

**Medal of Honor Foundation, Inc.**

***Report on Financial Statements***

***For the years ended December 31, 2021 and 2020***

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# Medal of Honor Foundation, Inc.

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## **Independent Auditor's Report**

To the Board of Directors  
Medal of Honor Foundation, Inc.  
Mount Pleasant, South Carolina

### **Opinion**

We have audited the accompanying financial statements of the Medal of Honor Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Foundation as of December 31, 2021, and the related changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Other Matter**

The financial statements of the Foundation, as of and for the year ended December 31, 2020, were audited by other auditors, whose report, dated April 16, 2021, expressed an unmodified opinion on those financial statements.

### **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 Foundation'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 GAAS 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 GAAS, 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Elliott Davis, LLC*

Charleston, South Carolina  
October 19, 2022

# Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation

## Statements of Financial Position

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,551,053	\$ 1,508,374
Contributions receivable, current portion	-	255,738
Contributions receivable - related party, current portion	50,000	50,000
Coin inventory	167,869	195,011
Investments	8,312,029	10,119,208
Prepaid expenses and other assets	29,340	4,041
Total current assets	<u>10,110,291</u>	<u>12,132,372</u>
<b>Non-current assets</b>		
Deposits	-	17,500
Contributions receivable - related party, net of current portion	-	50,000
Total non-current assets	<u>-</u>	<u>67,500</u>
Total assets	<u>\$ 10,110,291</u>	<u>\$ 12,199,872</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 9,357	\$ 12,032
Accounts payable - related party	-	950,709
Accrued payroll	1,821	8,076
Accrued expenses	301	44,328
Current portion of refundable advance	-	29,932
Total current liabilities	<u>11,479</u>	<u>1,045,077</u>
<b>Non-current liabilities</b>		
Refundable advance, net of current portion	-	121,968
Total non-current liabilities	<u>-</u>	<u>121,968</u>
Total liabilities	<u>11,479</u>	<u>1,167,045</u>
<b>Net assets</b>		
Net assets without donor restrictions		
Undesignated	(275,811)	(888,407)
Board designated endowment funds	8,312,029	10,120,868
Total net assets without donor restrictions	<u>8,036,218</u>	<u>9,232,461</u>
Net assets with donor restrictions	<u>2,062,594</u>	<u>1,800,366</u>
Total net assets	<u>10,098,812</u>	<u>11,032,827</u>
Total liabilities and net assets	<u>\$ 10,110,291</u>	<u>\$ 12,199,872</u>

See Notes to Financial Statements

# Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation

## Statement of Activities

For the year ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, gains, and other support</b>			
Contributions	\$ 486,356	\$ 320,866	\$ 807,222
In-kind contributions and donated services	25,000	-	25,000
Commemorative coin income	45,693	-	45,693
Investment income, net	129,326	-	129,326
Net unrealized and realized gains	443,128	-	443,128
Refundable advance forgiveness	297,900	-	297,900
Other income	2,778	-	2,778
	<u>1,430,181</u>	<u>320,866</u>	<u>1,751,047</u>
Net assets released from restrictions	58,638	(58,638)	-
Total revenues, gains, and other support	<u>1,488,819</u>	<u>262,228</u>	<u>1,751,047</u>
<b>Expenses</b>			
Program services	2,214,074	-	2,214,074
Management and general	311,889	-	311,889
Fundraising	159,099	-	159,099
Total expenses	<u>2,685,062</u>	<u>-</u>	<u>2,685,062</u>
Change in net assets	(1,196,243)	262,228	(934,015)
<b>Net assets, beginning of year</b>	<u>9,232,461</u>	<u>1,800,366</u>	<u>11,032,827</u>
<b>Net assets, end of year</b>	<u>\$ 8,036,218</u>	<u>\$ 2,062,594</u>	<u>\$ 10,098,812</u>

See Notes to Financial Statements

# Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation

## Statement of Activities

For the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues, gains, and other support</b>			
Contributions	\$ 2,351,673	\$ 1,062,382	\$ 3,414,055
Commemorative coin income	38,640	-	38,640
Investment income, net	1,240,029	-	1,240,029
Other income	3,408	-	3,408
	<u>3,633,750</u>	<u>1,062,382</u>	<u>4,696,132</u>
Net assets released from restrictions	50,822	(50,822)	-
Total revenues, gains, and other support	<u>3,684,572</u>	<u>1,011,560</u>	<u>4,696,132</u>
<b>Expenses</b>			
Program services	2,867,770	-	2,867,770
Management and general	337,459	-	337,459
Fundraising	311,823	-	311,823
Total expenses	<u>3,517,052</u>	<u>-</u>	<u>3,517,052</u>
Change in net assets	167,520	1,011,560	1,179,080
<b>Net assets, beginning of year</b>	<u>9,064,941</u>	<u>788,806</u>	<u>9,853,747</u>
<b>Net assets, end of year</b>	<u>\$ 9,232,461</u>	<u>\$ 1,800,366</u>	<u>\$ 11,032,827</u>

