

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation**
Report on Financial Statements
Years Ended December 31, 2019 and 2018



**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
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Independent Auditor's Report

Board of Directors
Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 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.

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 Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on August 27, 2019.

McCoy Kiddy LLC

Mount Pleasant, South Carolina

September 28, 2020



**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Statements of Financial Position
December 31, 2019 and 2018**

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 205,513	\$ 193,935
Contributions receivable, net	666,722	919,508
Inventory	-	65,002
Coins held for outreach and fundraising	224,674	195,005
Investments	8,886,578	7,769,911
Prepaid expenses	6,383	77,971
Total Current Assets	9,989,870	9,221,332
Noncurrent Assets		
Property and equipment, net	-	7,222
Intangible assets, net	83,000	182,600
Deposits	17,500	-
Other assets	3,779	-
Total Noncurrent Assets	104,279	189,822
Total Assets	\$ 10,094,149	\$ 9,411,154
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 63,520	\$ 483,496
Accounts payable - related party	218,528	237,500
Accrued payroll	10,189	-
Accrued expenses	98,165	-
Total Liabilities	390,402	720,996
Net assets		
Without Donor Restrictions		
Undesignated	182,458	(145,755)
Board designated endowment funds	8,882,483	7,774,040
Total Net Assets Without Donor Restrictions	9,064,941	7,628,285
With Donor Restrictions	638,806	1,061,873
Total Net Assets	9,703,747	8,690,158
Total Liabilities and Net Assets	\$ 10,094,149	\$ 9,411,154

See accompanying notes to financial statements and independent auditor's report.

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Statement of Activities
Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 2,894,022	\$ 1,249,831	\$ 4,143,853
In-kind contributions	138,231	-	138,231
Commemorative coin income	26,884	-	26,884
Medal of Honor book income	11,601	-	11,601
Investment income	1,509,033	-	1,509,033
Loss on disposal of asset	(6,189)	-	(6,189)
Other income	17,685	-	17,685
Assets released from restrictions	1,672,898	(1,672,898)	-
Total Revenue and Support	6,264,165	(423,067)	5,841,098
Expenses			
Program services	3,572,038	-	3,572,038
Management and general	602,741	-	602,741
Fundraising	652,730	-	652,730
Total Expenses	4,827,509	-	4,827,509
Change in Net Assets	1,436,656	(423,067)	1,013,589
Net Assets, Beginning of Year	7,628,285	1,061,873	8,690,158
Net Assets, End of Year	\$ 9,064,941	\$ 638,806	\$ 9,703,747

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Statement of Activities
Year Ended December 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 1,901,721	\$ 432,500	\$ 2,334,221
In-kind contributions	206,342	-	206,342
Commemorative coin income	12,449	-	12,449
Medal of Honor book income	19,205	-	19,205
Investment loss	(726,712)	-	(726,712)
Other income	430	-	430
Assets released from restrictions	1,865,220	(1,865,220)	-
Total Revenue and Support	3,278,655	(1,432,720)	1,845,935
Expenses			
Program services	4,164,970	-	4,164,970
Management and general	999,027	-	999,027
Fundraising	509,515	-	509,515
Total Expenses	5,673,512	-	5,673,512
Change in Net Assets	(2,394,857)	(1,432,720)	(3,827,577)
Net Assets, Beginning of Year	10,023,142	2,494,593	12,517,735
Net Assets, End of Year	\$ 7,628,285	\$ 1,061,873	\$ 8,690,158

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Statement of Functional Expenses
Year Ended December 31, 2019**

