

**MEDAL OF HONOR FOUNDATION, INC.
MOUNT PLEASANT, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

MEDAL OF HONOR FOUNDATION, INC.
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INDEPENDENT AUDITORS' 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. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, 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 Medal of Honor Foundation, Inc. as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medal of Honor Foundation, Inc. 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.

Prior Period Financial Statements

The financial statements of the Medal of Honor Foundation, Inc. as of December 31, 2022 were audited by other auditors whose report dated September 8, 2023 expressed an unmodified opinion on those 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 Medal of Honor Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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, including omissions, 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 Medal of Honor Foundation, Inc.'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 Medal of Honor Foundation, Inc.'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.

Glaser and Company, LLC

Charleston, South Carolina
July 16, 2024

MEDAL OF HONOR FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,247,561	\$ 1,089,412
Contributions receivable	5,000	2,408
Commemorative coin inventory	159,772	164,630
Prepaid expenses and other assets	6,895	23,860
Total current assets	1,419,228	1,280,310
<u>Long-term Assets</u>		
Investments	4,961,141	5,991,195
Total long-term assets	4,961,141	5,991,195
Total assets	\$ 6,380,369	\$ 7,271,505
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable	\$ 394,665	\$ 4,176
Accrued payroll	7,447	6,106
Accrued expenses	1,913	3,347
Total current liabilities	404,025	13,629
Total liabilities	404,025	13,629
<u>Net Assets</u>		
Without donor restrictions		
Undesignated	-	-
Board designated endowment funds	4,255,757	5,053,523
Total without donor restrictions	4,255,757	5,053,523
With donor restrictions	1,720,587	2,204,353
Total net assets	5,976,344	7,257,876
Total liabilities and net assets	\$ 6,380,369	\$ 7,271,505

See accompanying notes to the financial statements

MEDAL OF HONOR FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenues</u>			
Contributions	\$ 732,782	\$ 752,784	\$ 1,485,566
Commemorative coin income	2,698	-	2,698
Investment income, net	138,376	-	138,376
Net unrealized and realized gains	223,675	-	223,675
Other income	1,405	-	1,405
Total support and revenues	<u>1,098,936</u>	<u>752,784</u>	<u>1,851,720</u>
Net assets released from restrictions	<u>1,236,550</u>	<u>(1,236,550)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>2,335,486</u>	<u>(483,766)</u>	<u>1,851,720</u>
<u>Expenses</u>			
Program services	2,561,345	-	2,561,345
Supporting services:			
Management and general	266,020	-	266,020
Fundraising	305,887	-	305,887
Total supporting services	<u>571,907</u>	<u>-</u>	<u>571,907</u>
Total expenses	<u>3,133,252</u>	<u>-</u>	<u>3,133,252</u>
Change in net assets	(797,766)	(483,766)	(1,281,532)
Net assets, beginning of year	<u>5,053,523</u>	<u>2,204,353</u>	<u>7,257,876</u>
Net assets, end of year	<u>\$ 4,255,757</u>	<u>\$ 1,720,587</u>	<u>\$ 5,976,344</u>

See accompanying notes to the financial statements

MEDAL OF HONOR FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenues</u>			
Contributions	\$ 55,225	\$ 838,783	\$ 894,008
Contributed nonfinancial assets and services	1,885	-	1,885
Commemorative coin income	5,199	-	5,199
Investment income, net	168,852	-	168,852
Net unrealized and realized losses	(687,103)	-	(687,103)
Other income	1,327	-	1,327
Total support and revenues	<u>(454,615)</u>	<u>838,783</u>	<u>384,168</u>
Net assets released from restrictions	<u>697,024</u>	<u>(697,024)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>242,409</u>	<u>141,759</u>	<u>384,168</u>
<u>Expenses</u>			
Program services	2,938,976		2,938,976
Supporting services:			
Management and general	187,324	-	187,324
Fundraising	98,804	-	98,804
Total supporting services	<u>286,128</u>	<u>-</u>	<u>286,128</u>
Total expenses	<u>3,225,104</u>		<u>3,225,104</u>
Change in net assets	(2,982,695)	141,759	(2,840,936)
Net assets, beginning of year	<u>8,036,218</u>	<u>2,062,594</u>	<u>10,098,812</u>
Net assets, end of year	<u>\$ 5,053,523</u>	<u>\$ 2,204,353</u>	<u>\$ 7,257,876</u>