See Notes to Financial Statements

**Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation**

*Statements of Functional Expenses*

*For the years ended December 31, 2021 and 2020*

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>Compensation and related expenses</b>								
Salaries	\$ 101,760	\$ 116,817	\$ 63,199	\$ 281,776	\$ 462,479	\$ 139,972	\$ 261,702	\$ 864,153
Payroll taxes	9,083	10,426	5,641	25,150	32,358	9,793	18,310	60,461
Total compensation and related expenses	110,843	127,243	68,840	306,926	494,837	149,765	280,012	924,614
<b>Other expenses</b>								
Contributions to Society	2,067,572	-	-	2,067,572	2,193,224	-	-	2,193,224
Professional services	30,887	94,091	30,887	155,865	17,476	139,806	17,476	174,758
Fundraising and educational events	-	-	59,372	59,372	43,862	-	14,285	58,147
Travel	-	46,761	-	46,761	11,675	11,675	-	23,350
Miscellaneous	-	18,140	-	18,140	50	18,340	50	18,440
Insurance	-	6,868	-	6,868	-	4,626	-	4,626
Office, computer, website	-	8,505	-	8,505	3,968	5,350	-	9,318
Bank and payroll services charges	-	5,870	-	5,870	7,770	-	-	7,770
Medal of Honor recipient outreach	4,772	-	-	4,772	1,908	-	-	1,908
Occupancy	-	4,411	-	4,411	-	7,897	-	7,897
Depreciation and amortization	-	-	-	-	83,000	-	-	83,000
Bad debt expense	-	-	-	-	10,000	-	-	10,000
Total other expenses	2,103,231	184,646	90,259	2,378,136	2,372,933	187,694	31,811	2,592,438
Total expenses	\$ 2,214,074	\$ 311,889	\$ 159,099	\$ 2,685,062	\$ 2,867,770	\$ 337,459	\$ 311,823	\$ 3,517,052

**See Notes to Financial Statements**



# Medal of Honor Foundation, Inc. dba Congressional Medal of Honor Foundation

## Statements of Cash Flows

For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating activities</b>		
Change in net assets	\$ (934,015)	\$ 1,179,080
Adjustments to reconcile change in net assets to cash (used for) provided by operating activities:		
Depreciation and amortization	-	83,000
Bad debt expense	-	10,000
Investment income, net	(129,326)	(170,707)
Unrealized and realized gains	(443,128)	(1,069,322)
Refundable advance forgiveness	(297,900)	-
Changes in operating assets and liabilities:		
Contributions receivable	255,738	400,984
Contributions receivable - related party	50,000	50,000
Coin inventory	27,142	29,663
Prepaid expenses and other assets	(25,299)	6,121
Deposits	17,500	-
Accounts payable	(2,675)	(51,488)
Accounts payable - related party	(950,709)	732,181
Accrued expenses and accrued payroll	(50,282)	(55,950)
Net cash (used for) provided by operating activities	<u>(2,482,954)</u>	<u>1,143,562</u>
<b>Investing activities</b>		
Proceeds from sales of investments	2,695,539	2,952,405
Purchases of investments	(315,906)	(2,945,006)
Net cash provided by investing activities	<u>2,379,633</u>	<u>7,399</u>
<b>Financing activities</b>		
Proceeds from refundable advance	146,000	151,900
Net cash provided by financing activities	<u>146,000</u>	<u>151,900</u>
Net change in cash and cash equivalents	42,679	1,302,861
<b>Cash and cash equivalents, beginning of year</b>	<u>1,508,374</u>	<u>205,513</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,551,053</u>	<u>\$ 1,508,374</u>

See Notes to Financial Statements

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## Congressional Medal of Honor Foundation

### *Notes to Financial Statements*

*December 31, 2021 and 2020*

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#### **Note 1. Summary of Significant Accounting Policies**

##### *Nature of activities:*

The Medal of Honor Foundation Inc. (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, foster patriotism and to inspire and stimulate 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 accompanying financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

##### *Basis of presentation:*

The Foundation’s net assts 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 Foundation. These net assets may be used at the discretion of the Foundation’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 Foundation or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Foundation has no net assets with donor restrictions to be maintained in perpetuity as of December 31, 2021 and 2020.

##### *Cash and cash equivalents:*

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

##### *Availability of funds for general expenditures:*

The Foundation 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 assets available to meet general expenditures within one year (See Note 2).

