



CPAs SERVING CLIENTS SINCE 1947

NATIONAL MILITARY FAMILY ASSOCIATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2021 AND 2020

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

NATIONAL MILITARY FAMILY ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-20



MATTHEWS, CARTER & BOYCE
CPAs • ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Governors
National Military Family Association
Alexandria, Virginia

Opinion

We have audited the accompanying financial statements of the National Military Family Association, (NMFA), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NMFA as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

A handwritten signature in cursive script that reads "Matthews, Carter and Boye".

Fairfax, Virginia
May 17, 2022

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,571,098	\$ 1,789,482
Certificates of deposit	159,757	158,070
Pledges receivable, net	382,276	109,000
Accounts receivable	22	-
Prepaid expenses	43,325	177,813
Total Current Assets	\$ 2,156,478	\$ 2,234,365
OTHER ASSETS		
Property and equipment , net of accumulated depreciation	\$ 39,968	\$ 41,871
Marketable securities	6,230,307	5,712,554
Deposits	21,895	21,895
Total Other Assets	\$ 6,292,170	\$ 5,776,320
TOTAL ASSETS	<u>\$ 8,448,648</u>	<u>\$ 8,010,685</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 44,067	\$ 14,815
Accrued salaries and related taxes	118,816	8,379
Accrued vacation	124,048	125,055
Deferred revenue	900,000	76,541
Deferred rent, current portion	7,450	3,355
Total Current Liabilities	\$ 1,194,381	\$ 228,145
OTHER LIABILITIES		
Deferred rent, net of current portion	77,795	85,245
Total Liabilities	\$ 1,272,176	\$ 313,390
NET ASSETS		
Without donor restrictions		
Board designated for general reserve fund	\$ 5,496,485	\$ 4,873,625
Board designated for scholarships	733,822	838,929
Undesignated	255,865	1,215,207
Total net assets without donor restrictions	\$ 6,486,172	\$ 6,927,761
With donor restrictions	690,300	769,534
Total Net Assets	\$ 7,176,472	\$ 7,697,295
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,448,648</u>	<u>\$ 8,010,685</u>

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

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and grants	\$ 6,756,318	\$ 2,207,874	\$ 8,964,192
Membership dues	7,932	-	7,932
In-kind donations	7,569	-	7,569
Royalties and other	10,719	-	10,719
Interest and dividends	87,714	-	87,714
Total	\$ 6,870,252	\$ 2,207,874	\$ 9,078,126
Net assets released from restrictions			
Scholarships and program grants	2,287,108	(2,287,108)	-
Total Revenue	\$ 9,157,360	\$ (79,234)	\$ 9,078,126
EXPENSES			
Program services			
Strengthening and healing families	\$ 7,503,868	\$ -	\$ 7,503,868
Engaging communities	1,052,096	-	1,052,096
Creating change: policy and awareness	502,196	-	502,196
Research and Insights	245,927	-	245,927
Total program services	\$ 9,304,087	\$ -	\$ 9,304,087
Supporting services			
Management and general	\$ 478,470	\$ -	\$ 478,470
Fundraising and membership	423,750	-	423,750
Total supporting services	\$ 902,220	\$ -	\$ 902,220
Total Expenses	\$ 10,206,307	\$ -	\$ 10,206,307
Change in net assets before other gains and losses	\$ (1,048,947)	\$ (79,234)	\$ (1,128,181)
Other gains and losses			
Investment return, net	607,358	-	607,358
CHANGE IN NET ASSETS	\$ (441,589)	\$ (79,234)	\$ (520,823)
NET ASSETS, BEGINNING OF YEAR	6,927,761	769,534	7,697,295
NET ASSETS, END OF YEAR	\$ 6,486,172	\$ 690,300	\$ 7,176,472

