

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

*Report on Financial Statements*

*For the years ended December 31, 2019 and 2018*

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

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## **Independent Auditor's Report**

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Congressional Medal of Honor Society of the United States of America, which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Congressional Medal of Honor Society of the United States of America as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Elliott Davis, LLC*

Charleston, South Carolina  
June 10, 2020

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

## Statements of Financial Position

As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,885,379	\$ 1,747,741
Contributions receivable	229,165	248,137
Grants receivable	-	105,000
Prepaid expenses	18,655	8,164
Investments	2,763,690	1,999,790
Property and equipment, net	75,347	45,030
Total assets	<u>\$ 4,972,236</u>	<u>\$ 4,153,862</u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 24,619	\$ 11,739
Accrued expenses	15,221	-
Capital lease obligation	20,345	25,286
Total liabilities	<u>60,185</u>	<u>37,025</u>
<b>Net assets</b>		
Without donor restrictions	4,175,929	3,273,915
With donor restrictions	736,122	842,922
Total net assets	<u>4,912,051</u>	<u>4,116,837</u>
Total liabilities and net assets	<u>\$ 4,972,236</u>	<u>\$ 4,153,862</u>

See Notes to Financial Statements

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

## Statement of Activities

For the year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions	\$ 2,724,399	\$ 18,822	\$ 2,743,221
Contributions - Patriots Point Development Authority	42,547	-	42,547
Grant income	30,000	-	30,000
In-kind contributions	46,527	-	46,527
Interest income	55,754	400	56,154
Unrealized gain on investments	19,504	-	19,504
Total support and revenue	<u>2,918,731</u>	<u>19,222</u>	<u>2,937,953</u>
Net assets released from restrictions	<u>126,022</u>	<u>(126,022)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>3,044,753</u>	<u>(106,800)</u>	<u>2,937,953</u>
<b>Expenses</b>			
Program services			
Member services	1,176,604	-	1,176,604
Educational assistance	54,670	-	54,670
CDP	537,104	-	537,104
Healthcare	104,403	-	104,403
Total program services	<u>1,872,781</u>	<u>-</u>	<u>1,872,781</u>
Management and general	258,815	-	258,815
Fundraising	11,143	-	11,143
Total expenses	<u>2,142,739</u>	<u>-</u>	<u>2,142,739</u>
Change in net assets	902,014	(106,800)	795,214
<b>Net assets, beginning of year</b>	<u>3,273,915</u>	<u>842,922</u>	<u>4,116,837</u>
<b>Net assets, end of year</b>	<u>\$ 4,175,929</u>	<u>\$ 736,122</u>	<u>\$ 4,912,051</u>

See Notes to Financial Statements

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

## Statement of Activities

For the year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue</b>			
Contributions	\$ 960,798	\$ 89,315	\$ 1,050,113
Contributions - Patriots Point Development Authority	42,547	-	42,547
Grant income	30,000	150,000	180,000
In-kind contributions	96,358	-	96,358
Interest income	15,446	438	15,884
Unrealized loss on investments	(14,360)	-	(14,360)
Gain on disposal of property and equipment	328	-	328
Total support and revenue	<u>1,131,117</u>	<u>239,753</u>	<u>1,370,870</u>
Net assets released from restrictions	148,956	(148,956)	-
Total support, revenue and reclassifications	<u>1,280,073</u>	<u>90,797</u>	<u>1,370,870</u>
<b>Expenses</b>			
Program services			
Member services	765,180	-	765,180
Educational assistance	35,000	-	35,000
Total program services	<u>800,180</u>	<u>-</u>	<u>800,180</u>
Management and general	237,909	-	237,909
Total expenses	<u>1,038,089</u>	<u>-</u>	<u>1,038,089</u>
Change in net assets	241,984	90,797	332,781
<b>Net assets, beginning of year</b>	<u>3,031,931</u>	<u>752,125</u>	<u>3,784,056</u>
<b>Net assets, end of year</b>	<u>\$ 3,273,915</u>	<u>\$ 842,922</u>	<u>\$ 4,116,837</u>

