

CONGRESSIONAL MEDAL OF HONOR FOUNDATION

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

CONGRESSIONAL MEDAL OF HONOR FOUNDATION

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
NOTES TO FINANCIAL STATEMENTS	6 - 12



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Congressional Medal of Honor Foundation
Falls Church, Virginia

We have audited the accompanying statements of financial position of the Congressional Medal of Honor Foundation (the Foundation) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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 Foundation as of December 31, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Elliott Davis, LLC

Charleston, South Carolina
July 16, 2012

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,571,160	\$ 1,209,996
Accounts receivable	874,875	5,049
Contributions receivable	272,000	365,066
Accrued interest receivable	3,064	7,338
Inventory	271,616	-
Investments	2,358,660	2,449,124
Prepaid expenses	171,294	144,570
Total current assets	7,522,669	4,181,143
NONCURRENT ASSETS		
Other assets	1,000	1,000
Contributions receivable, net	367,252	285,899
Investments	393,594	590,193
Total noncurrent assets	761,846	877,092
Total assets	\$ 8,284,515	\$ 5,058,235
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 16,691	\$ 19,018
Accrued expenses	7,942	6,609
Total current liabilities	24,633	25,627
NET ASSETS		
Unrestricted net assets		
Unrestricted - undesignated	4,844,191	2,093,155
Unrestricted - board designated investments	2,645,913	2,144,863
Temporarily restricted net assets	769,778	794,590
Total net assets	8,259,882	5,032,608
Total liabilities and net assets	\$ 8,284,515	\$ 5,058,235

The accompanying notes are an integral part of these financial statements.

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
STATEMENTS OF ACTIVITIES

	For the Years Ended	
	December 31,	
	<u>2011</u>	<u>2010</u>
UNRESTRICTED SUPPORT AND REVENUE		
Unrestricted contributions	\$ 2,361,156	\$ 2,023,127
Commemorative coin income	2,531,818	211
Medal of Honor book income	15,690	27,978
Investment income	93,320	84,116
Gain on sale of investments	111,456	18,483
Unrealized (loss) gain on investments	(183,930)	115,672
Other income	10,974	1,104
Total unrestricted support and revenue	<u>4,940,484</u>	<u>2,270,691</u>
Net assets released from restrictions	1,050,338	1,031,862
Total unrestricted support, revenue and reclassifications	<u>5,990,822</u>	<u>3,302,553</u>
EXPENSES		
Program services	2,368,861	2,070,672
Management and general	136,359	130,366
Fundraising	233,516	198,035
Total expenses	<u>2,738,736</u>	<u>2,399,073</u>
Increase in unrestricted net assets	<u>3,252,086</u>	<u>903,480</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	1,025,526	802,202
Net assets released from restrictions	(1,050,338)	(1,031,862)
Increase (decrease) in temporarily restricted net assets	<u>(24,812)</u>	<u>(229,660)</u>
Increase in net assets	3,227,274	673,820
NET ASSETS, BEGINNING OF YEAR	<u>5,032,608</u>	<u>4,358,788</u>
NET ASSETS, END OF YEAR	<u><u>\$ 8,259,882</u></u>	<u><u>\$ 5,032,608</u></u>

The accompanying notes are an integral part of these financial statements.

