

# **Congressional Medal of Honor Foundation**

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

***For the Years Ended December 31, 2017 and 2016***

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# Congressional Medal of Honor Foundation

## *Contents*

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**Page**

**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 - 16



## 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, 2017 and 2016, 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 the Congressional Medal of Honor Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Charleston, South Carolina  
September 7, 2018

## Congressional Medal of Honor Foundation

### Statements of Financial Position

As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 631,475	\$ 1,000,540
Accounts receivable	162,525	218,380
Contributions receivable, current portion	922,136	163,803
Inventory	69,270	72,836
Coins held for outreach and fundraising	207,810	218,509
Investments	9,907,053	8,530,239
Prepaid expenses	22,602	331,001
Total current assets	<u>11,922,871</u>	<u>10,535,308</u>
<b>Non-current assets</b>		
Property and equipment, net	290,969	10,316
Contributions receivable, net of current portion and discount	817,601	99,694
Total non-current assets	<u>1,108,570</u>	<u>110,010</u>
Total assets	<u>\$ 13,031,441</u>	<u>\$ 10,645,318</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 458,171	\$ 274,946
Accrued expenses	30,535	33,170
Deferred revenues	25,000	30,000
Total current liabilities	<u>513,706</u>	<u>338,116</u>
<b>Net assets</b>		
Unrestricted net assets		
Unrestricted - undesignated	69,189	966,127
Unrestricted - board designated endowment funds	9,907,987	8,538,929
Total unrestricted net assets	<u>9,977,176</u>	<u>9,505,056</u>
Temporarily restricted net assets	2,540,559	802,146
Total net assets	<u>12,517,735</u>	<u>10,307,202</u>
Total liabilities and net assets	<u>\$ 13,031,441</u>	<u>\$ 10,645,318</u>

See Notes to Financial Statements.

# Congressional Medal of Honor Foundation

## Statements of Activities

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Unrestricted support and revenue</b>		
Unrestricted contributions	\$ 3,114,204	\$ 1,651,658
In-kind contributions	363,551	212,385
Commemorative coin income	7,377	5,189
Medal of Honor book income	22,350	29,328
Interest and dividends, net	176,182	178,836
Realized gains (losses) on sales of investments	264,081	(25,411)
Unrealized gains on investments	932,799	516,812
	<u>4,880,544</u>	<u>2,568,797</u>
Net assets released from restrictions	969,262	1,720,596
Total unrestricted support and revenue	<u>5,849,806</u>	<u>4,289,393</u>
<b>Expenses</b>		
Program services	4,337,030	3,973,483
Management and general	679,993	560,557
Fundraising	360,663	383,003
Total expenses	<u>5,377,686</u>	<u>4,917,043</u>
Change in unrestricted net assets	<u>472,120</u>	<u>(627,650)</u>
<b>Temporarily restricted net assets</b>		
Contributions	2,707,675	619,905
Net assets released from restrictions	(969,262)	(1,720,596)
Change in temporarily restricted net assets	<u>1,738,413</u>	<u>(1,100,691)</u>
Change in net assets	<u>2,210,533</u>	<u>(1,728,341)</u>
<b>Net assets, beginning of year</b>	<u>10,307,202</u>	<u>12,035,543</u>
<b>Net assets, end of year</b>	<u>\$ 12,517,735</u>	<u>\$ 10,307,202</u>

See Notes to Financial Statements.

