

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

Report on Financial Statements

For the Years Ended December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

Adoption of a New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses presentation of net asset classifications for consistency and understandability, provides information about liquidity and availability of resources, and allows consistency in information provided about expenses and investment return. The Congressional Medal of Honor Society of the United States of America adopted ASU 2016-14 during the year ended December 31, 2018, and it was applied retrospectively. The adoption of this standard did not have any impact on the Congressional Medal of Honor Society of the United States of America's net assets or changes in net assets. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
July 23, 2019

Congressional Medal of Honor Society of the United States of America

Statements of Financial Position

As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 1,747,741	\$ 3,735,649
Contributions receivable	248,137	21,274
Grants receivable	105,000	-
Prepaid expenses	8,164	11,362
Investments	1,999,790	-
Property and equipment, net	45,030	36,714
Total assets	<u>\$ 4,153,862</u>	<u>\$ 3,804,999</u>
Liabilities and Net Assets		
Accounts payable	\$ 11,739	\$ 5,601
Accrued expenses	-	2,885
Capital lease obligation	25,286	12,457
Total liabilities	<u>37,025</u>	<u>20,943</u>
Net assets		
Without donor restrictions	3,273,915	3,031,931
With donor restrictions	842,922	752,125
Total net assets	<u>4,116,837</u>	<u>3,784,056</u>
Total liabilities and net assets	<u>\$ 4,153,862</u>	<u>\$ 3,804,999</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>
Support and revenue			
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	<u>148,956</u>	<u>(148,956)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>1,280,073</u>	<u>90,797</u>	<u>1,370,870</u>
Expenses			
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
Net assets, beginning of year	<u>3,031,931</u>	<u>752,125</u>	<u>3,784,056</u>
Net assets, end of year	<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 Activities

For the year ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Contributions	\$ 959,275	\$ 94,035	\$ 1,053,310
Contributions - Patriots Point Development Authority	42,547	-	42,547
In-kind contributions	15,329	-	15,329
Interest income	1,199	439	1,638
Total support and revenue	<u>1,018,350</u>	<u>94,474</u>	<u>1,112,824</u>
Net assets released from restrictions	123,232	(123,232)	-
Total support, revenue and reclassifications	<u>1,141,582</u>	<u>(28,758)</u>	<u>1,112,824</u>
Expenses			
Program services			
Member services	535,888	-	535,888
Educational assistance	46,685	-	46,685
Total program services	<u>582,573</u>	<u>-</u>	<u>582,573</u>
Management and general	111,328	-	111,328
Total expenses	<u>693,901</u>	<u>-</u>	<u>693,901</u>
Change in net assets	447,681	(28,758)	418,923
Net assets, beginning of year	<u>2,584,250</u>	<u>780,883</u>	<u>3,365,133</u>
Net assets, end of year	<u>\$ 3,031,931</u>	<u>\$ 752,125</u>	<u>\$ 3,784,056</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, 2018

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

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, 2017

	Program Services		Management and General	Total
	Member Services	Educational Assistance		
Compensation and related expenses				
Salaries	\$ 160,149	\$ -	\$ 42,469	\$ 202,618
Employee benefits	34,716	-	3,857	38,573
Payroll taxes	13,950	-	1,550	15,500
Total compensation and related expenses	208,815	-	47,876	256,691
Other expenses				
Travel - members	121,217	-	-	121,217
Coin reimbursement to members	51,674	-	-	51,674
Scholarships	-	46,685	-	46,685
Professional services	-	-	39,410	39,410
Depreciation	26,324	-	8,775	35,099
Awards	32,127	-	-	32,127
Medical expense assistance	25,599	-	-	25,599
Clothing and dry cleaning	17,411	-	-	17,411
Widows stipend	14,339	-	-	14,339
Books	12,837	-	-	12,837
Telephone and internet	6,799	-	358	7,157
Office supplies	3,470	-	3,470	6,940
Postage and shipping	5,374	-	1,344	6,718
Insurance	31	-	5,129	5,160
Equipment rental	1,784	-	1,784	3,568
Other support	3,400	-	-	3,400
Maintenance	1,188	-	1,187	2,375
Dues	971	-	971	1,942
Printing	810	-	809	1,619
Interest on capital lease	609	-	203	812
Museum expenses	725	-	-	725
Miscellaneous	384	-	-	384
Bank charges	-	-	12	12
Total expenses	\$ 535,888	\$ 46,685	\$ 111,328	\$ 693,901