See Notes to Financial Statements

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

### Statement of Functional Expenses

For the year ended December 31, 2019

	Program Services				Total Program	Management and General	Fundraising	Total
	Member Services	Educational Assistance	CDP	Healthcare				
<b>Compensation and related expenses</b>								
Salaries	\$ 280,374	\$ -	\$ 222,806	\$ 87,394	\$ 590,574	\$ 76,731	\$ 9,327	\$ 676,632
Employee benefits	31,374	-	24,932	9,779	66,085	8,586	1,044	75,715
Payroll taxes	23,196	-	18,433	7,230	48,859	6,348	772	55,979
Total compensation and related expenses	334,944	-	266,171	104,403	705,518	91,665	11,143	808,326
<b>Other expenses</b>								
Travel - program	350,672	-	-	-	350,672	-	-	350,672
Trainings	-	-	250,823	-	250,823	-	-	250,823
Professional services	41,435	-	18,141	-	59,576	125,352	-	184,928
Program expenses	149,861	-	-	-	149,861	-	-	149,861
Coin reimbursement to members	107,930	-	-	-	107,930	-	-	107,930
Postage and shipping	44,304	-	-	-	44,304	11,076	-	55,380
Scholarships	-	54,670	-	-	54,670	-	-	54,670
Widows stipend	46,904	-	-	-	46,904	-	-	46,904
Awards	43,603	-	-	-	43,603	-	-	43,603
Books	14,309	-	-	-	14,309	-	-	14,309
Printing	6,476	-	-	-	6,476	6,476	-	12,952
Office supplies	5,899	-	-	-	5,899	5,899	-	11,798
Depreciation	7,353	-	-	-	7,353	2,451	-	9,804
Dues	3,590	-	-	-	3,590	3,590	-	7,180
Maintenance	3,572	-	-	-	3,572	3,572	-	7,144
Insurance	2,160	-	-	-	2,160	4,707	-	6,867
Miscellaneous	5,797	-	-	-	5,797	-	-	5,797
Telephone and internet	4,325	-	-	-	4,325	228	-	4,553
Equipment rental	2,004	-	-	-	2,004	2,004	-	4,008
NG grant	-	-	1,969	-	1,969	-	-	1,969
Advertising	-	-	-	-	-	1,413	-	1,413
Interest on capital lease	791	-	-	-	791	264	-	1,055
Museum expenses	675	-	-	-	675	-	-	675
Bank charges	-	-	-	-	-	118	-	118
Total expenses	\$ 1,176,604	\$ 54,670	\$ 537,104	\$ 104,403	\$ 1,872,781	\$ 258,815	\$ 11,143	\$ 2,142,739

See Notes to Financial Statements

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

### Statement of Functional Expenses

For the year ended December 31, 2018

	Program Services			Management and General	Total
	Member Services	Educational Assistance	Total Program		
<b>Compensation and related expenses</b>					
Salaries	\$ 290,448	\$ -	\$ 290,448	\$ 58,159	\$ 348,607
Employee benefits	48,167	-	48,167	5,352	53,519
Payroll taxes	24,002	-	24,002	2,667	26,669
Total compensation and related expenses	362,617	-	362,617	66,178	428,795
<b>Other expenses</b>					
Travel - members	241,682	-	241,682	-	241,682
Professional services	-	-	-	150,195	150,195
Coin reimbursement to members	69,807	-	69,807	-	69,807
Widows stipend	41,217	-	41,217	-	41,217
Scholarships	-	35,000	35,000	-	35,000
Depreciation	7,665	-	7,665	2,555	10,220
Awards	8,826	-	8,826	-	8,826
Insurance	687	-	687	7,852	8,539
Office supplies	3,677	-	3,677	3,677	7,354
Books	6,776	-	6,776	-	6,776
Postage and shipping	5,335	-	5,335	1,334	6,669
Equipment rental	2,318	-	2,318	2,318	4,636
Clothing and dry cleaning	4,307	-	4,307	-	4,307
Printing	1,578	-	1,578	1,578	3,156
Telephone and internet	2,888	-	2,888	152	3,040
Maintenance	1,339	-	1,339	1,339	2,678
Miscellaneous	1,767	-	1,767	-	1,767
Museum expenses	1,551	-	1,551	-	1,551
Interest on capital lease	709	-	709	236	945
Dues	434	-	434	434	868
Bank charges	-	-	-	61	61
Total expenses	\$ 765,180	\$ 35,000	\$ 800,180	\$ 237,909	\$ 1,038,089