See accompanying notes to the financial statements

**MEDAL OF HONOR FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 86,677	\$ 117,363	\$ 65,714	\$ 269,754
Payroll taxes and benefits	13,287	16,625	9,703	39,615
Total compensation and related expenses	<u>99,964</u>	<u>133,988</u>	<u>75,417</u>	<u>309,369</u>
Other Expenses				
Contributions to Society	2,421,651	-	-	2,421,651
Professional services	32,490	64,981	93,741	191,212
Fundraising and educational events	-	12,709	136,729	149,438
Travel	-	5,237	-	5,237
Miscellaneous	-	18,444	-	18,444
Insurance	-	9,664	-	9,664
Bank and payroll service charges	-	9,038	-	9,038
Medal of Honor Recipient outreach	7,240	-	-	7,240
Office, computer, website	-	6,092	-	6,092
Bad debt	-	2,408	-	2,408
Occupancy	-	3,459	-	3,459
Total other expenses	<u>2,461,381</u>	<u>132,032</u>	<u>230,470</u>	<u>2,823,883</u>
Total expenses	<u>\$ 2,561,345</u>	<u>\$ 266,020</u>	<u>\$ 305,887</u>	<u>\$ 3,133,252</u>

See accompanying notes to the financial statements

**MEDAL OF HONOR FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 74,278	\$ 68,251	\$ 27,011	\$ 169,540
Payroll taxes and benefits	7,596	12,008	2,762	22,366
Total compensation and related expenses	<u>81,874</u>	<u>80,259</u>	<u>29,773</u>	<u>191,906</u>
Other Expenses				
Contributions to Society	2,799,207	-	-	2,799,207
Professional services	2,921	69,670	2,921	75,512
Fundraising and educational events	-	-	66,110	66,110
Travel	50,000	2,625	-	52,625
Miscellaneous	-	15,085	-	15,085
Insurance	-	7,102	-	7,102
Bank and payroll service charges	-	6,092	-	6,092
Medal of Honor Recipient outreach	4,974	-	-	4,974
Office, computer, website	-	4,612	-	4,612
Occupancy	-	1,879	-	1,879
Total other expenses	<u>2,857,102</u>	<u>107,065</u>	<u>69,031</u>	<u>3,033,198</u>
Total expenses	<u>\$ 2,938,976</u>	<u>\$ 187,324</u>	<u>\$ 98,804</u>	<u>\$ 3,225,104</u>

See accompanying notes to the financial statements

MEDAL OF HONOR FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<u>Cash Flows from Operating Activities</u>		
Changes in net assets	\$ (1,281,532)	\$ (2,840,936)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Bad debt expense	2,408	-
Investment income, net, reinvested	(138,376)	(168,852)
Unrealized and realized (gains) losses	(223,675)	687,103
Changes in operating assets and liabilities		
Contributions receivable	(5,000)	(2,408)
Contributions receivable - related party	-	50,000
Commemorative coin inventory	4,858	3,239
Prepaid expenses and other assets	16,965	5,480
Accounts payable	390,489	(5,181)
Accrued expenses and accrued payroll	(93)	7,331
Net cash used for operating activities	(1,233,956)	(2,264,224)
<u>Cash Flows from Investing Activities</u>		
Proceeds from sales of investments	2,054,286	2,135,916
Purchases of investments	(662,181)	(333,333)
Net cash provided by investing activities	1,392,105	1,802,583
Net increase (decrease) in cash and cash equivalents	158,149	(461,641)
Cash and cash equivalents, beginning of year	1,089,412	1,551,053
Cash and cash equivalents, end of year	\$ 1,247,561	\$ 1,089,412

See accompanying notes to the financial statements

MEDAL OF HONOR FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 Foundation’s financial statements have been prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

The Foundation’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 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 stipulates the funds be maintained in perpetuity. The Foundation does not have any donor restrictions that are perpetual in nature as of December 31, 2023 or 2022.

