

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

*Report on Financial Statements*

*For the years ended December 31, 2020 and 2019*

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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, 2020 and 2019, 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, 2020 and 2019, 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  
July 23, 2021

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

## Statements of Financial Position

As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,366,074	\$ 1,885,379
Promises to give receivable, net	48,429	-
Contributions receivable	966,926	229,165
Prepaid expenses	173,571	18,655
Investments	2,854,708	2,763,690
Property and equipment, net	47,592	35,227
Intangible assets, net	117,628	40,120
Total assets	<u>\$ 5,574,928</u>	<u>\$ 4,972,236</u>
<b>Liabilities and Net Assets</b>		
Refundable advance	\$ 149,200	\$ -
Accounts payable	1,583	24,619
Accrued expenses	33,499	15,221
Capital lease obligation	15,099	20,345
Total liabilities	<u>199,381</u>	<u>60,185</u>
<b>Net assets</b>		
Without donor restrictions	4,586,551	4,175,929
With donor restrictions	<u>788,996</u>	<u>736,122</u>
Total net assets	<u>5,375,547</u>	<u>4,912,051</u>
Total liabilities and net assets	<u>\$ 5,574,928</u>	<u>\$ 4,972,236</u>

See Notes to Financial Statements

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

## Statement of Activities

For the year ended December 31, 2020

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

See Notes to Financial Statements

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

## Statement of 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	\$ 2,754,399	\$ 18,822	\$ 2,773,221
Contributions - Patriots Point Development Authority	42,547	-	42,547
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	126,022	(126,022)	-
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 Functional Expenses*

*For the year ended December 31, 2020*

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

**See Notes to Financial Statements**



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

*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 and books	122,239	-	-	-	122,239	-	-	122,239
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
Printing	6,476	-	-	-	6,476	6,476	-	12,952
Office supplies	5,899	-	-	-	5,899	5,899	-	11,798
Depreciation and amortization	7,353	-	-	-	7,353	2,451	-	9,804
Dues	3,590	-	-	-	3,590	3,590	-	7,180
Maintenance	4,363	-	-	-	4,363	3,836	-	8,199
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
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

## Statements of Cash Flows

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Change in net assets	\$ 463,496	\$ 795,214
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation	10,061	9,804
Amortization	18,972	-
Unrealized loss (gain) on investments	4,726	(19,504)
Change in discount - pledges receivable	1,571	-
Changes in operating assets and liabilities:		
Promises to give receivable	(50,000)	-
Contributions receivable	(737,761)	18,972
Grants receivable	-	105,000
Prepaid expenses	(154,916)	(10,491)
Accounts payable	(23,036)	12,880
Accrued expenses	18,278	15,221
Net cash (used for) provided by operating activities	<u>(448,609)</u>	<u>927,096</u>
<b>Investing activities</b>		
Purchases of intangible assets	(96,480)	(40,121)
Purchases of property and equipment	(22,426)	-
Purchases of investments	(120,744)	(904,125)
Proceeds from sales of investments	25,000	159,729
Net cash used for investing activities	<u>(214,650)</u>	<u>(784,517)</u>
<b>Financing activities</b>		
Proceeds from refundable advance	149,200	-
Principal payments on capital lease	(5,246)	(4,941)
Net cash provided by (used for) financing activities	<u>143,954</u>	<u>(4,941)</u>
Net (decrease) increase in cash and cash equivalents	(519,305)	137,638
<b>Cash and cash equivalents, beginning of year</b>	<u>1,885,379</u>	<u>1,747,741</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,366,074</u>	<u>\$ 1,885,379</u>
<b>Supplemental cash flow information</b>		
<b>Cash paid for</b>		
Interest	<u>\$ 1,078</u>	<u>\$ 1,055</u>

See Notes to Financial Statements

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

## *Notes to Financial Statements*

*December 31, 2020 and 2019*

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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.

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

#### *Basis of accounting:*

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

#### *Net assets:*

The Organization's net assets are classified as follows:

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

**Net assets with donor restrictions:** Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has no net assets with donor restrictions to be maintained in perpetuity as of December 31, 2020 or 2019.