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating activities		
Change in net assets	\$ 332,781	\$ 418,923
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	10,220	35,099
Unrealized loss on investments	14,360	-
Gain on disposal of property and equipment	(328)	-
Changes in operating assets and liabilities:		
Contributions receivable	(226,863)	89,363
Grants receivable	(105,000)	-
Prepaid expenses	3,198	(1,786)
Accounts payable	6,138	(6,291)
Accrued expenses	(2,885)	92
Net cash provided by operating activities	<u>31,621</u>	<u>535,400</u>
Investing activities		
Purchases of investments	(2,014,150)	-
Net cash used for investing activities	<u>(2,014,150)</u>	<u>-</u>
Financing activities		
Principal payments on capital lease obligation	(5,379)	(5,513)
Net cash used for financing activities	<u>(5,379)</u>	<u>(5,513)</u>
Net (decrease) increase in cash and cash equivalents	(1,987,908)	529,887
Cash and cash equivalents, beginning of year	3,735,649	3,205,762
Cash and cash equivalents, end of year	<u>\$ 1,747,741</u>	<u>\$ 3,735,649</u>
Supplemental cash flow information		
Cash paid for		
Interest	<u>\$ 945</u>	<u>\$ 812</u>
Noncash investing and financing activities:		
Capital lease acquisition, net of trade in value	<u>\$ 18,208</u>	<u>\$ -</u>

See Notes to Financial Statements

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2018 and 2017

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 person to whom the Medal has been awarded, their widows or their children, as well as to need 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.

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 permanently restricted net assets as of December 31, 2018 or 2017.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies, Continued

Revenue recognition:

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

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.

Availability of funds for general expenditures:

The Organization has certain net assets that are available for general expenditures within one year of December 31, 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).

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, 2018 or 2017, 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, 2018 or 2017.

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 investments are classified within Level 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.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies, Continued

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, 2018 or 2017.

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, 2018 or 2017. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for tax years before 2015.

Donated services:

Donated services are recognized as contributions in accordance with *Accounting for Contributions Received and Contributions Made*, if the services, a) create or enhance nonfinancial assets, or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. Volunteers also provide services that are not recognized as contributions because the recognition criteria were not met.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies, Continued

Use of estimates:

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

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 and educational assistance.

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

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
Depreciation	Based on utilization of assets
Insurance	Direct costs to programs; remaining to management/general
Office supplies	Based on estimate of utilization
Postage and shipping	Based on estimate of utilization
Equipment rental	Based on estimate of utilization
Printing	Based on estimate of utilization
Telephone and internet	Based on estimate of utilization
Maintenance	Based on estimate of utilization
Interest on capital lease	Based on utilization of assets
Dues	Based on estimate of utilization

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies, Continued

New accounting pronouncements:

The FASB, on August 18, 2016, published Accounting Standards Update (ASU) No. 2016-14, *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not-for-profit groups better convey how they spend and manage their resources. The Organization has adopted this standard for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented. As allowed under the standard, the liquidity footnote disclosure (see Note 2) has not been presented for the year ended December 31, 2017.

The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted net asset class has been identified as net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- Disclosure of the allocation methodology for functional expenses.
- The financial statements include a new disclosure about liquidity and availability of resources (see Note 2).

See below for impact of the restatement as of December 31, 2017:

	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 3,031,931	\$ -
Temporarily restricted net assets	752,125	-
Net assets without donor restrictions	-	3,031,931
Net assets with donor restrictions	-	752,125
Total net assets	<u>\$ 3,784,056</u>	<u>\$ 3,784,056</u>

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. In August 2015, the FASB deferred the effective date of ASU 2014-09, *Revenue from Contracts with Customers*. As a result of the deferral, the guidance in ASU 2014-09 will be effective for the Organization for reporting periods beginning after December 15, 2018. The Organization is currently evaluating the impact of this new guidance on its financial statements.

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 clarifying guidance will be effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2018 and 2017

Note 1. Summary of Significant Accounting Policies, Continued

New accounting pronouncements, continued:

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, 2019, the date the financial statements were available to be issued (see Note 14).

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 of December 31, 2018, are comprised of the following at December 31, 2018:

	<u>2018</u>
Financial assets at year end:	\$ 4,153,862
Less amounts not available to be used within one year due to illiquidity:	
Prepaid expenses	(8,164)
Investments maturing in excess of one year	(1,297,319)
Property and equipment, net	<u>(45,030)</u>
	<u>(1,350,513)</u>
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>(60,000)</u>
	<u>(60,000)</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<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 certain short-term investments, 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, 2018 and 2017

Note 3. Investments

Investments were comprised of the following as of December 31, 2018:

	<u>Cost</u>	<u>Fair Market Value</u>
Cash and cash alternatives	\$ 103,874	\$ 103,874
Fixed income:		
Corporate bonds	1,000,000	1,000,481
U.S. Government and agencies securities	450,000	447,058
Certificates of deposit	450,000	448,377
Total investments	<u>\$ 2,003,874</u>	<u>\$ 1,999,790</u>

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:

	<u>2018</u>			
	<u>12 Months or Longer</u>		<u>12 Months or Less</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
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)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,439,004</u>	<u>\$ (10,997)</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.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2018 and 2017

Note 4. Fair Value of Financial Instruments, Continued

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.