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, 2023 and 2022 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).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities to support the Society to be general expenditures. The Foundation 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 the normal course of business. The funds that are available for the next year include donor restricted contributions for restricted purposes during the next year expected to meet the donor restricted purpose and the available income from board-designated endowment funds based on the Foundation’s spending policy.

MEDAL OF HONOR FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, management has determined that no allowance for uncollectible contributions receivable is deemed necessary.

Commemorative 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.

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.

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. 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.

MEDAL OF HONOR FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 a 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 Statements 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, 2023 or 2022.

Contributed Nonfinancial Assets and Services

The Foundation receives contributed nonfinancial assets and services which are recorded in operating income and the applicable functional expense at fair market value. Contributed nonfinancial assets and services generally include hotel, travel, and 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.

Contributed professional services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills that would need to be purchased if they were not donated. Contributed services recognized are comprised of professional services from attorneys advising the Foundation on various administrative legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services in the United States. Contributed hotel and travel costs for events and recipients are valued at their fair market values for either the service and/or products provided based on estimates of wholesale values that would be received for selling similar products/services in the United States.

Expense Allocations

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:

MEDAL OF HONOR FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Expense Allocations, continued

<u>Expense type</u>	<u>Method of allocation</u>
Salaries, payroll taxes and benefits	Time and effort
Professional services	Direct costs to programs; remaining to management/general
Travel	Direct costs to programs; remaining to management/general
Fundraising and educational events	Direct costs to programs; direct costs to fundraising

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, 2023 and 2022, 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 adopted this new guidance as of January 1, 2022, and there was no material impact to 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 adopted this new guidance as of January 1, 2022. See Note 9 for the adoption impact 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 July 16, 2024, the date the financial statements were available to be issued.

MEDAL OF HONOR FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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:

	2023	2022
Total assets at end of year	\$ 6,380,369	\$ 7,271,505
Less amounts not available to be used within one year due to illiquidity:		
Coin inventory	(159,772)	(164,630)
Prepaid expenses and other assets	(6,895)	(23,860)
	(166,667)	(188,490)
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	(2,540,627)	(3,987,847)
	(2,540,627)	(3,987,847)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,673,075	\$ 3,095,168

The Foundation has committed to provide funding to the Society in 2024 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. In addition, the Board may approve at its discretion the use of board designated funds to cover general expenditures or operating needs as needed.

3. INVESTMENTS

Investments were comprised of the following at December 31:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	\$ 775,859	\$ 734,230	\$ 985,986	\$ 885,434
Fixed income	1,639,850	1,516,518	2,341,655	2,035,232
Equities	2,426,849	2,614,048	3,067,286	2,972,930
Real estate investment trust	102,510	96,345	98,285	97,599
	\$ 4,945,068	\$ 4,961,141	\$ 6,493,212	\$ 5,991,195

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:

MEDAL OF HONOR FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

4. FAIR VALUE MEASUREMENTS - CONTINUED

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 and real estate investment trusts ("REITs"): 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, 2023 or 2022.

