

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

Report on Financial Statements

For the years ended December 31, 2022 and 2021

Congressional Medal of Honor Society of the United States of America

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of the Congressional Medal of Honor Society of the United States of America (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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



Charleston, South Carolina
August 17, 2023

Congressional Medal of Honor Society of the United States of America

Statements of Financial Position

As of December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 5,137,133	\$ 4,841,500
Promises to give receivable	-	25,000
Employee retention tax credits receivable	133,000	-
Other receivables	10,637	17,918
Prepaid expenses	79,858	80,845
Investments	-	75,355
Property and equipment, net	278,598	244,208
Intangible assets, net	65,825	83,761
Total assets	<u>\$ 5,705,051</u>	<u>\$ 5,368,587</u>
Liabilities and Net Assets		
Accounts payable	\$ 15,117	\$ 58,315
Accrued expenses	126,077	56,478
Deferred revenue	101,455	-
Other liabilities	3,616	9,529
Total liabilities	<u>246,265</u>	<u>124,322</u>
Net assets		
Without donor restrictions	4,452,819	3,897,025
With donor restrictions	<u>1,005,967</u>	<u>1,347,240</u>
Total net assets	<u>5,458,786</u>	<u>5,244,265</u>
Total liabilities and net assets	<u>\$ 5,705,051</u>	<u>\$ 5,368,587</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and grant revenue	\$ 2,856,845	\$ 575,900	\$ 3,432,745
Contributions - Patriots Point Development Authority	42,547	-	42,547
Contributed nonfinancial assets/services	95,102	-	95,102
Event income	-	1,050	1,050
Miscellaneous income	164,854	-	164,854
Interest income	19,819	-	19,819
Unrealized loss on investments	(355)	-	(355)
Total support and revenue	3,178,812	576,950	3,755,762
Net assets released from restrictions	918,223	(918,223)	-
Total support, revenue and reclassifications	4,097,035	(341,273)	3,755,762
Expenses			
Program services			
Member services	1,735,728	-	1,735,728
Educational assistance	254,688	-	254,688
CDP	990,897	-	990,897
Healthcare	115,730	-	115,730
Total program services	3,097,043	-	3,097,043
Management and general	432,905	-	432,905
Fundraising	11,293	-	11,293
Total expenses	3,541,241	-	3,541,241
Change in net assets	555,794	(341,273)	214,521
Net assets, beginning of year	3,897,025	1,347,240	5,244,265
Net assets, end of year	<u>\$ 4,452,819</u>	<u>\$ 1,005,967</u>	<u>\$ 5,458,786</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and grant revenue	\$ 1,458,932	\$ 1,129,132	\$ 2,588,064
Contributions - Patriots Point Development Authority	42,274	-	42,274
Contributed nonfinancial assets/services	12,716	-	12,716
Event income	18,500	-	18,500
Forgiveness of refundable advance	299,445	-	299,445
Interest income	15,352	-	15,352
Unrealized loss on investments	(9,624)	-	(9,624)
Total support and revenue	1,837,595	1,129,132	2,966,727
Net assets released from restrictions	570,888	(570,888)	-
Total support, revenue and reclassifications	2,408,483	558,244	2,966,727
Expenses			
Program services			
Member services	1,614,987	-	1,614,987
Educational assistance	207,360	-	207,360
CDP	653,650	-	653,650
Healthcare	152,420	-	152,420
Total program services	2,628,417	-	2,628,417
Management and general	457,905	-	457,905
Fundraising	11,687	-	11,687
Total expenses	3,098,009	-	3,098,009
Change in net assets	(689,526)	558,244	(131,282)
Net assets, beginning of year	4,586,551	788,996	5,375,547
Net assets, end of year	<u>\$ 3,897,025</u>	<u>\$ 1,347,240</u>	<u>\$ 5,244,265</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, 2022