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

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and grants	\$ 1,963,705	\$ 2,176,611	\$ 4,140,316
Membership dues	12,969	-	12,969
In-kind donations	9,776	-	9,776
Royalties and other	1,253	-	1,253
Interest and dividends	101,971	-	101,971
Total	\$ 2,089,674	\$ 2,176,611	\$ 4,266,285
Net assets released from restrictions			
Scholarships and program grants	2,222,777	(2,222,777)	-
Total Revenue	\$ 4,312,451	\$ (46,166)	\$ 4,266,285
EXPENSES			
Program services			
Strengthening and healing families	\$ 3,102,089	\$ -	\$ 3,102,089
Engaging communities	782,098	-	782,098
Creating change: policy and awareness	542,755	-	542,755
Total program services	\$ 4,426,942	\$ -	\$ 4,426,942
Supporting services			
Management and general	\$ 322,219	\$ -	\$ 322,219
Fundraising and membership	418,770	-	418,770
Total supporting services	\$ 740,989	\$ -	\$ 740,989
Total Expenses	\$ 5,167,931	\$ -	\$ 5,167,931
Change in net assets before other gains and losses	\$ (855,480)	\$ (46,166)	\$ (901,646)
Other gains and losses			
Investment return, net	497,952	-	497,952
CHANGE IN NET ASSETS	\$ (357,528)	\$ (46,166)	\$ (403,694)
NET ASSETS, BEGINNING OF YEAR	7,285,289	815,700	8,100,989
NET ASSETS, END OF YEAR	\$ 6,927,761	\$ 769,534	\$ 7,697,295

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

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services					Supporting Services			Total Expenses
	Strengthening and Healing Families	Engaging Communities	Creating Change: Policy and Awareness	Research and Insights	Total Program Services	Management and General	Fundraising and Membership	Total Supporting Services	
Salaries and benefits	\$ 535,288	\$ 807,524	\$ 433,059	\$ 203,981	\$ 1,979,852	\$ 257,517	\$ 272,995	\$ 530,512	\$ 2,510,364
Camp and family supplies & materials	821,457	-	-	-	821,457	-	-	-	821,457
Depreciation and amortization	6,601	9,702	5,312	2,283	23,898	1,691	3,264	4,955	28,853
Insurance	-	-	-	-	-	22,317	59	22,376	22,376
IT equipment support	11,492	16,167	7,696	3,336	38,691	3,334	4,700	8,034	46,725
Legal, bank fees and accounting	67,002	33,706	17,284	18,547	136,539	165,386	10,558	175,944	312,483
Outside consultants	39,629	30,423	123	655	70,830	1,324	22,135	23,459	94,289
Postage, mailing and other services	1,577	-	-	1	1,578	1,376	11,460	12,836	14,414
Promotional materials and advertising	27,622	68,094	-	1,300	97,016	3,222	137	3,359	100,375
Publications, dues and subscriptions	6,252	4,190	10,304	488	21,234	2,294	16,077	18,371	39,605
Rent and office maintenance	32,726	47,163	25,427	11,274	116,590	5,227	15,729	20,956	137,546
Childcare reimbursements	5,103,742	-	-	-	5,103,742	-	-	-	5,103,742
Scholarships	801,676	-	-	-	801,676	-	-	-	801,676
Supplies and materials	1,545	645	244	95	2,529	3,368	3,298	6,666	9,195
Training, conferences and meetings	-	-	-	-	-	770	10,612	11,382	11,382
Travel	29,625	2,870	356	2,816	35,667	4,383	13,372	17,755	53,422
Website and communication services	17,634	31,612	2,391	1,151	52,788	6,261	39,354	45,615	98,403
Total expenses	<u>\$ 7,503,868</u>	<u>\$ 1,052,096</u>	<u>\$ 502,196</u>	<u>\$ 245,927</u>	<u>\$ 9,304,087</u>	<u>\$ 478,470</u>	<u>\$ 423,750</u>	<u>\$ 902,220</u>	<u>\$ 10,206,307</u>