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

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### Revenue recognition:

**Contributions:** Contributions received are recorded when received as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions, as long as there is no performance requirement attached to the contribution. In the instance where there is a performance obligation attached to the contribution, the portion that is attached to a performance requirement is recorded as deferred revenue until it is earned when the performance requirement is met, while the portion that is considered to be a contribution is recorded as revenue when received or unconditionally pledged. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

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

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

#### Contributions receivable, including promises to give receivable:

Contributions and promises to give receivable are recognized as revenue when they are unconditionally pledged or awarded. Contributions and promises to give receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization provides for an allowance for uncollectible contributions based on management's estimate of the collectability of the receivables. No allowance has been recorded at December 31, 2020 or 2019, as management believes all receivables are fully collectible. A discount of \$1,571 has been recorded as of December 31, 2020. No discount has been recorded as of December 31, 2019.

#### 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, 2020 and 2019

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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, 2020 and 2019 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.

#### Intangible assets:

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

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

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### 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, 2020 or 2019.

#### 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, 2020 or 2019.

#### 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.

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

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### Expense allocation:

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

Expenses of the Organization include:

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

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

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

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

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits and payroll taxes	Based on payroll allocation
Professional services	Direct costs to programs; remaining to management/general
Program expenses	Direct costs to programs; remaining to management/general
Postage and shipping	Based on estimate of utilization
Printing	Based on estimate of utilization
Office supplies	Based on estimate of utilization
Depreciation and amortization	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

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

## Notes to Financial Statements

December 31, 2020 and 2019

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

#### New accounting pronouncements:

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to require all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. The amendments will be effective for the Organization's fiscal year ending December 31, 2022. Early adoption is permitted. The Organization is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

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

#### Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 23, 2021, 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>2020</u>	<u>2019</u>
Assets at year end	\$ 5,574,928	\$ 4,972,236
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	(173,571)	(18,665)
Investments maturing in excess of one year	(118,332)	(577,210)
Property and equipment, net	(47,592)	(75,347)
Intangible assets, net	(117,628)	-
Promises to give receivable due after one year	<u>(25,000)</u>	<u>-</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 5,092,805</u>	<u>\$ 4,301,024</u>

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



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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 3. Investments

Investments were comprised of the following as of December 31:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and cash alternatives	\$ 2,279,240	\$ 2,279,240	\$ 1,212,194	\$ 1,212,194
Fixed income:				
Corporate bonds	415,000	422,276	765,000	776,769
U.S. Government and agencies securities	-	-	315,000	314,988
Certificates of deposit	150,000	153,192	455,000	459,739
Total investments	<u>\$ 2,844,240</u>	<u>\$ 2,854,708</u>	<u>\$ 2,747,194</u>	<u>\$ 2,763,690</u>

### Note 4. Fair Value of Financial Instruments

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

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

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

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

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

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

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

## Notes to Financial Statements

December 31, 2020 and 2019

### 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, 2020 or 2019.

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

	2020			Fair Value
	(Level 1)	(Level 2)	(Level 3)	
Cash and cash alternatives	\$ 2,279,240	\$ -	\$ -	\$ 2,279,240
Fixed income:				
Corporate bonds	-	422,276	-	422,276
Certificates of deposit	-	153,192	-	153,192
	<u>\$ 2,279,240</u>	<u>\$ 575,468</u>	<u>\$ -</u>	<u>\$ 2,854,708</u>
2019				
	(Level 1)	(Level 2)	(Level 3)	Fair Value
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>

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## Notes to Financial Statements

December 31, 2020 and 2019

### Note 5. Concentrations

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

At December 31, 2020 and 2019, 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, 2020 and 2019, 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, 2020, the Organization derived approximately 90% of its revenue from one major contributor, a related party (see Note 14). For the year ended December 31, 2019, the Organization derived approximately 92% of its revenue from three major contributors including the same related party as in 2020.