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended December 31,

	2011				2010			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
COMPENSATION AND RELATED EXPENSES								
Salary	\$ 301,756	\$ 30,072	\$ 31,467	\$ 363,295	\$ 233,318	\$ 24,205	\$ 19,721	\$ 277,244
Payroll taxes	18,975	1,829	2,058	22,862	15,810	930	1,860	18,600
Total compensation and related expenses	320,731	31,901	33,525	386,157	249,128	25,135	21,581	295,844
OTHER EXPENSES								
Educational and fundraising events	1,005,661	-	197,677	1,203,338	830,936	-	173,365	1,004,301
MOH recipient outreach	343,683	-	-	343,683	372,446	-	-	372,446
Contributions to CMHS	190,000	-	-	190,000	210,000	-	-	210,000
Commemorative coins and boxes	176,160	-	-	176,160	15,727	-	-	15,727
Character development program	167,762	-	-	167,762	147,409	-	-	147,409
Contributions and scholarships	50,600	-	-	50,600	38,500	-	-	38,500
MOH 150th anniversary	43,461	-	-	43,461	-	-	-	-
Travel	-	35,013	-	35,013	-	28,542	-	28,542
MOH book expenses	34,499	-	-	34,499	41,967	-	-	41,967
Living history project	27,587	-	-	27,587	29,795	-	-	29,795
Professional services	1,962	15,698	1,962	19,622	2,133	17,060	2,133	21,326
Office rent	-	14,415	-	14,415	-	12,000	-	12,000
Postage and shipping	-	12,035	-	12,035	-	5,105	-	5,105
Kiosk donations	6,495	-	-	6,495	77,202	-	-	77,202
Bank charges	-	5,175	-	5,175	-	3,854	-	3,854
Other	-	5,000	-	5,000	-	49	-	49
Telephone	-	4,404	-	4,404	-	2,867	-	2,867
Insurance	-	4,094	-	4,094	-	4,145	-	4,145
Office supplies	-	3,883	-	3,883	-	6,922	-	6,922
Printing	-	3,314	-	3,314	-	21,234	-	21,234
Internet	-	765	-	765	-	1,550	-	1,550
Dues and fees	-	662	-	662	-	1,903	-	1,903
Awards	260	-	-	260	429	-	-	429
Gifts	-	-	205	205	-	-	327	327
Photos	-	-	147	147	-	-	629	629
Website maintenance	-	-	-	-	55,000	-	-	55,000
Total expenses	<u>\$ 2,368,861</u>	<u>\$ 136,359</u>	<u>\$ 233,516</u>	<u>\$ 2,738,736</u>	<u>\$ 2,070,672</u>	<u>\$ 130,366</u>	<u>\$ 198,035</u>	<u>\$ 2,399,073</u>

The accompanying notes are an integral part of these financial statements.

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
STATEMENTS OF CASH FLOWS

	For the Years Ended	
	December 31,	
	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Increase in net assets	\$ 3,227,274	\$ 673,820
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Stock contributions	(36,177)	(11,191)
Gain on sale of investments	(111,456)	(18,483)
Unrealized (gain) loss on investments	183,930	(115,672)
Changes in operating assets and liabilities:		
Accounts receivable	(869,826)	(5,049)
Contributions receivable	11,713	315,985
Accrued interest receivable	4,274	1,976
Inventory	(271,616)	-
Prepaid expenses	(26,724)	(35,528)
Accounts payable	(2,327)	(413)
Accrued expenses	1,333	1,744
	<u>2,110,398</u>	<u>807,189</u>
INVESTING ACTIVITIES		
Proceeds from sale of donated investments	35,726	10,522
Proceeds from sale of investments	734,695	426,965
Purchase of investments	(955,523)	(1,049,147)
Proceeds from redemption of certificates of deposit	535,868	267,715
Purchase of certificates of deposit	(100,000)	(96,000)
	<u>250,766</u>	<u>(439,945)</u>
Net cash provided by (used for) investing activities		
	<u>2,361,164</u>	<u>367,244</u>
Net increase in cash and cash equivalents		
	<u>2,361,164</u>	<u>367,244</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,209,996</u>	<u>842,752</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,571,160</u></u>	<u><u>\$ 1,209,996</u></u>

The accompanying notes are an integral part of these financial statements.

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Congressional Medal of Honor Foundation (the Foundation) was formed for the purpose of supporting the goals and purposes of the Congressional Medal of Honor Society of the United States of America (the Society). These goals and purposes include: protecting, upholding and preserving the dignity and honor of the Medal; providing appropriate aid to all persons to whom the Medal has been awarded, including the widow and/or children; promoting allegiance to the Government of the United States of America and to its constitution, and to the service of our nation in peace and war; and promoting and perpetuating the principles upon which our nation is founded, foster patriotism and to inspire and stimulate the youth of our nation to become worthy citizens of the United States of America. Resources for the Foundation's activities are primarily provided by contributions and investment income.