	Program Services					Management and General	Fundraising	Total
	Member Services	Educational Assistance	CDP	Healthcare	Total Program			
Compensation and related expenses								
Salaries	\$ 362,844	\$ 48,177	\$ 389,812	\$ 96,275	\$ 897,108	\$ 128,449	\$ 9,395	\$ 1,034,952
Employee benefits	46,041	6,113	49,462	12,216	113,832	16,299	1,192	131,323
Payroll taxes	27,282	3,622	29,309	7,239	67,452	9,658	706	77,816
Total compensation and related expenses	436,167	57,912	468,583	115,730	1,078,392	154,406	11,293	1,244,091
Other expenses								
Events	579,312	-	-	-	579,312	-	-	579,312
Professional services	-	98,944	115,928	-	214,872	244,222	-	459,094
Travel - program	372,648	-	-	-	372,648	-	-	372,648
Program expenses	87,242	68,314	167,055	-	322,611	-	-	322,611
Trainings	-	-	239,331	-	239,331	-	-	239,331
Depreciation and amortization	63,154	-	-	-	63,154	21,051	-	84,205
Miscellaneous	56,266	-	-	-	56,266	-	-	56,266
Coins and books	50,975	-	-	-	50,975	-	-	50,975
Scholarships	-	29,518	-	-	29,518	-	-	29,518
Widows stipend	25,325	-	-	-	25,325	-	-	25,325
Telephone and internet	21,164	-	-	-	21,164	1,114	-	22,278
Awards	17,348	-	-	-	17,348	-	-	17,348
Office supplies	5,628	-	-	-	5,628	5,628	-	11,256
Insurance	9,625	-	-	-	9,625	-	-	9,625
Postage and shipping	6,626	-	-	-	6,626	1,656	-	8,282
Maintenance	2,432	-	-	-	2,432	2,433	-	4,865
Dues	1,816	-	-	-	1,816	1,815	-	3,631
Bank charges	-	-	-	-	-	580	-	580
Total expenses	<u>\$ 1,735,728</u>	<u>\$ 254,688</u>	<u>\$ 990,897</u>	<u>\$ 115,730</u>	<u>\$ 3,097,043</u>	<u>\$ 432,905</u>	<u>\$ 11,293</u>	<u>\$ 3,541,241</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, 2021

	Program Services					Management and General	Fundraising	Total
	Member Services	Educational Assistance	CDP	Healthcare	Total Program			
Compensation and related expenses								
Salaries	\$ 322,398	\$ 22,431	\$ 351,945	\$ 124,446	\$ 821,220	\$ 122,604	\$ 9,542	\$ 953,366
Employee benefits	47,613	3,366	52,818	18,676	122,473	18,400	1,432	142,305
Payroll taxes	23,704	1,676	26,295	9,298	60,973	9,160	713	70,846
Total compensation and related expenses	393,715	27,473	431,058	152,420	1,004,666	150,164	11,687	1,166,517
Other expenses								
Events	631,809	-	-	-	631,809	-	-	631,809
Professional services	-	62,666	57,648	-	120,314	275,860	-	396,174
Travel - program	229,560	-	-	-	229,560	-	-	229,560
Trainings	-	-	161,968	-	161,968	-	-	161,968
Program expenses	59,045	97,221	2,976	-	159,242	-	-	159,242
Coins and books	110,008	-	-	-	110,008	-	-	110,008
Depreciation and amortization	44,294	-	-	-	44,294	14,765	-	59,059
Miscellaneous	54,427	-	-	-	54,427	-	-	54,427
Awards	24,374	-	-	-	24,374	-	-	24,374
Telephone	21,628	-	-	-	21,628	1,138	-	22,766
Scholarships	-	20,000	-	-	20,000	-	-	20,000
Office Supplies	7,264	-	-	-	7,264	7,264	-	14,528
Widows stipend	14,067	-	-	-	14,067	-	-	14,067
Postage and shipping	9,301	-	-	-	9,301	2,325	-	11,626
Insurance	9,550	-	-	-	9,550	-	-	9,550
Maintenance	3,443	-	-	-	3,443	3,443	-	6,886
Dues	2,502	-	-	-	2,502	2,501	-	5,003
Bank charges	-	-	-	-	-	445	-	445
Total expenses	<u>\$ 1,614,987</u>	<u>\$ 207,360</u>	<u>\$ 653,650</u>	<u>\$ 152,420</u>	<u>\$ 2,628,417</u>	<u>\$ 457,905</u>	<u>\$ 11,687</u>	<u>\$ 3,098,009</u>