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

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services			
	Strengthening and Healing Families	Engaging Communities	Creating Change: Policy and Awareness	Total Program Services	Management and General	Fundraising and Membership	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 750,359	\$ 567,714	\$ 454,084	\$ 1,772,157	\$ 156,272	\$ 280,825	\$ 437,097	\$ 2,209,254
Bad debt expense	-	-	-	-	-	9,952	9,952	9,952
Camp and family supplies & materials	455,982	-	-	455,982	-	-	-	455,982
Depreciation and amortization	10,910	8,884	6,804	26,598	3,359	4,237	7,596	34,194
Insurance	2,630	2,155	1,626	6,411	7,539	1,083	8,622	15,033
IT equipment support	9,031	7,476	5,682	22,189	16,083	3,204	19,287	41,476
Legal, bank fees and accounting	28,117	21,608	16,457	66,182	116,440	20,528	136,968	203,150
Outside consultants	92,672	34,702	261	127,635	104	16,182	16,286	143,921
Postage, mailing and other services	1,210	694	522	2,426	323	9,136	9,459	11,885
Promotional materials and advertising	57,105	55,725	14,194	127,024	1,842	2,019	3,861	130,885
Publications, dues and subscriptions	4,927	6,772	7,547	19,246	1,171	18,688	19,859	39,105
Rent and office maintenance	44,633	36,618	27,886	109,137	13,501	17,547	31,048	140,185
Childcare reimbursements	635,539	-	-	635,539	-	-	-	635,539
Scholarships	973,000	-	-	973,000	-	-	-	973,000
Supplies and materials	9,378	1,102	109	10,589	1,059	69	1,128	11,717
Training, conferences and meetings	720	-	3,000	3,720	-	-	-	3,720
Travel	4,975	5,485	487	10,947	1,466	2,628	4,094	15,041
Website and communication services	20,901	33,163	4,096	58,160	3,060	32,672	35,732	93,892
Total expenses	<u>\$ 3,102,089</u>	<u>\$ 782,098</u>	<u>\$ 542,755</u>	<u>\$ 4,426,942</u>	<u>\$ 322,219</u>	<u>\$ 418,770</u>	<u>\$ 740,989</u>	<u>\$ 5,167,931</u>

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

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, program revenue, contributors	\$ 9,528,419	\$ 4,601,146
Interest and dividend income received	87,714	101,971
Cash paid to suppliers and employees	<u>(9,948,924)</u>	<u>(5,303,333)</u>
Net Cash - Operating Activities	<u>\$ (332,791)</u>	<u>\$ (600,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	\$ (159,255)	\$ (158,070)
Redemptions of certificates of deposit	159,255	459,021
Purchases of marketable securities	(937,187)	(623,737)
Sales of marketable securities	1,083,668	631,408
Purchases of property and equipment	<u>(26,950)</u>	<u>(18,557)</u>
Net Cash - Investing Activities	<u>\$ 119,531</u>	<u>\$ 290,065</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ (213,260)</u>	<u>\$ (310,151)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,789,482</u>	<u>2,099,633</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,576,222</u></u>	<u><u>\$ 1,789,482</u></u>

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

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENTS OF CASH FLOWS (CONCLUDED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Reconciliation of change in net assets to net cash - operating activities		
CHANGE IN NET ASSETS	\$ (520,823)	\$ (403,694)
Adjustments to reconcile change in net assets to Net Cash -		
Operating Activities:		
Depreciation and amortization	\$ 28,853	\$ 34,194
Realized loss (gain) on sales of marketable securities	(340,523)	(138,473)
Unrealized loss (gain) on marketable securities	(313,244)	(390,386)
Donated marketable securities	(12,154)	(9,293)
Deferred rent	(3,355)	33,831
Changes in assets and liabilities		
(Increase) decrease in:		
Pledges receivable	(273,276)	346,281
Accounts receivable	(22)	41,522
Prepaid expenses	134,488	(120,351)
Increase (decrease) in:		
Accounts payable and accrued expenses	29,252	(25,857)
Accrued salaries and related taxes	110,437	(63,453)
Deferred revenue	823,459	58,322
Accrued vacation	(1,007)	37,141
Total adjustments	<u>\$ 182,908</u>	<u>\$ (196,522)</u>
Net Cash - Operating Activities	<u><u>\$ (337,915)</u></u>	<u><u>\$ (600,216)</u></u>
Non-cash investing and financing activities		
Donated marketable securities	<u><u>\$ 12,154</u></u>	<u><u>\$ 9,293</u></u>