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, 2018 or 2017.

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

	2018			Fair Value
	(Level 1)	(Level 2)	(Level 3)	
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>

No similar assets were measured at fair value as of December 31, 2017.

Note 5. Concentrations

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

At December 31, 2018 and 2017, 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.

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Notes to Financial Statements

December 31, 2018 and 2017

Note 5. Concentrations, Continued

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

At December 31, 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. During the year ended December 31, 2018, the Organization derived approximately 80 percent of its revenue from two major contributors, the largest of which is a related party (see Note 12). During the year ended December 31, 2017, the Organization derived approximately 76 percent of its revenue from three major contributors, the largest of which is a related party (see Note 12).

Note 6. Property and Equipment, Net

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

	<u>2018</u>	<u>2017</u>
Museum furnishings	\$ 120,341	\$ 120,341
Furniture and fixtures	19,980	19,980
Museum renovations	848,687	848,687
Office and computer equipment	<u>56,593</u>	<u>57,027</u>
	1,045,601	1,046,035
Less: accumulated depreciation	<u>(1,000,571)</u>	<u>(1,009,321)</u>
	<u>\$ 45,030</u>	<u>\$ 36,714</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$10,220 and \$35,099, respectively.

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, 2018 and 2017 as \$25,286 and \$12,457, respectively. As of December 31, 2018 and 2017, the cost of the asset under the lease was \$27,328 and \$27,763, with accumulated depreciation of \$2,277 and \$15,732, respectively.

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Notes to Financial Statements

December 31, 2018 and 2017

Note 7. Capital Lease Obligation, Continued

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

2019	\$	6,324
2020		6,324
2021		6,324
2022		6,324
2023		<u>3,689</u>
Total minimum payments		28,985
Less: amount representing Interest		<u>(3,699)</u>
Present value of minimum lease payments	\$	<u>25,286</u>

Depreciation expense for the capital assets was \$5,516 and \$5,552 for the years ended December 31, 2018 and 2017, respectively.

Note 8. 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 year ended December 31, 2018 were \$7,696.

Note 9. Board Designated Net Assets and Net Assets with Donor Restrictions

Previously, the Organization's Board of Directors chose to place limitations on unrestricted net assets for special uses. During the year ending December 31, 2018, the Board of Directors lifted those limitations. As of December 31, 2017, \$1,506,242 was specifically designated for the Special Use Fund by the Board of Directors. Amounts designated for the Special Use Fund were set aside to support recipients, spouses, widows and family needs. The Board of Directors can establish support levels as they see fit and as the circumstances justify.

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

	<u>2018</u>	<u>2017</u>
Museum maintenance	\$ 439,694	\$ 440,807
Educational assistance	296,771	242,456
Archivist grant	106,457	29,600
Special use fund	-	<u>39,262</u>
	<u>\$ 842,922</u>	<u>\$ 752,125</u>

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Note 10. 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, 2018 and 2017.

Note 11. In-Kind Contributions

During the years ended December 31, 2018 and 2017, the Organization received in-kind contributions of approximately \$96,300 and \$15,300, respectively, for legal services provided. Corresponding expenses have been recorded for these contributions in the Statements of Activities.

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, 2018, the board of the Foundation elected to contribute \$950,000 to the Organization. During the year ended December 31, 2017, the Foundation gave \$400,000 to the Organization in contributions and expense reimbursements. The Foundation is one of the leading contributors to the Organization. As of December 31, 2018, \$237,500 was due to the Organization from the Foundation. No amounts were due as of December 31, 2017.

Amounts due to board members for reimbursements at December 31, 2018 and 2017 total \$10,823 and \$509, respectively. These balances are included in accounts payable on the Statements of Financial Position.

Note 13. Other Matters

The State of South Carolina, via the Patriots Point Development Authority, previously announced its plans to open a Medal of Honor Museum located in the Patriot Point Naval and Maritime Complex. A separate, unrelated organization was formed to lead the activities of developing this museum. Historically, the Congressional Medal of Honor Society of the United States of America's level of involvement in this project had been unknown, and these plans were officially cancelled by the State of South Carolina in February 2019.

Note 14. Subsequent Events

As of March 2019, various educational and outreach programs previously run by the Congressional Medal of Honor Foundation were transitioned to the Congressional Medal of Honor Society of the United States of America. These programs, which will be run by the Society in the future, include the Character Development Program, the LiveUp program, Citizens Honors, and the Grave Marker program, which will have a significant impact on the Organization in 2019 and going forward.