	Program	Management and General	Fundraising	Total
Personnel				
Salaries	\$ 522,055	\$ 133,625	\$ 235,846	\$ 891,526
Payroll taxes	36,680	9,396	16,567	62,643
Total Personnel	558,735	143,021	252,413	954,169
Other Functional Expenses				
Contributions to Society	1,524,110	-	-	1,524,110
Educational and fundraising events	1,014,414	-	384,283	1,398,697
Office rent	-	130,913	-	130,913
Character development program	127,226	-	-	127,226
Medal of Honor recipient outreach	102,383	-	-	102,383
Depreciation and amortization	99,600	1,032	-	100,632
Occupancy	-	100,333	-	100,333
Office, computer, website	61,427	38,787	-	100,214
Professional services	9,516	76,128	9,516	95,160
Miscellaneous	18,467	56,566	6,518	81,551
Travel	20,492	20,492	-	40,984
Medal of Honor book	25,245	-	-	25,245
Insurance	-	15,330	-	15,330
Bank and payroll service charges	-	10,086	-	10,086
Bad debt expense	-	10,053	-	10,053
Living history project	9,839	-	-	9,839
Burials and gravesite markers	584	-	-	584
Total Other Functional Expenses	3,013,303	459,720	400,317	3,873,340
Total Functional Expenses	\$ 3,572,038	\$ 602,741	\$ 652,730	\$ 4,827,509

See accompanying notes to financial statements and independent auditor's report.

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Statement of Functional Expenses
Year Ended December 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel				
Salaries	\$ 488,175	\$ 403,838	\$ 199,017	\$ 1,091,030
Payroll taxes	35,151	29,085	14,331	78,567
Total Personnel	<u>523,326</u>	<u>432,923</u>	<u>213,348</u>	<u>1,169,597</u>
Other Functional Expenses				
Character development program	1,144,730	-	-	1,144,730
Educational and fundraising events	838,727	-	268,366	1,107,093
Contributions to Society	950,000	-	-	950,000
Medal of Honor recipient outreach	319,638	-	-	319,638
Bad debt expense	-	335,000	-	335,000
Contributions and scholarships	144,000	-	-	144,000
Depreciation and amortization	99,600	1,547	-	101,147
Office rent	-	78,245	-	78,245
Occupancy	-	10,254	-	10,254
Miscellaneous	9,091	37,904	22,807	69,802
Medal of Honor book	68,595	-	-	68,595
Travel	29,972	29,972	-	59,944
Professional services	4,994	39,950	4,994	49,938
Office, computer, website	17,839	12,334	-	30,173
Insurance	-	13,047	-	13,047
Burials and gravesite markers	8,645	-	-	8,645
Bank and payroll service charges	-	7,851	-	7,851
Living history project	5,813	-	-	5,813
Total Other Functional Expenses	<u>3,641,644</u>	<u>566,104</u>	<u>296,167</u>	<u>4,503,915</u>
Total Functional Expenses	<u>\$ 4,164,970</u>	<u>\$ 999,027</u>	<u>\$ 509,515</u>	<u>\$ 5,673,512</u>

See accompanying notes to financial statements and independent auditor's report.

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Statements of Cash Flows
Years Ended December 31, 2019 and 2018**

	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,013,589	\$ (3,827,577)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	100,632	101,147
Change in discount to present value of contributions receivable	-	(71,983)
Bad debt expense	10,053	335,000
Investment (income) loss	(1,509,033)	944,553
Loss on disposal of asset	6,190	-
Change in:		
Contributions receivable, net	242,733	719,737
Inventory	65,002	4,268
Coins held for outreach and fundraising	(29,669)	12,805
Prepaid expenses	71,588	(55,369)
Deposits	(17,500)	-
Other assets	(3,779)	-
Accounts payable	(419,976)	25,325
Accounts payable - related party	(18,972)	237,500
Accrued payroll	10,189	-
Accrued expenses	98,165	(30,535)
Deferred revenues	-	(25,000)
Net Cash Used In Operating Activities	(380,788)	(1,630,129)
Cash Flows from Investing Activities:		
Proceeds from sale of investments	992,859	2,065,019
Purchase of investments	(600,493)	(872,430)
Net Cash Provided By Investing Activities	392,366	1,192,589
Net Increase (Decrease) in Cash and Cash Equivalents	11,578	(437,540)
Cash and Cash Equivalents, Beginning of Year	193,935	631,475
Cash and Cash Equivalents, Ending of Year	\$ 205,513	\$ 193,935

See accompanying notes to financial statements and independent auditor's report.

