

# **Congressional Medal of Honor Foundation**

## ***Report on Financial Statements***

***For the Years Ended December 31, 2012 and 2011***

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# Congressional Medal of Honor Foundation

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## Independent Auditor's Report

To the Board of Directors  
Congressional Medal of Honor Foundation  
Arlington, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the Congressional Medal of Honor Foundation which comprise the statements of financial position as of December 31, 2012 and 2011, and 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 audit 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 Congressional Medal of Honor Foundation as of December 31, 2012 and 2011, 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.

A handwritten signature in black ink that reads 'Elliott Davis, LLC'.

Charleston, South Carolina  
July 11, 2013

# Congressional Medal of Honor Foundation

## Statements of Financial Position

As of December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,709,640	\$ 3,571,160
Accounts receivable	10,634	874,875
Contributions receivable	190,000	272,000
Accrued interest receivable	4,329	3,064
Inventory	79,379	271,616
Coins held for outreach and fundraising	238,136	-
Investments	5,075,608	2,358,660
Prepaid expenses	45,534	171,294
Total current assets	<u>8,353,260</u>	<u>7,522,669</u>
<b>Noncurrent assets</b>		
Other assets	-	1,000
Contributions receivable, net	228,588	367,252
Investments	710,652	393,594
Total noncurrent assets	<u>939,240</u>	<u>761,846</u>
Total assets	<u>\$ 9,292,500</u>	<u>\$ 8,284,515</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 9,683	\$ 16,691
Accrued expenses	12,046	7,942
Total current liabilities	<u>21,729</u>	<u>24,633</u>
<b>Net assets</b>		
Unrestricted net assets		
Unrestricted - undesignated	2,898,236	4,844,191
Unrestricted - board designated investments	5,835,302	2,645,913
Total unrestricted net assets	<u>8,733,538</u>	<u>7,490,104</u>
Temporarily restricted net assets	537,233	769,778
Total net assets	<u>9,270,771</u>	<u>8,259,882</u>
Total liabilities and net assets	<u>\$ 9,292,500</u>	<u>\$ 8,284,515</u>

See Notes to Financial Statements.

## Congressional Medal of Honor Foundation

### Statements of Activities

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Unrestricted support and revenue</b>		
Unrestricted contributions	\$ 2,490,295	\$ 2,361,156
Commemorative coin income	51,103	2,531,818
Medal of Honor book income	24,912	15,690
Investment income	156,043	93,320
Realized gains on sale of investments	2,343	111,456
Unrealized gains (losses) on investments	164,669	(183,930)
Other income	7,001	10,974
Total unrestricted support and revenue	<u>2,896,366</u>	<u>4,940,484</u>
Net assets released from restrictions	<u>1,118,985</u>	<u>1,050,338</u>
Total unrestricted support, revenue and reclassifications	<u>4,015,351</u>	<u>5,990,822</u>
<b>Expenses</b>		
Program services	2,316,567	2,368,861
Management and general	198,297	136,359
Fundraising	257,053	233,516
Total expenses	<u>2,771,917</u>	<u>2,738,736</u>
Increase in unrestricted net assets	<u>1,243,434</u>	<u>3,252,086</u>
<b>Temporarily restricted net assets</b>		
Contributions	886,440	1,025,526
Net assets released from restrictions	<u>(1,118,985)</u>	<u>(1,050,338)</u>
Decrease in temporarily restricted net assets	<u>(232,545)</u>	<u>(24,812)</u>
Increase in net assets	1,010,889	3,227,274
<b>Net assets, beginning of year</b>	<u>8,259,882</u>	<u>5,032,608</u>
<b>Net assets, end of year</b>	<u>\$ 9,270,771</u>	<u>\$ 8,259,882</u>

See Notes to Financial Statements.

## Congressional Medal of Honor Foundation

### Statements of Functional Expenses

For the years ended December 31, 2012 and 2011

	2012				2011			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>Compensation and related expenses</b>								
Salary	\$ 437,528	\$ 40,164	\$ 107,786	\$ 585,478	\$ 301,756	\$ 30,072	\$ 31,467	\$ 363,295
Payroll taxes	32,952	3,025	8,118	44,095	18,975	1,829	2,058	22,862
Total compensation and related expenses	470,480	43,189	115,904	629,573	320,731	31,901	33,525	386,157
<b>Other expenses</b>								
Educational and fundraising events	770,829	-	131,443	902,272	1,005,661	-	197,677	1,203,338
MOH recipient outreach	284,371	-	-	284,371	343,683	-	-	343,683
Character development program	270,141	-	-	270,141	167,762	-	-	167,762
Contributions to CMHS	190,500	-	-	190,500	190,000	-	-	190,000
Living history project	126,298	-	-	126,298	27,587	-	-	27,587
Office and computer expenses	50,704	36,641	-	87,345	-	19,232	-	19,232
Contributions and scholarships	75,325	-	-	75,325	50,600	-	-	50,600
Travel	31,679	31,679	3,633	66,991	-	35,013	-	35,013
Occupancy expenses	-	56,634	-	56,634	-	19,584	-	19,584
MOH book expenses	24,294	-	-	24,294	34,499	-	-	34,499
Professional services	1,909	15,274	1,909	19,092	1,962	15,698	1,962	19,622
Miscellaneous expenses	3,437	1,824	4,164	9,425	6,755	5,662	352	12,769
Bank and payroll service charges	-	8,572	-	8,572	-	5,175	-	5,175
Grants	8,310	-	-	8,310	-	-	-	-
Commemorative coins and boxes	7,000	-	-	7,000	176,160	-	-	176,160
Insurance	-	4,484	-	4,484	-	4,094	-	4,094
Burials and gravesite markers	1,290	-	-	1,290	-	-	-	-
MOH 150th anniversary	-	-	-	-	43,461	-	-	43,461
Total expenses	\$ 2,316,567	\$ 198,297	\$ 257,053	\$ 2,771,917	\$ 2,368,861	\$ 136,359	\$ 233,516	\$ 2,738,736