## Congressional Medal of Honor Foundation

### Statements of Functional Expenses

For the years ended December 31, 2017 and 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>Compensation and related expenses</b>								
Salaries	\$ 540,933	\$ 399,718	\$ 81,907	\$ 1,022,558	\$ 392,248	\$ 309,281	\$ 58,936	\$ 760,465
Payroll taxes	35,497	26,230	5,375	67,102	27,252	21,488	4,095	52,835
Total compensation and related expenses	576,430	425,948	87,282	1,089,660	419,500	330,769	63,031	813,300
<b>Other expenses</b>								
Character development program	1,705,620	-	-	1,705,620	1,478,067	-	-	1,478,067
Educational and fundraising events	954,339	-	251,772	1,206,111	1,224,311	-	313,632	1,537,943
Contributions to Society	400,000	-	-	400,000	475,000	-	-	475,000
Office, computer, website	200,341	22,162	-	222,503	16,245	22,672	-	38,917
MOH recipient outreach	197,263	-	-	197,263	66,577	-	-	66,577
Contributions and scholarships	121,000	-	-	121,000	92,000	-	-	92,000
Occupancy	-	87,586	-	87,586	-	85,094	-	85,094
Travel	37,390	37,390	-	74,780	37,919	37,919	-	75,838
Miscellaneous	18,366	35,253	16,110	69,729	24,127	31,279	1,998	57,404
MOH book	60,317	-	-	60,317	88,693	-	-	88,693
Professional services	5,499	43,990	5,499	54,988	4,342	34,734	4,342	43,418
Living history project	38,182	-	-	38,182	41,117	-	-	41,117
Insurance	-	19,809	-	19,809	-	3,368	-	3,368
Depreciation	16,600	1,547	-	18,147	-	1,547	-	1,547
Bank and payroll service charges	-	6,308	-	6,308	-	13,175	-	13,175
Burials and gravesite markers	5,683	-	-	5,683	5,585	-	-	5,585
Total other expenses	3,760,600	254,045	273,381	4,288,026	3,553,983	229,788	319,972	4,103,743
Total expenses	\$ 4,337,030	\$ 679,993	\$ 360,663	\$ 5,377,686	\$ 3,973,483	\$ 560,557	\$ 383,003	\$ 4,917,043

See Notes to Financial Statements.

## Congressional Medal of Honor Foundation

### Statements of Cash Flows

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Operating activities</b>		
Change in net assets	\$ 2,210,533	\$ (1,728,341)
Adjustments to reconcile change in net assets to cash provided by (used for) operating activities:		
Depreciation	18,147	1,547
Change in discount to present value of contributions receivable	65,427	(4,238)
Realized (gains) losses on sales of investments	(264,081)	25,411
Unrealized gains on investments	(932,799)	(516,812)
Changes in operating assets and liabilities:		
Accounts receivable	55,855	(55,961)
Contributions receivable, net	(1,541,667)	1,138,301
Inventory	3,566	2,230
Coins held for outreach and fundraising	10,699	6,688
Prepaid expenses	308,399	(269,057)
Accounts payable	183,225	109,355
Accrued expenses	(2,635)	12,309
Deferred revenues	(5,000)	-
Net cash provided by (used for) operating activities	<u>109,669</u>	<u>(1,278,568)</u>
<b>Investing activities</b>		
Proceeds from sales of investments	697,920	649,820
Purchases of investments	(877,854)	(819,409)
Purchases of property and equipment	(298,800)	-
Net cash used for investing activities	<u>(478,734)</u>	<u>(169,589)</u>
Net decrease in cash and cash equivalents	<u>(369,065)</u>	<u>(1,448,157)</u>
<b>Cash and cash equivalents, beginning of year</b>	1,000,540	2,448,697
<b>Cash and cash equivalents, end of year</b>	<u>\$ 631,475</u>	<u>\$ 1,000,540</u>
<b>Noncash investing activity</b>		
Property and equipment purchases included in accounts payable	<u>\$ 199,200</u>	<u>\$ -</u>

See Notes to Financial Statements.

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2017 and 2016

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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 \$2,540,559 and \$802,146 as of December 31, 2017 and 2016, respectively. The Foundation did not have any permanently restricted net assets at December 31, 2017 or 2016.

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2017 and 2016

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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 and book income are recognized as revenue when coins or books are sold.

#### Deferred revenue

Deferred revenue consists of payments received during the years ended December 31, 2017 and 2016 that relate to events that occurred in early 2018 and 2017, respectively.

#### 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 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, 2017 and 2016, respectively, the Foundation had receivables for outreach event sponsorships and scholarship support, among other miscellaneous balances. An allowance for doubtful accounts was not recorded as of December 31, 2017 or 2016, as management believes that these receivables are fully collectible.

#### Contributions receivable

Contributions receivable which represent multi-year pledges 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, 2017 or 2016, as management believes all contributions receivable are fully collectible.

#### Inventory

Inventory is comprised of Medal of Honor commemorative gold and silver coins held for resale. Purchased inventory is stated at lower of cost or net realizable value, principally on the average cost method.