Basis of accounting

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

Basis of presentation

In accordance with generally accepted accounting principles (GAAP), the Foundation is required to report information regarding its financial position and activities according to three classes of net assets. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. The Foundation has elected to report donor restricted contributions whose restrictions have been met in the same period as unrestricted support. The Foundation had temporarily restricted net assets of \$769,778 and \$794,590 as of December 31, 2011 and 2010, respectively. The temporarily restricted net assets as of December 31, 2011 and 2010 are restricted for the purposes of events to be held early in 2012 and 2011, respectively. The Foundation did not have any permanently restricted net assets at December 31, 2011 or 2010.

Revenue recognition

Contributions and grants are recognized as revenue when they are received or unconditionally pledged. Contributions and grants received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor or grantor restrictions. Coin income is recognized as revenue when coins are sold.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash in banks, certificates of deposit and money market funds.

Accounts receivable

Accounts receivable are carried at original invoice amount, and if necessary, less an estimate for doubtful receivables made by management based on past collection history. In 2011, the Foundation received surcharge payments from the United States Mint for sales of Commemorative Coins specially minted for the Congressional Medal of Honor. A receivable was recorded at December 31, 2011 for surcharge payments received subsequent to year end. A receivable was recorded at December 31, 2010 for payments due from Medal of Honor book sales received in early 2011. An allowance for doubtful accounts has not been recorded as of December 31, 2011 or 2010 as management believes that these receivables are fully collectible.

Contributions receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Amortization of the discount is netted with contribution revenue. The Foundation provides for an allowance for uncollectible contributions based on management's estimate of the collectability of receivables. No allowance was recorded at December 31, 2011 or 2010, as management believes all receivables are fully collectible.

Inventory

Inventory is composed of Medal of Honor commemorative coins held for resale. Purchased inventory is stated at lower of cost or market, principally on the first-in, first-out method.

Investments

Investments purchased by the Foundation are initially recorded at their cost, and donated investments are recorded at fair value on the date they are received as a donation. The Foundation liquidates donated marketable securities within a few weeks of the donation. Investments in marketable securities with readily determinable fair values and all investments in debt securities are adjusted to their fair values as of the dates of the Statements of Financial Position. Unrealized gains and losses are included in the Statements of Activities.

Income tax status

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

The FASB provides guidance on the Foundation's evaluation of accounting for uncertainty in income taxes. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance for the years ended December 31, 2011 and 2010. The Foundation's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties, if any, as other expense. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2008.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated services

The Foundation receives fundraising services from volunteers. These services do not meet the criteria to be recognized in financial statements in accordance with the criteria outlined under generally accepted accounting principles; thus, no value has been recorded for these services in the financial statements.

Endowment funds

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on low to moderate risk equities and bonds and fixed income securities to achieve its long-term objectives within prudent risk constraints.

Interest and dividends earned on the endowment account, not to exceed five percent of principal, may be transferred to the general operating account or to a specific project on an annual basis, as approved by the Board of Directors. Excess funds are added to the endowment principal and are subject to the endowment account restrictions. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately six to seven percent annually. Actual returns from any given year may vary from this amount.

Fair value

The Foundation utilizes a three-tier fair value hierarchy that clarifies fair value as an exit price, representing 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. The Foundation's financial instruments principally consist of investments and contributions receivable. Investments and contributions receivable are reported at fair value as required by GAAP (see Note 7).

Allocation of functional expenses

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

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.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified in order to conform to the current year presentation.

Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through July 16, 2012, which is the date these financial statements were available to be issued.

NOTE 2. INVESTMENTS

Total investments for the years ended December 31, 2011 and 2010 consist of the following:

	2011		
	Cost	Carrying Value	Net Unrealized Gain
Mutual funds	\$ 2,056,336	\$ 2,066,535	\$ 10,199
Certificates of deposit	676,000	685,719	9,719
	<u>\$ 2,732,336</u>	<u>\$ 2,752,254</u>	<u>\$ 19,918</u>

	2010		
	Cost	Carrying Value	Net Unrealized Gain
Mutual funds	\$ 1,725,469	\$ 1,907,737	\$ 182,268
Certificates of deposit	1,110,000	1,131,580	21,580
	<u>\$ 2,835,469</u>	<u>\$ 3,039,317</u>	<u>\$ 203,848</u>

Investments include the following certificates of deposit: six in the amount of \$96,000 each, bearing interest rates from 1.25% to 4.40% and one in the amount of \$100,000, bearing an interest rate of 1.15%. The certificates of deposit have maturity dates from February 2012 to August 2014.