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Notes to Financial Statements**

Note A – Summary of Significant Accounting Policies

Nature of Activities

Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation (the Foundation) was formed for the purpose of supporting the goals and purposes of the Congressional Medal of Honor Society of the United States of America (the Society). These goals and purposes include: protecting, upholding and preserving the dignity and honor of the Medal; providing appropriate aid to all persons to whom the Medal has been awarded and needy veterans, including the widow and/or children; promoting allegiance to the Government of the United States of America and to its Constitution, and to the service of our nation in peace and war; and promoting and perpetuating the principles upon which our nation is founded, fostering patriotism and inspiring and stimulating the youth of our nation to become worthy citizens of the United States of America. Resources for the Foundation's activities are primarily provided by contributions and investment income.

Basis of Accounting

The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (U.S. GAAP), and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Foundation's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of the United States of America in its Accounting Standards Codification (ASC) 958 – 205, *Not-For-Profit Entities – Presentation of Financial Statements*. These standards require classification of net assets and changes in net assets as net assets without donor restrictions and net assets with donor restrictions as follows:

Net assets without donor restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the 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. The Foundation has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Use of Estimates and Assumptions

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Notes to Financial Statements**

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions Receivable

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met, and the promises become unconditional. Unconditional promises to give due in subsequent years are reported at present value of their net realizable value, using risk free interest rates applicable to the years in which the promises are to be received. The Foundation uses the allowance method to determine uncollectible promises to give when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific accounts. As of December 31, 2019 and 2018, management has determined that no allowance for uncollectible contributions receivable is deemed necessary.

Inventory

Inventory is comprised of Congressional Medal of Honor Society commemorative gold and silver coins held for resale. Purchased inventory is stated at lower of cost or net realizable value, principally on the average cost method.

Coins Held for Outreach and Fundraising

75% of the Congressional Medal of Honor Society gold and silver commemorative coins are held for future outreach and fundraising events by the Foundation. As of December 31, 2019 and 2018, these coins are stated at a cost of \$224,674 and \$195,005, respectively.

Investments

Investments purchased by the Foundation are initially recorded at their cost, and donated investments are recorded at fair value on the date they are received as a donation. The Foundation liquidates donated marketable securities within a few weeks of the donation in order to use the funds for operating purposes or to invest the proceeds in accordance with the Foundation's overall investment strategy. Investments in marketable securities with readily determinable fair values and all investments in debt securities are adjusted to their fair values as of the dates of the Statements of Financial Position. Unrealized gains and losses are included in the investment income reported on the Statements of Activities.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, once assets are placed in service. Estimated useful lives of property and equipment range from three to 10 years.

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Notes to Financial Statements**

Intangible Assets

Intangible assets subject to amortization include website development costs, which are being amortized on a straight-line basis over three years. The Foundation reviews its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset.

Endowment Fund

The state of South Carolina follows the State Prudent Management of Institutional Funds Act (SPMIFA). The Board of Directors of the Foundation have interpreted SPMIFA 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 net assets with donor restrictions in perpetuity (a) the original gifts donated to the permanent endowment, (b) subsequent gifts to the permanent endowment, and (c) 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 net assets with donor restrictions in perpetuity is classified as donor restrictions for use or purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments and bond funds to achieve its long-term return objectives within prudent risk constraints.

**Medal of Honor Foundation, Inc. dba
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Notes to Financial Statements**

The Board of Directors may also designate certain net assets without donor restrictions to be included as part of the endowment, including earnings on those designated net assets. Interest and dividends earned on the endowment account, not to exceed five percent of principal, may be transferred to the general operating account, as approved by the Board of Directors. As noted above, certain net assets without donor restrictions may be added to the endowment principal and are subject to the endowment account restrictions, except as approved by a majority vote of the board of directors. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of broad market measures of return on investments. Actual returns from any given year may vary from this amount.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded in accordance with ASC 958 – 605, *Not-For-Profit Entities – Revenue Recognition*. These standards require that contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions. 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 are reported in the Statement of Activities as net assets released from restrictions.

In-kind Contributions and Expenses

The Foundation received in-kind contributions consisting of various dinners, hotel and travel, venue costs for events and recipients, and legal services which are recorded in operating income and the applicable functional expense. These items are recorded at the estimated fair market value.

Functional Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the appropriate expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases as determined by Management.