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## Congressional Medal of Honor Foundation

### *Notes to Financial Statements*

*December 31, 2021 and 2020*

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#### **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.

##### *Revenue recognition:*

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. The Foundation has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that the donor restrictions were met in the year the contribution was received.

Commemorative coin income is recognized as revenue when the coins are sold.

##### *Contributions receivable:*

Unconditional contributions receivable are recognized as revenue or gains in the period pledged and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met, and the pledges become unconditional. Unconditional contributions receivable 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 contributions receivable when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific accounts. As of December 31, 2021 and 2020, management has determined that no allowance for uncollectible contributions receivable is deemed necessary.

##### *Investments:*

The Foundation carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market value based on quoted market prices. Cash held in the investment account to fund the Foundation operations is included in cash and cash equivalents in the Statements of Financial Position.

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## Congressional Medal of Honor Foundation

### *Notes to Financial Statements*

*December 31, 2021 and 2020*

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#### **Note 1. Summary of Significant Accounting Policies, Continued**

##### *Coin Inventory:*

Inventory is comprised of Medal of Honor 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.

##### *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 Foundation's assets are classified within Levels 1 and 2 of the fair value hierarchy.

##### *Income tax status:*

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction and has been classified as an Foundation 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 Foundation's tax positions 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 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 Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

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### Note 1. Summary of Significant Accounting Policies, Continued

#### In-kind contributions:

The Foundation received in-kind contributions which are recorded in operating income and the applicable functional expense at fair market value. For the year ended December 31, 2021, the Foundation received \$25,000 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. There were no in-kind contributions received for the year ended December 31, 2020.

#### 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 Foundation include:

**Program expenses** - Program expenses include the costs of supporting the Society and mission of the Foundation.

**Management and general expenses** - Management and general expenses include the general and administrative costs of the Foundation.

**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 and payroll taxes	Time and effort
Professional services	Direct costs to programs; remaining to management/general
Fundraising and educational events	Direct costs to programs and fundraising
Travel	Based on estimate of utilization
Miscellaneous	Direct costs to programs, management/general, fundraising
Office, computer, website	Direct costs to programs; remaining to management/general

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2021 and 2020

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Endowment funds:

South Carolina adopted the State Prudent Management of Institutional Funds Act (“SPMIFA”). The Board of Directors of the Foundation has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of funds absent explicit donor stipulations to the contrary. As of December 31, 2021 and 2020, the Foundation maintained a board-designated endowment fund made up of unrestricted gifts which the board has designated for certain programmatic purposes, but had no donor restricted endowment funds. As a result of this interpretation, the Foundation classifies as net assets without donor restrictions (a) the original value of the unrestricted gifts designated by the board to the board-designated endowment, (b) the original value of subsequent designations to the board-designated endowment, and (c) accumulations to the board-designated endowment made in accordance with the direction of the applicable board designation at the time the accumulation is added to the fund. This portion of the board-designated endowment fund is also classified as board designated in net assets without donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

#### New accounting pronouncements:

In February 2016, the financial accounting standards board (“FASB”) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is effective for the Foundation 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 Foundation 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. 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 entities, including transparency on how these assets are used. The Foundation 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 Foundation’s net assets or changes in net assets.

#### Reclassifications:

Certain accounts and amounts in the prior year financial statements have been reclassified in order to conform to the current year presentation.

#### Subsequent events:

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 19, 2022, the date the financial statements were available to be issued.

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 2. Availability and Liquidity

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>
Total assets at year end	\$ 10,110,291	\$ 12,199,872
Less amounts not available to be used within one year due to illiquidity:		
Coin inventory	(167,869)	(195,011)
Prepaid assets and other assets	(29,340)	(4,041)
Contributions receivable - related party, non-current portion	-	(50,000)
Deposits	-	(17,500)
	<u>(197,209)</u>	<u>(266,552)</u>
Less amounts not available to be used within one year due to:		
Board designated endowment funds, net of expected spending allocation in the next year	<u>(7,083,428)</u>	<u>(9,614,825)</u>
Total assets available to meet cash needs for general expenditures within one year	<u>\$ 2,829,654</u>	<u>\$ 2,318,495</u>

The Foundation has committed to provide funding to the Society in 2022 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 and has the ability to redeem certain investments as necessary to meet its obligations.

#### Note 3. Investments

Investments were comprised of the following as of December 31:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 1,480,210	\$ 1,465,727	\$ 5,375,003	\$ 6,786,240
Fixed income	2,645,156	2,586,896	-	-
Equities	4,119,634	4,259,406	-	-
Exchange-traded and closed-end funds	-	-	2,016,545	3,332,968
Total investments	<u>\$ 8,245,000</u>	<u>\$ 8,312,029</u>	<u>\$ 7,391,548</u>	<u>\$ 10,119,208</u>

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 4. Fair Value Measurements

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

*Equities:* Valued at quoted market prices in active markets.