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2017 and 2016

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

#### Coins Held for Outreach and Fundraising

75% of the Medal of Honor gold and silver commemorative coins are held for future outreach and fundraising events by the Foundation. As of December 31, 2017 and 2016, these coins are stated at a cost of \$207,810 and \$218,509 respectively.

#### 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 in order to use the funds for operating purposes or to invest the proceeds in accordance with the Foundation's overall investment strategy. 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 has 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, 2017 or 2016. 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 tax years before 2014.

#### Donated services

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

#### Property and Equipment, net

The Foundation capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment is carried at cost. Donated equipment is carried at the approximated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, once assets are placed in service.

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2017 and 2016

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

#### Endowment funds

The Board of Directors of the Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). In accordance with UPMIFA, the Foundation classifies as permanently restricted net assets: (a) the original value of any 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.

The Board of Directors may also designate certain unrestricted net assets to be included as part of the endowment, including earnings on those designated net assets.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments may be increased through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets an asset allocation that places an emphasis on low to moderate risk equities and bonds, fixed income securities, and alternative investments 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, as approved by the Board of Directors. As noted above, certain unrestricted net assets may be added to the endowment principal and are subject to the endowment account restrictions. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of broad market measures of return on investments. 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. Investments are reported at fair value as required by GAAP (see Note 9).

#### 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.

#### Reclassifications

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

# Congressional Medal of Honor Foundation

## Notes to Financial Statements

December 31, 2017 and 2016

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

#### Use of estimates

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

#### Subsequent events

Management has evaluated events and transactions for potential recognition or disclosure through September 7, 2018, which is the date these financial statements were available to be issued.

#### Recently issued accounting pronouncements

In May 2014, the FASB issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. This guidance also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. In December 2016, the FASB issued technical corrections and improvements to the Revenue from Contracts with Customers Topic. These corrections make a limited number of revisions to several pieces of the revenue recognition standard issued in 2014. The guidance will be effective for the Foundation for annual periods beginning after December 15, 2018. The Foundation is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

In February 2016, the FASB amended the Leases topic of the Accounting Standards Codification to require all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the statement of activities. The amendments will be effective for the Foundation's fiscal year ended December 31, 2020. Early adoption is permitted. The Foundation is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

In August 2016, the FASB issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for the Foundation for the year ended December 31, 2018. The Foundation is currently evaluating the effect that implementation of the new guidance will have on the presentation of its financial statements.

In June 2018, the FASB issued an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The guidance will be effective for the Foundation for the year ended December 31, 2019. Early adoption is permitted. The Foundation is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2017 and 2016

#### Note 2. Information on Certain Expenses

During the years ended December 31, 2017 and 2016, the Foundation's focus was on education and the Character Development Program ("CDP"). For the year ended December 31, 2016, expenses of \$1,537,943 and \$1,478,067, respectively, were incurred for these activities. Of the education total, \$510,000 was spent on revamping the Foundation's website, and of the CDP total, \$394,000 was spent on planning activities for the LiveUp website. For the year ended December 31, 2017, expenses of \$1,206,111 and \$1,705,620, respectively, were incurred for education and the CDP programs. The work on the Foundation's website was substantially completed in 2016, and therefore, the educational expenses did not contain any significant website costs in 2017. Of the CDP total, approximately \$642,000 was spent on continuing servicing costs for the LiveUp website.

#### Note 3. Investments

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

	<b>2017</b>		
	<b>Cost</b>	<b>Carrying Value</b>	<b>Net Unrealized Gain (Loss)</b>
Mutual funds	\$ 4,027,601	\$ 4,214,210	\$ 186,609
Exchange-traded and closed-end funds	4,200,698	5,692,843	1,492,145
<b>Total</b>	<b>\$ 8,228,299</b>	<b>\$ 9,907,053</b>	<b>\$ 1,678,754</b>

  

	<b>2016</b>		
	<b>Cost</b>	<b>Carrying Value</b>	<b>Net Unrealized Gain (Loss)</b>
Mutual funds	\$ 3,278,272	\$ 2,998,591	\$ (279,681)
Exchange-traded and closed-end funds	4,506,012	5,531,648	1,025,636
<b>Total</b>	<b>\$ 7,784,284</b>	<b>\$ 8,530,239</b>	<b>\$ 745,955</b>