See Notes to Financial Statements.

## Congressional Medal of Honor Foundation

### Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Operating activities</b>		
Increase in net assets	\$ 1,010,889	\$ 3,227,274
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Stock contributions	-	(36,177)
Change in discount to present value of contributions receivable	(1,821)	-
Gain on sale of investments	(2,343)	(111,456)
Unrealized (gains) losses on investments	(164,669)	183,930
Changes in operating assets and liabilities:		
Accounts receivable	864,241	(869,826)
Contributions receivable	222,485	11,713
Accrued interest receivable	(1,265)	4,274
Inventory	192,237	(271,616)
Coins held for outreach and fundraising	(238,136)	-
Prepaid expenses	125,760	(26,724)
Other assets	1,000	-
Accounts payable	(7,008)	(2,327)
Accrued expenses	4,104	1,333
Net cash provided by operating activities	<u>2,005,474</u>	<u>2,110,398</u>
<b>Investing activities</b>		
Proceeds from sale of donated investments	-	35,726
Proceeds from sales of investments	725,528	734,695
Purchases of investments	(3,280,522)	(955,523)
Proceeds from redemption of certificates of deposit	288,000	535,868
Purchases of certificates of deposit	(600,000)	(100,000)
Net cash provided by (used for) investing activities	<u>(2,866,994)</u>	<u>250,766</u>
Net increase (decrease) in cash and cash equivalents	<u>(861,520)</u>	<u>2,361,164</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>3,571,160</u>	<u>1,209,996</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,709,640</u>	<u>\$ 3,571,160</u>

See Notes to Financial Statements.

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2012 and 2011

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### 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 had temporarily restricted net assets of \$537,233 and \$769,778 as of December 31, 2012 and 2011, respectively. The temporarily restricted net assets as of December 31, 2012 and 2011 are restricted for the purposes of events to be held early in 2013 and 2012, respectively, and time restrictions on contributions receivable. The Foundation did not have any permanently restricted net assets at December 31, 2012 or 2011.



# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2012 and 2011

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

#### 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.

#### 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, certain certificates of deposit and money market funds.

#### Accounts receivable

Accounts receivable are carried at original invoice amount, less (if necessary) an estimate for doubtful receivables made by management based on past collection history. As of December 31, 2012, the Foundation had receivables for 2012 outreach event sponsorships and book sales. 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, and a receivable was recorded at December 31, 2011 for surcharge payments received subsequent to year end. An allowance for doubtful accounts has not been recorded as of December 31, 2012 or 2011, as management believes that these receivables are fully collectible.

#### Contributions receivable

Contributions receivable are recognized as revenue when they are unconditionally pledged. 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, 2012 or 2011, as management believes all receivables are fully collectible.

#### Inventory

Inventory is comprised 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.

#### Coins Held for Outreach and Fundraising

During the year ended December 31, 2012, the Foundation chose to allocate 75% of the Medal of Honor commemorative coins previously held for sale to be held for future outreach and fundraising events by the Foundation. As of December 31, 2012 these coins are stated at a cost of \$238,136, per management's estimate of the expected 75% usage for future events.

# Congressional Medal of Honor Foundation

## *Notes to Financial Statements*

*December 31, 2012 and 2011*

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

#### 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 Financial Accounting Standards Board (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, 2012 and 2011. 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 prior to 2009.

#### 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 GAAP; 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 any 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.

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2012 and 2011

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

#### Endowment funds, continued

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.

#### Reclassifications

Certain amounts in the 2011 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 11, 2013, which is the date these financial statements were available to be issued.

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2012 and 2011

#### Note 2. Investments

Total investments for the years ended December 31 consist of the following:

	<u>2012</u>		
	<u>Cost</u>	<u>Carrying Value</u>	<u>Net Unrealized Gain</u>
Mutual funds	\$ 4,613,673	\$ 4,784,335	\$ 170,662
Certificates of deposit	988,000	1,001,925	13,925
	<u>\$ 5,601,673</u>	<u>\$ 5,786,260</u>	<u>\$ 184,587</u>

As of December 31, 2012, investments include the following certificates of deposit: three in the amount of \$96,000 each, bearing interest rates from 2.60% to 3.25%, five in the amount of \$100,000, bearing interest rates from 1.15% to 2.25%, and one in the amount of \$200,000, bearing an interest rate of 2.00%. The certificates of deposit have maturity dates from April 2013 to June 2021.