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, 2022 and 2021

	2022	2021
Operating activities		
Change in net assets	\$ 214,521	\$ (131,282)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	84,205	59,059
Unrealized loss on investments	355	9,624
Change in discount - promises to give receivable	-	(1,571)
Forgiveness of refundable advance	-	(299,445)
Changes in operating assets and liabilities:		
Promises to give receivable	25,000	25,000
Employee retention tax credits receivable	(133,000)	-
Other receivables	7,281	949,008
Prepaid expenses	987	92,726
Accounts payable	(43,198)	56,732
Accrued expenses	69,599	22,979
Deferred revenue	101,455	-
Other liabilities	(5,913)	(5,570)
Net cash provided by operating activities	<u>321,292</u>	<u>777,260</u>
Investing activities		
Purchases of intangible assets	(32,500)	(12,000)
Purchases of property and equipment	(68,159)	(209,808)
Purchases of investments	-	(15,282)
Proceeds from sales of investments	75,000	75,000
Net cash used for investing activities	<u>(25,659)</u>	<u>(162,090)</u>
Financing activities		
Proceeds from refundable advance	-	150,245
Net cash provided by financing activities	-	150,245
Net increase in cash and cash equivalents	295,633	765,415
Cash and cash equivalents, beginning of year	<u>4,841,500</u>	<u>4,076,085</u>
Cash and cash equivalents, end of year	<u>\$ 5,137,133</u>	<u>\$ 4,841,500</u>
Supplemental cash flow information		
Cash paid for		
Interest	\$ -	\$ 754

See Notes to Financial Statements

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2022 and 2021

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 meet the 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 that was established by Congress in 1999 under Public Law 106-83 and is 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, 2022 or 2021.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 or 2021, as management believes all receivables are fully collectible. No discount has been recorded as of December 31, 2022 or December 31, 2021.

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.

Investments:

Investments in fixed income securities are stated at their fair values in the Statements of Financial Position. Investments were comprised solely of fixed income corporate bonds as of December 31, 2021.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021 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). For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to ongoing activities of the Character Development Program ("CDP"), member services program, healthcare program, and educational assistance program, as well as the conduct of services undertaken to support these activities, to be general expenditures. The Organization has certain donor-restricted net assets that are available for general expenditures within the next year because the restrictions on the net assets are expected to be met by conducting normal program activities.

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 Level 2 of the fair value hierarchy for the year ended December 31, 2021. There were no investments held as of December 31, 2022.

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 Statements of Functional Expenses.

Deferred revenue:

Deferred revenue consists of funds received from a grant in which there are certain conditions that need to be met before recognition of the revenue can occur. As of December 31, 2022, these conditions have not been met and therefore, the entire grant of \$101,455 is included in deferred revenue.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies, Continued

Museum collections:

The Organization's museum collection consists of items that serve as the memorabilia and research center for the Medal of Honor, its Recipients, and the Congressional Medal of Honor Society, which are held for public exhibition, education, or research. The collection includes a premiere database of all Medal of Honor Recipients and their citations, reference files on all 3,500-plus Medal of Honor Recipients, photographs of Recipients and medals of honor (both modern and historical), oral histories and interviews, subject files, research papers, research library, artifacts, statistical analysis of Recipients and the Medal of Honor Society, and the history of the Congressional Medal of Honor Society. The Organization's collections management policy includes guidance on the preservation, care, and maintenance of the collections and procedures relating to the accession/deaccession of collection items.

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 donation 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 in the period of acquisition. Contributions of collection items are not recognized in the Statements of Activities. Proceeds from deaccessions or insurance recoveries are reflected in the Statements of Activities based on the absence or existence and nature of donor-imposed restrictions and are designated for future collection acquisitions. There was \$13,092 in purchases and no sales of museum collection items during December 31, 2022. There were no purchases or sales of museum collection items during the year ended December 31, 2021.