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

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 1. Organization:

The National Military Family Association (NMFA or the Association) was incorporated in the State of Maryland in December 1969 as a non-stock, not-for-profit organization. The Association was organized to identify and resolve issues of concern to military families and to fight for benefits and programs that strengthen and protect uniform service families. The Association is also recognized as a charitable organization and is primarily supported by charitable contributions and grants. The Association is governed by an elected Board of Governors and has approximately 34,500 concerned and caring members.

NMFA has been determined to be exempt from income tax pursuant to Internal Revenue Code Section 501(c)(3).

Note 2. Summary of Significant Accounting Policies:

Basis of presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*. Contributions are recognized as revenue when they are received or unconditionally pledged. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NMFA and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of NMFA's management and the Board of Governors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NMFA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenue recognition

The Association accounts for contributions in accordance with the requirements of FASB ASC 958, under which contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 2. Summary of Significant Accounting Policies (Continued):

Revenue recognition (Concluded)

The Association records contributions when received or when the unconditional promise-to-give is known. Support that is restricted by the donor, including pledges, is reported as an increase in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donated goods or contributed services meeting the requirements for recognition in that they create or enhance non-financial assets or are services that require specialized skills and would typically need to be purchased if not donated are reported at fair value at the time of the donation. Conditional promises-to-give that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

During the years ended December 31, 2021 and 2020, the Association received \$7,569 and \$9,776, respectively, of in-kind donations. These donations are primarily related to donated services, program costs and professional and consulting services. Such activity is included in contributions in the accompanying statement of activities and changes in net assets.

At December 31, 2021 and 2020, contributions approximating \$900,000 and \$454,451 have not been recognized in the accompanying statement of activities because the condition(s) on which they depend have not yet been met. For 2021, \$750,000 has a condition of sending 2000 children to the camps for 2022 and \$150,000 has a condition of hosting 2 retreats in 2022. The amounts have been received. Deferred revenue recognized as of December 31, 2021 was \$900,000. For 2020, \$454,451 pertains to the AER grant, out of which payment of \$76,451 has been received so the amount is recorded as deferred revenue and will be recognized as childcare reimbursements are awarded and the milestones required by the grant are accomplished, the remaining \$378,000 has not been received so no deferred revenue has been recognized as of December 31, 2020.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Association adopted Topic 606 as of January 1, 2019.

Membership dues, which are not refundable and represent an exchange transaction based on the value of the benefits provided, are recognized over the membership period which is the calendar year.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 2. Summary of Significant Accounting Policies (Continued):

Pledges and accounts receivable and allowance for doubtful accounts

The Association's receivables consist primarily of pledges and bequests. Accounts receivable are recognized when an unconditional promise-to-give from a donor or decedent is both determinable and measurable by the Association. The Association reports its accounts receivable at their net realizable value by periodically reviewing an aging of its accounts receivable for collection purposes and to evaluate the adequacy of the allowance for doubtful accounts. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises were received. The Association determined that no allowance was required as of December 31, 2021 and that an allowance for doubtful accounts of \$7,702 was required as of December 31, 2020. No significant bad debt expense was recognized during the years. Pledges receivable due in excess of one year were discounted at 0.45%.

Fixed assets and depreciation

The Association capitalizes property and equipment acquisitions with a cost of \$1,000 or greater, at cost or estimated fair value at the time of the donation, and reports property and equipment net of accumulated depreciation. The Association depreciates property and equipment using the straight-line method over the estimated useful lives of 3 to 7 years. Expenditures for repairs and maintenance that do not extend the useful life of an asset, supplies and de minimis items are expensed as incurred.