The following table shows the gross unrealized losses and fair value of the Foundation's investments, with unrealized losses that are deemed to be temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31:

	<b>2017</b>			
	<b>12 Months or Longer</b>		<b>12 Months or Less</b>	
	<b>Fair Value</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>	<b>Unrealized Losses</b>
Mutual funds	\$ 1,293,419	\$ (74,333)	\$ -	\$ -
Exchange-traded and closed-end funds	277,033	(3,199)	-	-
<b>Total investments</b>	<b>\$ 1,570,452</b>	<b>\$ (77,532)</b>	<b>\$ -</b>	<b>\$ -</b>

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2017 and 2016

#### Note 3. Investments, Continued

	2016			
	12 Months or Longer		12 Months or Less	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Mutual funds	\$ 2,998,591	\$ (279,681)	\$ -	\$ -
Exchange-traded and closed-end funds	830,243	(37,401)	-	-
Total investments	<u>\$ 3,828,834</u>	<u>\$ (317,082)</u>	<u>\$ -</u>	<u>\$ -</u>

The Foundation has the ability and the intent to hold these mutual funds until such time as the value recovers. The Foundation believes, based on industry analyst reports and credit ratings, that the deterioration in value is attributable to changes in market interest rates and is not in the credit quality of the issuer and, therefore, these losses are not considered other-than-temporary.

Net investment income is comprised of the following for the years ended December 31:

	2017	2016
Dividends and interest	\$ 209,831	\$ 208,214
Investment fees	(33,649)	(29,378)
Interest and dividends, net	<u>176,182</u>	<u>178,836</u>
Realized gains (losses)	264,081	(25,411)
Unrealized gains (losses)	932,799	516,812
Net unrealized and realized gains (losses)	<u>1,196,880</u>	<u>491,401</u>
Net investment income (loss)	<u>\$ 1,373,062</u>	<u>\$ 670,237</u>

#### Note 4. Concentrations of Credit Risk

The Foundation maintains cash and cash equivalents balances in one financial institution. As of December 31, 2017 and 2016, the Federal Deposit Insurance Corporation ("FDIC") insures accounts up to \$250,000 in aggregate per institution. The Securities Investor Protection Corporation insures brokerage accounts at each institution up to \$500,000 with a maximum of \$250,000 allowed for cash claims. From time to time, cash and investment balances may exceed insurance limits.

#### Note 5. Contributions Receivable, net

Contributions receivable as of December 31, 2017 and 2016 are unconditional. Contributions receivable that are expected to be received in more than one year have been discounted to present value at 4.34% for 2017 and 2.47% for 2016, based on the average annual federal prime rate and annual applicable federal rate in place at the time of the contribution.

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2017 and 2016

#### Note 5. Contributions Receivable, net, Continued

Contributions receivable consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 922,136	\$ 163,803
Receivable in one to five years	889,583	106,250
Total contributions receivable	1,811,719	270,053
Less: discount to net present value	<u>(71,982)</u>	<u>(6,556)</u>
Contributions receivable, net	<u>\$ 1,739,737</u>	<u>\$ 263,497</u>

At December 31, 2017, 3 donors had contributions receivable balances totaling approximately \$1,711,000 representing 94% of gross contributions receivable. At December 31, 2016, 1 donor had a contributions receivable balance of \$245,000 representing 91% of gross contributions receivable.

#### Note 6. Property and Equipment, net

Property and equipment included the following at December 31:

	<u>2017</u>	<u>2016</u>
Kitchen remodel	\$ 15,474	\$ 15,474
LiveUp website	298,800	-
	314,274	15,474
Less: accumulated depreciation	<u>(23,305)</u>	<u>(5,158)</u>
	<u>\$ 290,969</u>	<u>\$ 10,316</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$18,147 and \$1,547, respectively.