	<u>2011</u>		
	<u>Cost</u>	<u>Carrying Value</u>	<u>Net Unrealized Gain</u>
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>

As of December 31, 2011, 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 had maturity dates from February 2012 to August 2014.

Included in unrestricted contributions are donations of marketable equity securities. For the year ended December 31, 2011, the Foundation received \$36,177 of donated marketable securities. There were no donated securities for the year ended December 31, 2012.

#### 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, up to \$1,900,000. At December 31, 2012 and 2011, the Foundation had uninsured cash and cash equivalents of \$255,632.

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2012 and 2011

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#### Note 4. Contributions Receivable

Contributions receivable as of December 31, 2012 and 2011 are unconditional. Contributions receivable that are expected to be received in more than one year are discounted to present value at 2.14% and 2.79% for 2012 and 2011, respectively.

Contributions receivable consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 190,000	\$ 272,000
Receivable in one to five years	<u>230,053</u>	<u>370,538</u>
Total contributions receivable	420,053	642,538
Less discount to net present value	<u>1,465</u>	<u>3,286</u>
Contributions receivable, net	<u>\$ 418,588</u>	<u>\$ 639,252</u>

#### Note 5. Endowments

The Foundation's endowment consists of funds designated by the Board of Directors to function as endowments. As required by GAAP, 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.

	<u>2012</u>	<u>2011</u>
Board-designated endowment funds	<u>\$ 5,835,302</u>	<u>\$ 2,645,913</u>
Changes in endowment net assets		
Endowment net assets, beginning of year	\$ 2,645,913	\$ 2,144,863
Investment return:		
Investment income, net of fees	126,583	64,351
Net realized and unrealized gains (losses)	<u>162,806</u>	<u>(63,301)</u>
Total investment return	289,389	1,050
Contributions to the endowment	<u>2,900,000</u>	<u>500,000</u>
Endowment net assets, end of year	<u>\$ 5,835,302</u>	<u>\$ 2,645,913</u>

#### Note 6. In-Kind Contributions

During the years ended December 31, 2012 and 2011, the Foundation received in-kind contributions of \$20,400 and \$19,104 for airline travel, respectively. In 2012, the Foundation also received in-kind contributions of \$3,993 for event expenses and \$52,964 for website and technology expenses. In 2011, the Foundation received in-kind contributions of \$2,500 for consulting services to plan one of the Foundation's events. 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.

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2012 and 2011

### 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.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

- *Mutual funds:* Valued at the net asset value of units held by the Foundation at year end using closing prices reported in the active market.
- *Contributions receivable, net:* Valued at original contribution amount less an allowance based on prior year's historical experience and management's analysis of specific promises made and discounted for the time value of money based on a management determined rate.
- *Certificates of Deposit:* Valued at cost plus accrued interest, which approximates fair value.

There were no assets or liabilities measured on a non-recurring basis at December 31, 2012 or 2011. There were no liabilities measured at fair value on a recurring basis at December 31, 2012 or 2011.

Fair values of assets measured on a recurring basis are as follows at December 31:

	2012			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2012:				
Investments in mutual funds	\$ 4,784,335	\$ 4,784,335	\$ -	\$ -
Investments in certificates of deposit	1,001,925	-	1,001,925	-
Contributions receivable, net	418,588	-	-	418,588
	2011			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2011:				
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

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2012 and 2011

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#### 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>2012</u>	<u>2011</u>
Beginning balance:	\$ 639,252	\$ 650,965
Included in changes in net assets	1,821	8,815
New contributions receivable	-	-
Payments on contributions receivable	<u>(222,485)</u>	<u>(20,528)</u>
Ending balance	<u>\$ 418,588</u>	<u>\$ 639,252</u>

#### Note 8. Related Party

During the years ended December 31, 2012 and 2011, the Foundation contributed \$196,096 and \$190,000, respectively, to the Society in support of the Society's purpose. The Society contributed \$161,913 to the Foundation's endowment in 2011.

During the years ended December 31, 2012 and 2011, the Foundation received \$372,500 and \$215,000, respectively, from board members in personal contributions for outreach, fundraising, and general purposes.

#### Note 9. Commitments

In May 2012, the Foundation committed to award the Friends of the Medal of Honor Grove Foundation ("MHGF") a grant of \$25,000 per year for three years to use for maintenance and upkeep of the Medal of Honor Grove at Valley Forge. The first annual award of \$25,000 was disbursed to MHGF in May 2012. Funds for the subsequent years will be distributed to MHGF contingent upon receipt of a donation request by May 1<sup>st</sup> of each year which must also include a report detailing the prior year expenses funded by the grant.