See Notes to Financial Statements

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

## Statements of Cash Flows

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Operating activities</b>		
Change in net assets	\$ 795,214	\$ 332,781
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,804	10,220
Unrealized (gain) loss on investments	(19,504)	14,360
Gain on disposal of property and equipment	-	(328)
Changes in operating assets and liabilities:		
Contributions receivable	18,972	(226,863)
Grants receivable	105,000	(105,000)
Prepaid expenses	(10,491)	3,198
Accounts payable	12,880	6,138
Accrued expenses	15,221	(2,885)
Net cash provided by operating activities	<u>927,096</u>	<u>31,621</u>
<b>Investing activities</b>		
Purchases for website development	(40,121)	-
Purchases of investments	(904,125)	(2,014,150)
Proceeds from sales of investments	159,729	-
Net cash used for investing activities	<u>(784,517)</u>	<u>(2,014,150)</u>
<b>Financing activities</b>		
Principal payments on capital lease obligation	(4,941)	(5,379)
Net cash used for financing activities	<u>(4,941)</u>	<u>(5,379)</u>
Net increase (decrease) in cash and cash equivalents	137,638	(1,987,908)
<b>Cash and cash equivalents, beginning of year</b>	<u>1,747,741</u>	<u>3,735,649</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,885,379</u>	<u>\$ 1,747,741</u>
<b>Supplemental cash flow information</b>		
<b>Cash paid for</b>		
Interest	<u>\$ 1,055</u>	<u>\$ 945</u>
<b>Noncash investing and financing activities:</b>		
Capital lease acquisition, net of trade in value	<u>\$ -</u>	<u>\$ 18,208</u>

See Notes to Financial Statements

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

## Notes to Financial Statements

December 31, 2019 and 2018

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### Note 1. Summary of Significant Accounting Policies

#### Nature of activities:

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

In 2019, the Society took over the operation of several programs that were previously run by the Congressional Medal of Honor Foundation, a related party (see note 12). These programs include the Character Development Program ("CDP") and LiveUp Program.

#### Basis of accounting:

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

#### Net assets:

The Organization's net assets are classified as follows:

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

**Net assets with donor restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has no net assets with donor restrictions to be maintained in perpetuity as of December 31, 2019 or 2018.

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

## Notes to Financial Statements

December 31, 2019 and 2018

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

#### Revenue recognition:

The Organization has adopted Accounting Standards Update (“ASU”) No 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended. The standard is intended to improve the usefulness and understandability of the Organization’s financial reporting and to provide consistency among all organizations.

**Contributions:** Contributions received are recorded when received as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions, as long as there is no performance requirement attached to the contribution. In the instance where there is a performance obligation attached to the contribution, the portion that is attached to a performance requirement is recorded as deferred revenue until it is earned when the performance requirement is met, while the portion that is considered to be a contribution is recorded as revenue when received or unconditionally pledged. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Contributions, and the related recognition of revenue, do not fall within the scope of Topic 606.

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

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

#### Contributions receivable, including grants receivable:

Contributions and grants receivable are recognized as revenue when they are unconditionally pledged or awarded. Contributions and grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization provides for an allowance for uncollectible contributions based on management's estimate of the collectability of the receivables. No allowance has been recorded at December 31, 2019 or 2018, as management believes all receivables are fully collectible. As all amounts are expected to be collected within one year, no discount has been recorded as of December 31, 2019 or 2018.