#### Note 7. 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. The activity in the Endowment consisted of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Board-designated endowment funds	<u>\$ 9,907,987</u>	<u>\$ 8,538,929</u>
Changes in endowment net assets:		
Endowment net assets, beginning of year	\$ 8,538,929	\$ 7,875,069
Investment return:		
Investment income, net of fees	172,178	166,470
Net realized and unrealized gains (losses)	<u>1,196,880</u>	<u>491,400</u>
Total investment return	1,369,058	657,870
Transfer to the endowment	-	5,990
Endowment net assets, end of year	<u>\$ 9,907,987</u>	<u>\$ 8,538,929</u>

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2017 and 2016

#### Note 8. In-Kind Contributions

In 2017, the Foundation received in-kind contributions of \$330,286 for various dinners, hotel and travel, and venue costs for events and recipients, as well as \$33,265 in legal services provided by a board member. In 2016, the Foundation received in-kind contributions of \$191,390 for various dinners, hotel and travel, and venue costs for events and recipients, as well as \$20,995 in legal services provided by a board member. Corresponding expenses have been recorded for these contributions in the Statements of Activities.

#### Note 9. 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:

**Investments** – *mutual funds, exchange-traded and closed-end funds*: Valued at the net asset value of units held by the Foundation at year end using closing prices reported in the active market.

There were no assets or liabilities measured on a non-recurring basis at December 31, 2017 or 2016. There were no liabilities measured at fair value on a recurring basis at December 31, 2017 or 2016.

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

	2017			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual funds	\$ 4,214,210	4,214,210	\$ -	\$ -
Exchange-traded and closed-end funds	<u>5,692,843</u>	<u>5,692,843</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 9,907,053</u>	<u>\$ 9,907,053</u>	<u>\$ -</u>	<u>\$ -</u>

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2017 and 2016

#### Note 9. Fair Value Measurements, Continued

	2016			
	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 2,998,591	2,998,591	\$ -	\$ -
Exchange-traded and closed-end funds	<u>5,531,648</u>	<u>5,531,648</u>	-	-
Total Investments	<u>\$ 8,530,239</u>	<u>\$ 8,530,239</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 10. Related Party Transactions

During the years ended December 31, 2017 and 2016, the Foundation gave \$400,000 and \$475,000, respectively, to the Society in support of the Society's purpose. These expenses are included in Contributions to Society on the Statements of Functional Expenses. During the years ended December 31, 2017 and 2016, the Foundation received \$390,890 and \$276,235, respectively, from board members in personal contributions for outreach, fundraising, and general purposes. Also during the years ended December 31, 2017 and 2016, the Foundation received \$50,000 and \$30,000, respectively, from the financial institution where it maintains its cash, cash equivalent and investment balances.

#### Note 11. Simple IRA Plan

The Foundation has a SIMPLE IRA plan (the "Plan") which became effective on March 22, 2013. In order to be eligible for participation, an employee must be employed with the Foundation for 90 calendar days. The Foundation can match employee contributions up to 3 percent of the employee's compensation. For any calendar year, the Foundation can make non-elective contributions equal to 2 percent of eligible employee compensation in place of making matching contributions. Total employer contributions for the years ended December 31, 2017 and 2016 were \$19,922 and \$15,666, respectively.

#### Note 12. Operating Lease

The Foundation leases its office space under the terms of an operating lease expiring in November 2022. The lease calls for future rent increases; annual expense approximates rent expense on a straight-line basis. Lease expense was \$75,763 and \$74,069 for the years ending December 31, 2017 and 2016, respectively, and is included in management and general expenses in the Statements of Activities.

Future minimum lease payments for the years ending December 31 are as follows:

2018	\$ 75,680
2019	77,950
2020	80,289
2021	82,697
2022	<u>77,885</u>
	<u>\$ 394,501</u>

## Congressional Medal of Honor Foundation

### Notes to Financial Statements

December 31, 2017 and 2016

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#### Note 13. Temporary Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
River Golf Classic scholarships	\$ 129,966	\$ 171,966
Time restricted contributions receivable	198,070	263,497
Educator award	86,221	-
Lifeline	4,580	-
Kiosks Everywhere initiative	48,352	66,717
Character Development Program / Direct to Kids	1,098,370	299,567
Medal of Honor Day	950,000	399
Western Region support	25,000	-
	<u>\$ 2,540,559</u>	<u>\$ 802,146</u>

Net assets released from donor restrictions by incurring expenses, satisfying the restricted purposes, or by occurrence of other events specified by donors were \$969,262 and \$1,720,596 for the years ended December 31, 2017 and 2016, respectively.