Cash equivalents

For financial statement purposes, the Association considers highly liquid debt instruments with original maturities of three months or less, including certain money market funds, to be cash equivalents. As of December 31, 2021 and 2020, the Association had approximately \$592,182 and \$474,908, respectively, in money market funds that are included as cash equivalents in the accompanying financial statements. The Association also reported approximately \$86,949 and \$448,103 in money market funds reported as components of marketable securities, as of December 31, 2021 and 2020, respectively, given the Association's ability and intent for these funds to be reinvested within these portfolios.

Certificates of Deposit

As of December 31, 2021 and 2020, the Association had \$159,757 and \$158,070, respectively, invested in certificates of deposit held at one credit union. The certificates of deposit are reported at fair value and currently have original maturities of 18 months. The certificates outstanding as of December 31, 2021 will mature during the year ending December 31, 2022 and earn interest at annual rates of approximately 0.50-0.55%. The certificates' cost approximates their fair value.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 2. Summary of Significant Accounting Policies (Continued):

Deferred revenue

The Association evaluates its grants and other funding to determine if grants are unconditional promises to give and thus, accounted for as contributions and either earmarked as net assets with or without donor restrictions. In situations in which the grants include significant stipulations, including the donor's ability to cancel funding at any time, the Association treats the grant as conditional promises to give in which the revenue is not recognized until the grantor's stipulations are substantially met. Any amounts received in advance by the Association under such grants are recorded as deferred revenue.

Deferred rent

The Association recognizes rent expense on its long-term operating leases on a straight-line basis over the term of the lease. A deferred rent liability is reflected for the effects of rent escalations and the difference between actual rental payments and the straight-line amortization of the lease payments.

Concentration of credit risk

The Association maintains its cash and certificates of deposit in financial institutions located in the Washington, DC metropolitan area. The balances at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Throughout the year, the balances maintained by the Association exceeds the insured balance.

The Association maintains cash equivalents and marketable securities portfolios with investment brokers which are members of the Securities Investor Protection Corporation (SIPC). The balances maintained in the brokerage accounts are insured by SIPC up to \$500,000. The investments are subject to market fluctuations and risk of loss.

Credit risk with respect to contributions receivable is limited due to the number and credit worthiness of the corporations and individuals that comprise the contributor base.

Advertising

The costs of advertising are expensed as incurred.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 2. Summary of Significant Accounting Policies (Concluded):

Functional allocation of expenses

The costs of providing various programs, and other activities, have been summarized on a functional basis in the statements of activities and changes in net assets. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs, as well as other costs indirectly related to the programs or support services, have been allocated among the programs and supporting services based upon direct labor dollars and related costs charged to the programs and support services.

Income taxes

No provision has been made for income taxes since the Association has been determined to be exempt from income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no unrelated business taxable income during the years ended December 31, 2021 or 2020. The Association files its information tax returns for Federal reporting purposes. The Association is not under audit by any income tax jurisdiction.

FASB ASC 740, *Income Taxes*, requires changes in recognition and measurement for uncertain tax positions. The Association has determined that it currently does not have any uncertain tax positions. If this position changes, the Association will assess the impact of any such matters on its statement of financial position and its results of operations.

Note 3. Availability and Liquidity:

The following represents the Association's financial assets at December 31, 2021 and 2020:

Financial assets at December 31:	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,571,098	\$ 1,789,482
Pledges and accounts receivable	382,298	109,000
Certificates of deposit	159,757	158,070
Marketable securities	<u>6,230,307</u>	<u>5,712,554</u>
Total financial assets	\$ 8,343,460	\$ 7,769,106
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(690,300)</u>	<u>(769,534)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,653,160</u>	<u>\$ 6,999,572</u>