#### Cash and cash equivalents:

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

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

## Notes to Financial Statements

December 31, 2019 and 2018

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

#### Availability of funds for general expenditures:

The Organization has certain net assets that are available for general expenditures within one year of December 31, 2019 and 2018 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (see Note 2).

#### Fair value of financial instruments:

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

#### Investments:

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

#### Property and equipment:

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

#### Museum collections:

The Organization follows the Financial Accounting Standards Board's ("FASB") *Accounting for Contributions Received and Contributions Made*. Under this guidance, collection items acquired either through purchase or donations are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the Statements of Activities. Proceeds from deaccessions or insurance recoveries are reflected on the Statements of Activities based on the absence or existence and nature of donor-imposed restrictions. There were no purchases or sales of museum collection items during the years ended December 31, 2019 or 2018.

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

## Notes to Financial Statements

December 31, 2019 and 2018

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

#### Income tax status:

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

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

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance for the years ended December 31, 2019 or 2018.

#### 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.

#### Use of estimates:

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

#### Expense allocation:

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

Expenses of the Organization include:

**Program expenses** - Program expenses include member services, educational assistance, CDP, and healthcare programs.

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

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

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

## Notes to Financial Statements

December 31, 2019 and 2018

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

#### Expense allocation, continued:

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

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

#### New accounting pronouncements:

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the guidance in former Topic 605, *Revenue Recognition*, and 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 entity expects to be entitled to in exchange for those goods and services. As previously discussed, the Organization adopted this new accounting standard and all the related amendments as of January 1, 2019 using the modified retrospective method. No cumulative adjustment was required as the result of this adoption.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The Organization adopted this standard during the year ended December 31, 2019. Implementation had no impact on the financial statement presentation.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which was effective for fiscal years ending December 31, 2021. In April 2020, the FASB voted to delay the effective date another year past that. The ASU establishes a dual approach for classifying leases as either financing or operating leases, and requires recognition of an asset and liability on the balance sheet for both types of leases. The Organization is currently assessing the impact of this new guidance on the existing leases.

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

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

## Notes to Financial Statements

December 31, 2019 and 2018

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

#### Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 10, 2020, the date the financial statements were available to be issued.

### Note 2. Availability and Liquidity

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

	<u>2019</u>	<u>2018</u>
Assets at year end	\$ 4,972,236	\$ 4,153,862
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	(18,655)	(8,164)
Investments maturing in excess of one year	(577,210)	(1,297,319)
Property and equipment, net	<u>(75,347)</u>	<u>(45,030)</u>
	4,301,024	2,803,349
Less amounts not available to be used within one year due to donor Imposed restrictions:		
Future expendable donor-restricted funds, net of spendable amounts	<u>-</u>	<u>(60,000)</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 4,301,024</u>	<u>\$ 2,743,349</u>

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

### Note 3. Investments

Investments were comprised of the following as of December 31:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash alternatives	\$ 1,212,194	\$ 1,212,194	\$ 103,874	\$ 103,874
Fixed income:				
Corporate bonds	765,000	776,769	1,000,000	1,000,481
U.S. Government and agencies securities	315,000	314,988	450,000	447,058
Certificates of deposit	<u>455,000</u>	<u>459,739</u>	<u>450,000</u>	<u>448,377</u>
Total investments	<u>\$ 2,747,194</u>	<u>\$ 2,763,690</u>	<u>\$ 2,003,874</u>	<u>\$ 1,999,790</u>

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

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 3. Investments, Continued

The following table shows the gross unrealized losses and fair value of the Organization's investments, with unrealized losses that are deemed to be temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31:

	2019			
	12 Months or Longer		12 Months or Less	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income:				
U.S. Government and agencies securities	\$ 149,988	\$ (12)	\$ -	\$ -
	2018			
	12 Months or Longer		12 Months or Less	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed income:				
Corporate bonds	\$ -	\$ -	\$ 543,569	\$ (6,432)
U.S. Government and agencies securities	-	-	447,058	(2,942)
Certificates of deposit	-	-	448,377	(1,623)
	\$ -	\$ -	\$ 1,439,004	\$ (10,997)

### Note 4. Fair Value of Financial Instruments

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

**Level 1:** Quoted market prices in active markets for identical assets or liabilities.

**Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data.

**Level 3:** Unobservable inputs that are not corroborated by market data.

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

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

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

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 4. Fair Value of Financial Instruments, Continued

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

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

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

*U.S. Government and agencies securities:* Valued using pricing models maximizing the use of observable inputs for similar securities.