Included in unrestricted contributions are donations of marketable equity securities. For the years ended December 31, 2011 and 2010, the Foundation received \$36,177 and \$11,191 of donated marketable securities, respectively.

NOTE 3. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Foundation maintains cash and cash equivalents balances in one financial institution. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 for interest-bearing accounts and provides unlimited insurance for noninterest-bearing accounts. The Securities Investor Protection Corporation insures brokerage accounts at each institution up to \$500,000.

Additionally, the brokerage firm for the Foundation provides limited insurance for amounts in excess of \$500,000. At December 31, 2011, the Foundation had uninsured cash and cash equivalents of \$1,696,470. The Foundation did not have any uninsured cash and cash equivalents at December 31, 2010. Certificates of deposit, while managed by one financial institution, are invested at multiple banks to remain below the FDIC insurance limit.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2011 and 2010 are unconditional. Contributions receivable that are expected to be received in more than one year are discounted to present value at 2.79% and 3.00% for 2011 and 2010, respectively.

Contributions receivable consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Receivables in less than one year	\$ 272,000	\$ 365,066
Receivables in one to five years	370,538	298,000
Total contributions receivable	642,538	663,066
Less discount to net present value	(3,286)	(12,101)
Contributions receivable, net	<u>\$ 639,252</u>	<u>\$ 650,965</u>

NOTE 5. ENDOWMENTS

The Foundation's endowments consist of funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of December 31:

	<u>2011</u>	<u>2010</u>
Board-designated endowment funds	\$ 2,645,913	\$ 2,144,863
Changes in endowment net assets		
Endowment net assets, beginning of year	\$ 2,144,863	\$ 1,506,867
Investment return:		
Investment income	64,351	41,211
Net gains (losses) (realized and unrealized)	(63,301)	134,872
Total investment return	1,050	176,083
Contributions	500,000	461,913
Endowment net assets, end of year	<u>\$ 2,645,913</u>	<u>\$ 2,144,863</u>

NOTE 6. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2011 and 2010, the Foundation received in-kind contributions of \$19,104 and \$20,274 for airline travel, respectively. In 2011, the Foundation received in-kind contributions of \$2,500 for consulting services provided to plan one of the Foundation's events. In 2010, the Foundation received in-kind contributions of \$75,000 for website and printing expenses. In-kind contributions are included in unrestricted contributions in the Statements of Activities. A corresponding expense has been recorded for these contributions in the Statements of Activities.

NOTE 7. FAIR VALUE MEASUREMENTS

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

There were no assets or liabilities measured on a nonrecurring basis at December 31, 2011 and 2010. There were no liabilities measured at fair value on a recurring basis at December 31, 2011 and 2010.

Fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2011</u>				
Investments in mutual funds	\$ 2,066,535	\$ 2,066,535	\$ -	\$ -
Investments in certificates of deposit	685,719	-	685,719	-
Contributions receivable, net	639,252	-	-	639,252
<u>December 31, 2010</u>				
Investments in mutual funds	\$ 1,907,737	\$ 1,907,737	\$ -	\$ -
Investments in certificates of deposit	1,131,580	-	1,131,580	-

(Continued)

NOTE 7. FAIR VALUE MEASUREMENTS, Continued

For assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period, a reconciliation is required for the beginning and ending balances. The following table represents a reconciliation of beginning and ending asset balances measured at fair value on a recurring basis as Level 3 at December 31:

	<u>2011</u>	<u>2010</u>
Beginning balance:	\$ 650,965	\$ 966,950
Included in changes in net assets	8,815	13,649
New contributions receivable/Payments on contributions receivable, net	<u>(20,528)</u>	<u>(329,634)</u>
Ending balance:	<u>\$ 639,252</u>	<u>\$ 650,965</u>
Amount of total gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	<u>\$ -</u>	<u>\$ -</u>

NOTE 8. RELATED PARTY

During the years ended December 31, 2011 and 2010, the Foundation contributed \$190,000 and \$210,000, respectively, to the Society in support of the Society's purpose. The Society contributed \$161,913 to the Foundation's endowment in 2010.