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

	2023			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 734,230	\$ -	\$ -	\$ 734,230
Fixed income	-	1,516,518	-	1,516,518
Equities	2,614,048	-	-	2,614,048
Real estate investment trust	96,345	-	-	96,345
	<u>\$ 3,444,623</u>	<u>\$ 1,516,518</u>	<u>\$ -</u>	<u>\$ 4,961,141</u>

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4. FAIR VALUE MEASUREMENTS - CONTINUED

	2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 885,434	\$ -	\$ -	\$ 885,434
Fixed income	-	2,035,232	-	2,035,232
Equities	2,972,930	-	-	2,972,930
Real estate investment trust	97,599	-	-	97,599
	\$ 3,955,963	\$ 2,035,232	\$ -	\$ 5,991,195
Total Investments	\$ 3,955,963	\$ 2,035,232	\$ -	\$ 5,991,195

5. CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash and cash equivalents balances in two financial institutions. As of December 31, 2023 and 2022, the Federal Deposit Insurance Corporation (“FDIC”) insures accounts up to \$250,000 in aggregate per institution. The Securities Investor Protection Corporation (“SIPC”) 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.

6. 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. 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.

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, 2023 and 2022, 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.

Spending policy and how the investment objectives relate to spending policy

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. 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.

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6. ENDOWMENT – CONTINUED

Composition of endowment net assets were as follows at December 31:

	2023	2022
Board-designated endowments	\$ 4,255,757	\$ 5,053,523

The following details the changes in the Foundation’s endowment net assets for the year ended December 31, 2023:

	Without Donor- Imposed Restrictions	With Donor- Imposed Restrictions	Total
Endowment net assets, beginning of year	\$ 5,053,523	\$ -	\$ 5,053,523
Contributions and other income	736,885	-	736,885
Investment return:			
Investment income, net	138,376	-	138,376
Net unrealized and realized gains	223,675	-	223,675
	362,051	-	362,051
Amounts appropriated for expenditure	(1,896,702)	-	(1,896,702)
Endowment net assets, end of year	\$ 4,255,757	\$ -	\$ 4,255,757

The following details the changes in the Foundation’s endowment net assets for the year ended December 31, 2022:

	Without Donor- Imposed Restrictions	With Donor- Imposed Restrictions	Total
Endowment net assets, beginning of year	\$ 8,036,218	\$ -	\$ 8,036,218
Contributions and other income	63,636	-	63,636
Investment return:			
Investment income, net	168,852	-	168,852
Net unrealized and realized losses	(687,103)	-	(687,103)
	(518,251)	-	(518,251)
Amounts appropriated for expenditure	(2,528,080)	-	(2,528,080)
Endowment net assets, end of year	\$ 5,053,523	\$ -	\$ 5,053,523

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7. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2023 and 2022, the Foundation gave \$2,421,651 and \$2,799,207, respectively, to the Society in support of the Society's purpose. There were no amounts payable to the Society as of December 31, 2023 or 2022. These expenses are included in contributions to Society on the Statements of Functional Expenses.

During the years ended December 31, 2023 and 2022, the Foundation received \$164,584 and \$50,400, respectively, from board members in personal contributions for outreach, fundraising, and general purposes, including in-kind travel.

8. 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, 2023 and 2022 were \$6,766 and \$5,028, respectively.

9. CONTRIBUTED NONFINANCIAL ASSETS AND SERVICES

The Foundation received the following contributions of nonfinancial assets and services for the years ended December 31:

	2023	2022
Hotel, travel, and venue costs	\$ -	\$ 1,885
	\$ -	\$ 1,885

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Restricted as to purpose:		
Society's Character development Program	\$ 950,341	\$ 1,005,533
Character Development Program / Direct to kids	561,074	561,074
Arthur Blank Foundation - Society	-	297,000
Medal of Honor Day	163,897	163,897
Foundation - restricted general	-	132,333
Kiosks Everywhere initiative	31,304	31,304
Lifeline	11,651	10,892
Citizens Honors	2,320	2,320
	\$ 1,720,587	\$ 2,204,353

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10. NET ASSETS WITH DONOR RESTRICTIONS - CONTINUED

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$1,236,550 and \$697,024 for the years ended December 31, 2023 and 2022, respectively, including expenses of donor-restricted contributions met in the same year as discussed in Note 1.