### Note 6. Property and Equipment, Net

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

	<u>2020</u>	<u>2019</u>
Museum furnishings	\$ 127,775	\$ 120,341
Furniture and fixtures	22,008	19,980
Museum renovations	849,621	848,687
Office and computer equipment	<u>68,623</u>	<u>56,593</u>
	1,068,027	1,085,721
Less: accumulated depreciation	<u>(1,020,435)</u>	<u>(1,010,374)</u>
	<u>\$ 47,592</u>	<u>\$ 75,347</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$10,061 and \$9,804, respectively. As of December 31, 2020, construction in progress of \$10,314 is included in museum furnishings as costs are associated with museum kiosks.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 7. Intangible Assets, Net

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

	<u>2020</u>	<u>2019</u>
Website development	\$ 136,600	\$ 40,120
Less accumulated amortization	<u>(18,972)</u>	<u>-</u>
	<u>\$ 117,628</u>	<u>\$ 40,120</u>

Amortization expense for the year ended December 31, 2020 was \$18,972. There was no amortization expense for the year ended December 31, 2019.

### Note 8. Refundable Advance

In April 2020, the Trust applied for a Paycheck Protection Program Loan ("PPP loan") that is administered by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). On April 22, 2020, the PPP loan was approved and the Trust received the PPP loan proceeds of \$149,200.

The PPP loan bears interest of 1.0% per annum and has a two-year term that matures on April 22, 2022. The PPP loan may be forgiven partially or fully if the PPP loan proceeds are used for payroll costs, rent and utility payments and interest payments on the Organization's mortgage. On May 26, 2021, the Organization received notification of forgiveness (See Note 17).

### Note 9. 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, 2020 and 2019 as \$15,099 and \$20,345, respectively. As of December 31, 2020 and 2019, the cost of the asset under the lease was \$27,328, with accumulated depreciation of \$13,209 and \$7,743, respectively.

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

2021	\$ 6,324
2022	6,324
2023	<u>3,689</u>
Total minimum payments	16,337
Less: amount representing Interest	<u>(1,238)</u>
Present value of minimum lease payments	<u>\$ 15,099</u>

Amortization, included in depreciation expense, for the capital assets was \$5,466 for each of the years ended December 31, 2020 and 2019.

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

## Notes to Financial Statements

December 31, 2020 and 2019

### Note 10. Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Museum maintenance	\$ 398,670	\$ 439,056
Educational assistance	257,596	270,923
CDP	112,868	-
Archivist grant	<u>19,862</u>	<u>26,143</u>
	<u>\$ 788,996</u>	<u>\$ 736,122</u>

### Note 11. Income Agreement

Patriots Point Development Authority, the owner and operator of the Patriots Point Naval and Maritime Museum, has agreed to make an annual contribution to the Organization in lieu of charging separate admission for the Medal of Honor Museum. The total contributions, paid in quarterly installments, were \$42,547 for both of the years ended December 31, 2020 and 2019.

### Note 12. In-Kind Contributions

During the years ended December 31, 2020 and 2019, the Organization received in-kind contributions of approximately \$246,621 and \$46,500, respectively, for legal services provided and donated airline miles. Corresponding expenses have been recorded for these contributions in the Statements of Activities.

### Note 13. 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, 2020 and 2019 were \$23,014 and \$16,112 respectively.

### Note 14. Related Party

The Congressional Medal of Honor Foundation (the "Foundation") was formed for the purpose of supporting the goals and purposes of the Organization. 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, 2020, the Foundation contributed \$2,100,096 to the Organization. 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. The Foundation is one of the leading contributors to the Organization. As of December 31, 2020 and 2019, \$949,961 and \$218,528 was due to the Organization from the Foundation, respectively.

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

### *Notes to Financial Statements*

*December 31, 2020 and 2019*

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#### **Note 15. Special Events**

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

#### **Note 16. 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 Organization and the U.S. economy. These conditions could adversely affect the Organization’s financial condition and results of operations. The extent of the adverse impact of the COVID-19 outbreak on the Organization cannot be predicted at this time.

#### **Note 17. Subsequent Events**

Subsequent to year end, on May 26, 2021, the Trust received notification approval from its lender and the SBA regarding the 100% forgiveness of its full PPP loan in the amount of \$149,200 (see Note 8).

Subsequent to year end, the Organization received a second loan in the amount of \$146,000 to fund payroll, rent, utilities, interest on mortgages and existing debt, and other eligible expenditures through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.