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, 2022 or 2021.

Contributed nonfinancial assets/services:

The Organization received contributed nonfinancial assets/services which are recorded in operating income and the applicable functional expense at fair market value. Contributed nonfinancial assets/services include travel, gift cards, and legal services provided by a board member. Corresponding expenses have been recorded for these contributions in the Statements of Activities.

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies, Continued

Contributed nonfinancial assets/services, continued:

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

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 services - Program services 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	Based on salaries allocation
Payroll taxes	Based on salaries allocation
Professional services	Direct costs to programs; remaining to management/general

Congressional Medal of Honor Society of the United States of America

Notes to Financial Statements

December 31, 2022 and 2021

Note 1. Summary of Significant Accounting Policies, Continued

Expense allocation, continued:

<u>Expense Type</u>	<u>Method of Allocation</u>
Depreciation and amortization	Based on utilization of assets
Telephone and internet	Based on estimate of utilization
Office supplies	Based on estimate of utilization
Postage and shipping	Based on estimate of utilization
Maintenance	Based on estimate of utilization
Dues	Based on estimate of utilization

Reclassifications:

Certain reclassifications have been made to the Organization's prior year financial statements to conform to the current year presentation.

New accounting pronouncements:

In February 2016, the financial accounting standards board ("FASB") issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which was effective for the Organization for fiscal years beginning after December 15, 2021. The ASU establishes a dual approach for classifying leases as either financing or operating leases and requires recognition of a right-of-use asset and lease liability on the Statements of Financial Position for both types of leases. This distinction will be relevant for the pattern of expense recognition in the Statements of Activities. The Organization adopted this new guidance as of January 1, 2022, however, there was no material impact to the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which was effective for fiscal years beginning after June 15, 2021. This standard addresses the presentation and disclosures of these types of contributions and is intended to increase transparency around contributed nonfinancial assets ("gifts in kind") received by not-for profit entities, including transparency on how these assets are used. The Organization adopted this new guidance as of January 1, 2022, and it was applied retrospectively to the financial statements as of and for the year ended December 31, 2021. The presentation and disclosures of contributions of nonfinancial assets and services have been enhanced in accordance with the standard. See Note 11.

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 August 17, 2023, the date the financial statements were available to be issued.

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Notes to Financial Statements

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Note 2. Availability and Liquidity

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

	<u>2022</u>	<u>2021</u>
Assets at year-end	\$ 5,705,051	\$ 5,368,587
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses	(79,858)	(80,845)
Property and equipment, net	(278,598)	(244,208)
Intangible assets, net	<u>(65,825)</u>	<u>(83,761)</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 5,280,770</u>	<u>\$ 4,959,773</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. 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.

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Notes to Financial Statements

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Note 3. Fair Value of Financial Instruments, Continued

The following is a description of the valuation methodologies used for instruments measured at 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.

There were no assets or liabilities measured on a non-recurring basis at December 31, 2022 or 2021.

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

	2021			
	(Level 1)	(Level 2)	(Level 3)	Fair Value
Fixed income:				
Corporate bonds	\$ -	\$ 75,355	\$ -	\$ 75,355

There were no assets measured at fair value as of December 31, 2022.

Note 4. Concentrations

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

At December 31, 2022 and 2021, 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, 2022 and 2021, 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.

Concentrations of revenue:

The Organization's revenue is primarily provided by contributions and grants. During the year ended December 31, 2022, the Organization derived approximately 75% of its revenue from one major contributor, a related party (see Note 12). For the year ended December 31, 2021, the Organization derived approximately 73% of its revenue from one major contributor, the same related party as in 2022.

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Note 5. Property and Equipment, Net

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

	<u>2022</u>	<u>2021</u>
Museum furnishings	\$ 117,461	\$ 117,461
Furniture and fixtures	22,008	22,008
Museum renovations	1,066,781	1,066,148
Office and computer equipment	79,502	72,219
Construction in progress	<u>60,242</u>	<u>-</u>
	1,345,994	1,277,836
Less: accumulated depreciation	<u>(1,067,396)</u>	<u>(1,033,628)</u>
	<u>\$ 278,598</u>	<u>\$ 244,208</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$33,769 and \$13,192, respectively. As of December 31, 2022, construction in progress of \$60,242 are costs associated with new museum displays.