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

There were no assets or liabilities measured on a non-recurring basis at December 31, 2019 or 2018.

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

	2019			Fair Value
	(Level 1)	(Level 2)	(Level 3)	
Cash and cash alternatives	\$ 1,212,194	\$ -	\$ -	\$ 1,212,194
Fixed income:				
Corporate bonds	-	776,769	-	776,769
U.S. Government and agencies securities	-	314,988	-	314,988
Certificates of deposit	-	459,739	-	459,739
	<u>\$ 1,212,194</u>	<u>\$ 1,551,496</u>	<u>\$ -</u>	<u>\$ 2,763,690</u>
2018				
	(Level 1)	(Level 2)	(Level 3)	Fair Value
Cash and cash alternatives	\$ 103,874	\$ -	\$ -	\$ 103,874
Fixed income:				
Corporate bonds	-	1,000,481	-	1,000,481
U.S. Government and agencies securities	-	447,058	-	447,058
Certificates of deposit	-	448,377	-	448,377
	<u>\$ 103,874</u>	<u>\$ 1,895,916</u>	<u>\$ -</u>	<u>\$ 1,999,790</u>

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

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 5. Concentrations

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

At December 31, 2019 and 2018, the Organization's cash consisted solely of cash on hand and on deposit, and the Organization had no cash equivalents. The Organization maintains its cash deposits in a high quality financial institution. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

At December 31, 2019 and 2018, the Organization maintains its investments, including cash in its investment portfolio, in one financial institution. The Securities Investor Protection Corporation ("SIPC") insures brokerage accounts at this institution up to \$500,000 with a maximum of \$250,000 allowed for cash claims. The institution also purchased excess SIPC coverage through various syndicates of a London-based firm. The additional protection has an aggregate firm limit of \$750 million, including a sub-limit of \$1.9 million per customer for cash above basic SIPC for the wrongful abstraction of customer funds.

#### Concentrations of revenue:

The Organization's revenue is primarily provided by contributions and grants. During the year ended December 31, 2019, the Organization derived approximately 90 percent of its revenue from three major contributors, the largest of which is a related party (see Note 12). During the year ended December 31, 2018, the Organization derived approximately 80 percent of its revenue from two major contributors, including the same related party (see Note 12).

### Note 6. Property and Equipment, Net

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

	<u>2019</u>	<u>2018</u>
Museum furnishings	\$ 120,341	\$ 120,341
Furniture and fixtures	19,980	19,980
Museum renovations	848,687	848,687
Website development	40,120	-
Office and computer equipment	<u>56,593</u>	<u>56,593</u>
	1,085,721	1,045,601
Less: accumulated depreciation	<u>(1,010,374)</u>	<u>(1,000,571)</u>
	<u>\$ 75,347</u>	<u>\$ 45,030</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$9,804 and \$10,220, respectively. The Society anticipates the website will be placed into service during the year ending December 31, 2020.

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

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 7. Capital Lease Obligation

During 2015, the Organization entered into a capital lease agreement for a copier. The lease was discounted at a rate of 5.25 percent with monthly payments of \$527 and was scheduled to terminate in February 2020. This copier was traded in for a newer version in August 2018 for a trade in value of \$9,120. The new lease is discounted at a rate of 6.00 percent with monthly payments of \$527 and will terminate in July 2023. The present value of net minimum lease payments is reflected in the Statements of Financial Position at December 31, 2019 and 2018 as \$20,345 and \$25,286, respectively. As of December 31, 2019 and 2018, the cost of the asset under the lease was \$27,328, with accumulated depreciation of \$7,743 and \$2,277, respectively.