Income Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from federal and state income taxes unless income is generated from unrelated business activities. There is no unrelated business income for the years ended December 31, 2019 and 2018. The Foundation qualifies for the charitable contribution deduction under Section 170(b)(A) and has been classified as a Foundation that is not a private foundation under Section 509(a)(2).

The FASB provides guidance on the Foundation's evaluation of accounting for uncertainty in income taxes. Management evaluated the Foundation's position and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Donated Services

Donated services are recognized as contributions in accordance with ASC 958 – 605, *Not-For-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. Volunteers also provided many hours in program services and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 – 605 are not met.

**Medal of Honor Foundation, Inc. dba
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Notes to Financial Statements**

Adopted Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-19, *Revenue from Contracts with Customers* (Topic 606), requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the Foundation expects to be entitled to in exchange for those goods or services. The Foundation adopted this standard on January 1, 2019, using the modified retrospective approach. The adoption of this standard did not have a material impact on the amount and timing of revenue recognition, and did not have an impact on beginning net assets.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and a liability. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The standard requires use of the modified retrospective transition approach. The Foundation expects this standard will have a significant impact on the Foundation's financial statements from the recognition of right of use assets and related liabilities. The guidance is effective for the Foundation for fiscal years beginning after December 15, 2021.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Note B – Credit Risk

The Foundation maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk on cash and cash equivalents.

At December 31, 2019 and 2018, three donors and two donors, respectively, had contributions receivable balances representing 95% and nearly 100%, respectively, of total contributions receivable.

Note C – Property and Equipment, Net

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ -	\$ 15,474
Less: Accumulated depreciation	-	(8,252)
Property and Equipment, Net	<u>\$ -</u>	<u>\$ 7,222</u>

Depreciation expense for the years ended December 31, 2019 and 2018 totaled \$1,032 and \$1,547, respectively.

**Medal of Honor Foundation, Inc. dba
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Notes to Financial Statements**

Intangible assets consisted of the following at December 31:

	2019	2018
LiveUp website	\$ 298,800	\$ 298,800
Less: Accumulated amortization	(215,800)	(116,200)
Intangible Assets, Net	\$ 83,000	\$ 182,600

Amortization expense for the years ended December 31, 2019 and 2018 totaled \$99,600.

Note D – Fair Value of Financial Assets and Liabilities

The Foundation follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets and liabilities and is required to provide additional disclosures. ASC 820 clarifies that fair value is an exit price, representing 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. The Foundation utilizes market data or assumptions that market participants would use in pricing the asset or liability. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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, 2019 and 2018.

Mutual Funds, Exchange-Traded Funds, and Closed-End Funds: Valued at the net asset value (NAV) of shares held by the Foundation at December 31, 2019 and 2018.

The Foundation does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the years ended December 31, 2019 and 2018. There were no changes during the years ended December 31, 2019 and 2018 to the Foundation’s valuation techniques used to measure asset and liability fair values on a recurring basis.

**Medal of Honor Foundation, Inc. dba
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Notes to Financial Statements**

The following tables present the assets measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	Fair Value Measurements at December 31, 2019		
	Level 1	Level 2	Level 3
Mutual funds	\$ 4,172,146	\$ -	\$ -
Exchange-traded and closed-end funds	4,714,432		
Total	\$ 8,886,578	\$ -	\$ -
	Fair Value Measurements at December 31, 2018		
	Level 1	Level 2	Level 3
Mutual funds	\$ 3,816,515	\$ -	\$ -
Exchange-traded and closed-end funds	3,953,396	-	-
Total	\$ 7,769,911	\$ -	\$ -

The Foundation has \$205,513 and \$193,935, respectively of cash including cash held in brokerage accounts, as of December 31, 2019 and 2018, which was not classified as a Level as prescribed within ASC 820.

The determination of the fair value above incorporates various factors required under ASC 820. These factors include not only the credit standing of the counterparties involved and the impact of credit enhancements, but also the impact of the Foundation's nonperformance risk on its liabilities.

