIPC for the wrongful abstraction of customer funds.

Concentrations of revenue:

The Organization's revenue is primarily provided by contributions and grants. During the year ended December 31, 2021, the Organization derived approximately 73% of its revenue from one major contributor, a related party (see Note 14). For the year ended December 31, 2020, the Organization derived approximately 90% of its revenue from one major contributor, the same related party as in 2021.

Note 6. Property and Equipment, Net

Property and equipment, net included the following at December 31:

	<u>2021</u>	<u>2020</u>
Museum furnishings	\$ 117,461	\$ 127,775
Furniture and fixtures	22,008	22,008
Museum renovations	1,066,148	849,621
Office and computer equipment	<u>72,219</u>	<u>68,623</u>
	1,277,836	1,068,027
Less: accumulated depreciation	<u>(1,033,628)</u>	<u>(1,020,435)</u>
	<u>\$ 244,208</u>	<u>\$ 47,592</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$13,192 and \$10,061, respectively. There was no construction in progress as of December 31, 2021. As of December 31, 2020, construction in progress of \$10,314 was included in museum furnishings as costs are associated with museum kiosks.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 7. Intangible Assets, Net

Intangible assets, net consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Website development	\$ 148,600	\$ 136,600
Less accumulated amortization	<u>(64,839)</u>	<u>(18,972)</u>
	<u>\$ 83,761</u>	<u>\$ 117,628</u>

Amortization expense for the years ended December 31, 2021 and 2020 was \$45,867 and \$18,972, respectively.

Note 8. Refundable Advance

In April 2020, the Organization applied for a Paycheck Protection Program Loan (“PPP loan”) that is administered by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The Organization applied for and has been notified that the full amount of the loan has been forgiven because the funds were used for eligible expenditures for payroll and other expenses described in the CARES Act. In May 2021, the Organization received notification from its lender and the SBA regarding the 100% forgiveness of its full PPP loan in the amount of \$149,200. Amounts forgiven, which include interest, are reflected in forgiveness of refundable advance in the accompanying 2021 Statement of Activities.

In March 2021, the Organization applied for a second Paycheck Protection Program loan (“PPP loan”) of \$146,000. On March 29, 2021, the PPP loan was approved, and the Organization received the PPP loan proceeds. The second PPP loan bore interest of 1.0% per annum, with monthly principal and interest payment to commence after the initial ten months deferral period. In November 2021, the Organization received notification from its lender and the SBA regarding the 100% forgiveness of its full PPP loan in the amount of \$146,000, as well as interest. Amounts forgiven of \$150,245, which include interest, of are reflected in forgiveness of refundable advance in the accompanying 2021 Statement of Activities.

Note 9. Capital Lease Obligation

During August 2018, the Organization entered into a capital lease agreement for a copier for \$9,120. The lease is discounted at a rate of 6.00 percent with monthly payments of \$527 and will terminate in July 2023. The present value of net minimum lease payments is reflected in the Statements of Financial Position at December 31, 2021 and 2020 as \$9,529 and \$15,099, respectively. As of December 31, 2021 and 2020, the cost of the asset under the lease was \$27,328, with accumulated depreciation of \$18,674 and \$13,209, respectively.

Future minimum lease payments under the capital lease consist of the following for years ending December 31:

2022	\$ 6,324
2023	<u>3,689</u>
Total minimum payments	10,013
Less: amount representing Interest	<u>(484)</u>
Present value of minimum lease payments	<u>\$ 9,529</u>

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 9. Capital Lease Obligation, Continued

Amortization, included in depreciation expense, for the capital assets was \$5,465 for each of the years ended December 31, 2021 and 2020.

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Museum maintenance	\$ 396,255	\$ 398,670
Educational assistance	237,596	257,596
CDP	618,638	112,868
Archivist grant	<u>94,751</u>	<u>19,862</u>
	<u>\$ 1,347,240</u>	<u>\$ 788,996</u>

During the years ended December 31, the Organization had releases of restrictions for the following purposes:

	<u>2021</u>	<u>2020</u>
Museum maintenance	\$ 2,415	\$ 21,831
Educational assistance	20,000	10,000
CDP	443,362	437,758
Archivist grant	<u>105,111</u>	<u>74,018</u>
	<u>\$ 570,888</u>	<u>\$ 543,607</u>

Note 11. Income Agreement

Patriots Point Development Authority, the owner and operator of the Patriots Point Naval and Maritime Museum, has agreed to make an annual contribution to the Organization in lieu of charging separate admission for the Medal of Honor Museum. The total contributions, paid in quarterly installments, were \$42,274 and \$42,547 for the years ended December 31, 2021 and 2020, respectively.

Note 12. 401(k) Plan

The Organization has a 401(k) plan (the "Plan") which became effective on April 17, 2018. In order to be eligible for participation, an employee must be employed with the Organization for three calendar months. The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at three percent of eligible compensation and their contributions invested in a designated fund until changed by the participant. The Organization matches employee contributions up to three percent of the employee's compensation. For any calendar year, the Organization can make profit sharing contributions for which employees are eligible after twelve months of service. Total employer contributions for the years ended December 31, 2021 and 2020 were \$23,207 and \$23,014, respectively.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2021 and 2020

Note 13. In-Kind Contributions

During the years ended December 31, 2021 and 2020, the Organization received in-kind contributions of approximately \$12,716 and \$246,621, respectively, for legal services provided and donated airline miles. Corresponding expenses have been recorded for these contributions in the Statements of Activities.

Note 14. Related Party

The Congressional Medal of Honor Foundation (the "Foundation") was formed for the purpose of supporting the goals and purposes of the Organization. Each year the Organization and Foundation approve the annual budgeted contributions to be made by the Foundation to the Society based on estimated fundraising goals, which are invoiced quarterly. However actual contributions received by the Foundation are based on actual fundraising results of the Foundation for the year. During the year ended December 31, 2021 and 2020, the Foundation contributed \$2,070,792 and \$2,100,096 to the Organization, respectively. The Foundation is one of the leading contributors to the Organization. As of December 31, 2021, no amounts were due to the Organization from the Foundation. As of December 31, 2020, \$949,961 was due to the Organization from the Foundation.

Note 15. Special Events

The Organization held two events during 2021, the Medal of Honor Day and the Citizen Honor Awards. Both events generated \$18,500 in income and incurred \$631,809 in expenses.

The Organization was scheduled to host various events during 2020. Due to COVID-19, the only event that was held was the Reagan Library event, which generated \$170,000 in income. For all events, even events that were cancelled due to COVID-19, a total of \$366,267 in expenses were incurred for the year ended December 31, 2020, which are included in the Statements of Functional Expenses.

Note 16. Subsequent Events

Since November 2020, the Medal of Honor Foundation has been restructuring its development department, engaged in a search for a new Executive Director and recruiting new board of directors. As a result, there has not been any significant development or fundraising operations in 2021 and extending into 2022. CMOHS, through a consultant, has done some minimal development activities. Since the changes in MOHF, several significant corporate donors have lapsed and will need to be reengaged when new leadership and staff are hired.