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

2020	\$	6,324
2021		6,324
2022		6,324
2023		<u>3,689</u>
Total minimum payments		22,661
Less: amount representing Interest		<u>(2,316)</u>
Present value of minimum lease payments	\$	<u>20,345</u>

Amortization, included in depreciation expense, for the capital assets were \$5,466 and \$5,516 for the years ended December 31, 2019 and 2018, respectively.

### Note 8. Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Museum maintenance	\$ 439,056	\$ 439,694
Educational assistance	270,923	296,771
Archivist grant	<u>26,143</u>	<u>106,457</u>
	<u>\$ 736,122</u>	<u>\$ 842,922</u>

### Note 9. Income Agreement

Patriots Point Development Authority, the owner and operator of the Patriots Point Naval and Maritime Museum, has agreed to make an annual contribution to the Organization in lieu of charging separate admission for the Medal of Honor Museum. The total contributions, paid in quarterly installments, were \$42,547 for both of the years ended December 31, 2019 and 2018.

### Note 10. In-Kind Contributions

During the years ended December 31, 2019 and 2018, the Organization received in-kind contributions of approximately \$46,500 and \$96,300, respectively, for legal services provided. Corresponding expenses have been recorded for these contributions in the Statements of Activities.

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

### ***Notes to Financial Statements***

***December 31, 2019 and 2018***

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#### **Note 11. 401(k) Plan**

The Organization has a 401(k) plan (the "Plan") which became effective on April 17, 2018. In order to be eligible for participation, an employee must be employed with the Organization for three calendar months. The Plan includes an auto-enrollment provision whereby all newly eligible employees are automatically enrolled in the Plan unless they affirmatively elect not to participate in the Plan. Automatically enrolled participants have their deferral rate set at three percent of eligible compensation and their contributions invested in a designated fund until changed by the participant. The Organization matches employee contributions up to three percent of the employee's compensation. For any calendar year, the Organization can make profit sharing contributions for which employees are eligible after twelve months of service. Total employer contributions for the years ended December 31, 2019 and 2018 were \$16,112 and \$7,696 respectively.

#### **Note 12. Related Party**

The Congressional Medal of Honor Foundation (the "Foundation") was formed for the purpose of supporting the goals and purposes of the Organization. During the year ended December 31, 2014, an agreement was established whereby the Foundation will contribute, at a minimum, the greater of 10 percent of its unrestricted contributions or \$400,000 annually. During the year ended December 31, 2019, the Foundation transferred the management and operation of its programs to the Society and contributed \$1,524,110 to the Organization. During the year ended December 31, 2018, the Foundation gave \$950,000 to the Organization in contributions and expense reimbursements. The Foundation is one of the leading contributors to the Organization. As of December 31, 2019 and 2018, \$218,528 and \$237,500 was due to the Organization from the Foundation, respectively.

Amounts due to board members for reimbursements at December 31, 2018 total \$10,823. These balances are included in accounts payable on the Statements of Financial Position. There were no amounts due to board members for reimbursements at December 31, 2019.

#### **Note 13. Uncertainties**

The 2019 novel coronavirus (or "COVID-19") has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact the Society and the U.S. economy. These conditions could adversely affect the Society's financial condition and results of operations. Further, COVID-19 may result in health or other government authorities requiring the closure of the Society's operations or other businesses of the Society's donors, which could significantly disrupt the Society's operations and the operations of the Society's donors. The extent of the adverse impact of the COVID-19 outbreak on the Society cannot be predicted at this time.

#### **Note 14. Subsequent Events**

In April 2020, the Society received funding from the paycheck protection program to help alleviate the impact of COVID-19. The paycheck protection program loan has a two-year term with a 1% interest rate. Payments are deferred for the first 6 months. The Society intends to use the funds in the manner which will qualify the loan to be forgiven.