Note E – Endowment

The Foundation's endowment consists of funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The activity in the endowment consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Endowment net assets, beginning of the year	\$ 7,774,040	\$ 9,907,987
Investment income	208,268	210,606
Realized and unrealized losses	1,251,530	(944,553)
Contributions	33,645	-
Board approved expenditures	(385,000)	(1,400,000)
Endowment net assets, end of year	\$ 8,882,483	\$ 7,774,040

**Medal of Honor Foundation, Inc. dba
Congressional Medal of Honor Foundation
Notes to Financial Statements**

Note F – In-kind Contributions

For the years ended December 31, 2019 and 2018, the Foundation received in-kind contributions of \$138,231 and \$206,342, respectively for various dinners, hotel and travel, venue costs for events and recipients, and legal services provided by a board member. Corresponding expenses have been recorded for these contributions in the Statements of Activities.

Note G – Net Assets with Donor Restrictions

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

	2019	2018
Character Development Program/Direct to Kids	\$ 439,824	\$ 420,032
Medal of Honor Day	163,897	589,564
Kiosks Everywhere initiative	31,304	43,260
Citizens Honors	2,321	-
Lifeline	1,460	7,796
Educator award	-	1,221
	\$ 638,806	\$ 1,061,873

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$1,672,898 and \$1,865,220 for the years ended December 31, 2019 and 2018, respectively.

Note H – Operating Leases

During 2019, the Foundation leased office space in Virginia and Florida under the terms of operating leases expiring in November 2022 and June 2020, respectively. The leases were terminated in August 2019 and March 2020, respectively. Lease expense was \$130,913 and \$78,245 for the years ending December 31, 2019 and 2018, respectively, and is included in management and general expenses in the Statements of Activities.

Note I – Related Party Transactions

During the years ended December 31, 2019 and 2018, the Foundation gave \$1,524,110 and \$950,000, respectively, to the Society in support of the Society's purpose. As of December 31, 2019 and 2018, \$218,528 and \$237,500 was payable to the Society. These expenses are included in Contributions to Society on the Statements of Functional Expenses.

During the years ended December 31, 2019 and 2018, the Foundation received \$269,000 and \$278,880, respectively, from board members in personal contributions for outreach, fundraising, and general purposes, including in-kind legal work. Also, during the years ended December 31, 2019 and 2018, the Foundation received \$150,000, from the financial institution where it maintains its cash, cash equivalents, and investment balances.

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Note J – Employee Retirement Plan

The Foundation has a SIMPLE IRA plan (the Plan) which became effective on March 22, 2013. In order to be eligible for participation, an employee must be employed with the Foundation for 90 calendar days. The Foundation can match employee contributions up to three percent of the employee's compensation. For any calendar year, the Foundation can make non-elective contributions equal to two percent of eligible employee compensation in place of making matching contributions. Total employer contributions for the years ended December 31, 2019 and 2018 were \$25,282 and \$20,961, respectively.

Note K – Liquidity

The Foundation's working capital and cash flows have variations throughout the year attributable to the timing of support and contributions. The Foundation has committed to provide funding to the Society in 2020 though the exact amount is not determinable as of the date of this report. As part of its liquidity plan, the Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation 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.

The following reflects the Foundation's financial assets as of December 31, 2019, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions.

Cash and cash equivalents	\$ 205,513
Contributions receivable, net	666,722
Investments	<u>8,886,578</u>
Total Financial Assets	9,758,813
Less: amounts not available to be used within one year:	
Financial assets restricted by donor and others to specific uses	(638,806)
Add back: Net assets with purpose or time restrictions to be met within one year	638,806
Board designated endowment funds	<u>(8,882,483)</u>
Total Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u><u>\$ 876,330</u></u>

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Note L – Subsequent Events

Management has evaluated events through the date which the financial statements were available to be issued.

In April 2020, the Foundation received a note payable of \$151,900 from a bank in conjunction with the Paycheck Protection Program. The note matures in April 2022 and bears interest at 1.00%. Principal and interest payments of \$8,550 will begin in November 2020. This note is eligible for forgiveness and management expects the full amount to be forgiven during 2020.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in January 2020 and are anticipated to continue for the foreseeable future. The Foundation expects the ramifications of COVID-19 to have an impact on its results. The extent of the impact of COVID-19 on the Foundation’s operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related restrictions and the impact of COVID-19 on overall demand for the Foundation’s services, all of which are highly uncertain and cannot be predicted.