*Mutual funds, Exchange-traded and closed-end funds:* Valued at the net asset (“NAV”) of shares held by the Foundation and traded at quoted market prices in active markets.

*Fixed income:* 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.

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

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

	2021			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 1,465,727	\$ 1,465,727	\$ -	\$ -
Fixed income	2,586,896	-	2,586,896	-
Equities	4,259,406	4,259,406	-	-
Total Investments	<u>\$ 8,312,029</u>	<u>\$ 5,725,133</u>	<u>\$ 2,586,896</u>	<u>\$ -</u>



## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 4. Fair Value Measurements, Continued

	2020			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 6,786,240	\$ 6,786,240	\$ -	\$ -
Exchange-traded and closed-end funds	<u>3,332,968</u>	<u>3,332,968</u>	-	-
Total Investments	<u>\$ 10,119,208</u>	<u>\$ 10,119,208</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 5. Concentrations of Credit Risk

The Foundation maintains cash and cash equivalents balances in two financial institution. As of December 31, 2021 and 2020, the Federal Deposit Insurance Corporation (“FDIC”) insures accounts up to \$250,000 in aggregate per institution. The Securities Investor Protection Corporation insures brokerage accounts at each institution up to \$500,000 with a maximum of \$250,000 allowed for cash claims. From time to time, cash and investment balances may exceed insurance limits.

#### Note 6. Refundable Advance

In April 2020, the Foundation applied for a Paycheck Protection Program Loan (“PPP loan”) of \$151,900 that is administered by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The Foundation 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 June 2021, the Foundation received notification from its lender and the SBA regarding the 100% forgiveness of its full PPP loan in the amount of \$151,900. Amounts forgiven are reflected in refundable advance forgiveness in the accompanying 2021 Statement of Activities.

In March 2021, the Foundation applied for a second Paycheck Protection Program loan (“second PPP loan”) of \$146,000. On March 26, 2021, the second PPP loan was approved, and the Foundation received the 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 September 2021, the Foundation received notification from its lender and the SBA regarding the 100% forgiveness of its full second PPP loan in the amount of \$146,000, as well as interest. Amounts forgiven of \$146,000 are reflected in refundable advance forgiveness in the accompanying 2021 Statement of Activities.

#### Note 7. Endowment

The Board of Directors may 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 corpus (unless approved by the Board of Directors), 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 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.

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 7. Endowment, Continued

##### *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 that are board designated or donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. At December 31, 2021 and 2020, there were no donor-restricted funds held in the endowment.

##### *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.

Composition of and changes in endowment net assets were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Board designated endowments	\$ 8,312,029	\$ 10,120,868
	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 10,120,868	\$ 8,882,483
Investment return:		
Investment income, net of fees	129,326	169,063
Net realized and unrealized gains	<u>443,128</u>	<u>1,069,322</u>
Total investment return	572,454	1,238,385
Board approved expenditures	<u>(2,381,293)</u>	-
Endowment net assets, end of year	<u>\$ 8,312,029</u>	<u>\$ 10,120,868</u>

#### Note 8. Related Party Transactions

During the years ended December 31, 2021 and 2020, the Foundation gave \$2,067,572 and \$2,193,224, respectively, to the Society in support of the Society's purpose. There were no amounts payable to the Society as of December 31, 2021. As of December 31, 2020, \$950,709 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, 2021 and 2020, the Foundation received \$580,500 and \$216,000, respectively, from board members in personal contributions for outreach, fundraising, and general purposes, including in-kind legal work. Also during the year ended December 31, 2020, the Foundation received \$125,000 from the financial institution where it maintains its cash, cash equivalents and investment balances.

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2021 and 2020

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#### Note 9. Simple IRA 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, 2021 and 2020 were \$3,609 and \$4,771, respectively.

#### Note 10. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Time restricted contributions receivable	\$ 50,000	\$ 100,000
Society's Character Development Program	951,132	941,132
Character Development Program / Direct to Kids	561,074	561,074
Arthur Blank Foundation – Society	297,000	-
Medal of Honor Day	163,897	163,897
Kiosks Everywhere initiative	31,304	31,304
Citizens Honors	2,320	2,320
Lifeline	5,867	639
	<u>\$ 2,062,594</u>	<u>\$ 1,800,366</u>

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$145,772 and \$933,678 for the years ended December 31, 2021 and 2020, respectively, including expenses of donor-restricted contributions met in the same year as discussed in Note 1.