Note 6. Intangible Assets, Net

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

	<u>2022</u>	<u>2021</u>
Website development	\$ 181,100	\$ 146,000
Less: accumulated amortization	<u>(115,275)</u>	<u>(64,839)</u>
	<u>\$ 65,825</u>	<u>\$ 83,761</u>

Amortization expense for the years ended December 31, 2022 and 2021 was \$50,436 and \$45,867, respectively.

Note 7. Refundable Advance

In April 2020, the Organization 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"). The Organization applied for and was notified that the full amount of the loan was forgiven because the funds were used for eligible expenditures for payroll and other expenses described in the CARES Act. In May 2021, the Organization received notification from its lender and the SBA regarding the 100% forgiveness of its full PPP loan in the amount of \$149,200. Amounts forgiven, which include interest, are reflected in forgiveness of refundable advance in the accompanying 2021 Statement of Activities.

In March 2021, the Organization applied for a second Paycheck Protection Program loan ("PPP loan") of \$146,000. On March 29, 2021, the PPP loan was approved, and the Organization received the PPP loan proceeds. The second PPP loan bore interest of 1.0% per annum, with monthly principal and interest payment to commence after the initial ten months deferral period. In November 2021, the Organization received notification from its lender and the SBA regarding the 100% forgiveness of its full PPP loan in the amount of \$146,000, as well as interest. Amounts forgiven of \$150,245, which include interest, are reflected in forgiveness of refundable advance in the accompanying 2021 Statement of Activities.

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Note 8. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Museum maintenance	\$ 446,755	\$ 396,255
Educational assistance	210,724	237,596
CDP	342,685	618,638
Archivist grant	<u>5,803</u>	<u>94,751</u>
	<u>\$ 1,005,967</u>	<u>\$ 1,347,240</u>

During the years ended December 31, the Organization had releases of restrictions for the following purposes:

	<u>2022</u>	<u>2021</u>
Museum maintenance	\$ -	\$ 2,415
Educational assistance	26,872	20,000
CDP	802,403	443,362
Archivist grant	<u>88,948</u>	<u>105,111</u>
	<u>\$ 918,223</u>	<u>\$ 570,888</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 and \$42,274 for the years ended December 31, 2022 and 2021, respectively.

Note 10. 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, 2022 and 2021 were \$28,453 and \$23,207, respectively.

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Note 11. Contributed Nonfinancial Assets/Services

The Society received the following contributions of nonfinancial assets/services for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Travel and gift card costs	\$ 25,000	\$ 5,650
Professional services	<u>70,102</u>	<u>7,066</u>
	<u>\$ 95,102</u>	<u>\$ 12,716</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

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. Each year the Organization and Foundation approve the annual budgeted contributions to be made by the Foundation to the Society based on estimated fundraising goals, which are invoiced quarterly. However actual contributions received by the Foundation are based on actual fundraising results of the Foundation for the year. During the year ended December 31, 2022 and 2021, the Foundation contributed \$2,799,207 and \$2,070,792 to the Organization, respectively. The Foundation is one of the leading contributors to the Organization. As of December 31, 2022 and 2021, no amounts were due to the Organization from the Foundation.

Note 13. Special Events

The Organization held two events during 2022 and 2021, the Medal of Honor Day and the Citizen Honor Awards. Both events generated \$1,050 and \$18,500, respectively, in income and incurred \$579,312 and \$631,809, respectively, in expenses which are included in the Statements of Functional Expenses.

Note 14. Employee Retention Credit Receivable

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to a set threshold per employee for eligible employers. The tax credit was equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Organization qualified for the tax credit under the CARES Act. As of December 31, 2022, the Organization recorded a receivable balance of \$133,000 in the Statement of Financial Position and miscellaneous income of the same amount in the Statement of Activities related to this credit for the year ended December 31, 2022.