During the normal course of operations in the year ending December 31, 2022, the Association will receive contributions, grant revenue, sponsorships and membership dues which will be available to spend on general expenditures. The Association's Governing Board has established Board designated net assets, see Note 6, that are available to meet general expenditures and are included in the marketable securities balance above.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 4. Property and Equipment:

Property and equipment consists of the following at December 31:

	2021	2020
Furniture and equipment	\$ 303,175	\$ 281,349
Software	<u>185,113</u>	<u>185,113</u>
Total Property and Equipment	\$ 488,288	\$ 466,462
Less, accumulated depreciation	<u>(448,320)</u>	<u>(424,591)</u>
Net Property and Equipment	<u>\$ 39,968</u>	<u>\$ 41,871</u>

Note 5. Investments in Marketable Securities:

The Association adopted the provisions of FASB ASC 820, *Fair Value Measurement*. In accordance with FASB ASC 820, NMFA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are quoted in an active market
- Level 2 – Inputs to the valuation methodology are inputs other than quoted prices that are observable for the assets
- Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

All of the marketable securities recorded in the statement of financial position are categorized based on the inputs to the valuation technique and are at quoted prices in active markets for identical assets, Level 1 assets. The certificates of deposit are valued based upon observable market inputs for similar securities, including valuation models based upon prices paid for similar assets with similar yields from issuers with similar credit ratings and are included as Level 2 assets.

The Association reports investments in equity securities at fair value, with gains and losses included in the statement of activities and changes in net assets.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 5. Investments in Marketable Securities (Concluded):

The Association's certificates of deposit and marketable securities consist of the following as of December 31, 2021 and 2020:

	2021		2020	
	Cost	Market	Cost	Market
Certificates of deposit	\$ 159,757	\$ 159,757	\$ 158,070	\$ 158,070
Money market funds	86,949	86,949	448,102	448,102
Mutual bond/equity funds	4,333,589	5,387,082	3,995,473	4,814,755
Exchange traded funds	414,788	631,540	202,574	362,977
Corporate equities	37,367	124,736	35,236	86,720
Total	<u>\$ 5,032,450</u>	<u>\$ 6,390,064</u>	<u>\$ 4,839,455</u>	<u>\$ 5,870,624</u>

The following table summarizes the fair value of the Association's investments by level at December 31, 2021:

Fair Value Measurements at Reporting Date Using				
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Securities	12/31/21			
Certificates of deposit	\$ 159,757	\$ -	\$ 159,757	\$ -
Money market funds	86,949	86,949	-	-
Mutual bond/equity funds	5,387,082	5,387,082	-	-
Exchange traded funds	631,540	631,540	-	-
Corporate equities	124,736	124,736	-	-
Total	<u>\$ 6,390,064</u>	<u>\$ 6,230,307</u>	<u>\$ 159,757</u>	<u>\$ -</u>

The following table summarizes the fair value of the Association's investments by level at December 31, 2020:

Fair Value Measurements at Reporting Date Using				
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Securities	12/31/20			
Certificates of deposit	\$ 158,070	\$ -	\$ 158,070	\$ -
Money market funds	448,102	448,102	-	-
Mutual bond/equity funds	4,814,755	4,814,755	-	-
Exchange traded funds	362,977	362,977	-	-
Corporate equities	86,720	86,720	-	-
Total	<u>\$ 5,870,624</u>	<u>\$ 5,712,554</u>	<u>\$ 158,070</u>	<u>\$ -</u>

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 6. Governing Board Designations:

The Association's governing board has designated, from net assets without donor restrictions, net assets for the following purposes:

	<u>2021</u>	<u>2020</u>
General reserve fund	\$ 5,496,485	\$ 4,873,625
Scholarship reserve fund	<u>733,822</u>	<u>838,929</u>
	<u>\$ 6,230,307</u>	<u>\$ 5,712,554</u>

The Association maintains two investment funds. The first is the Association's organizational invested fund, referred to as the "General Reserve Fund." The second invested fund is strictly designated for the spouse scholarship program and is referred to as the "Scholarship Reserve Fund." The funds are managed by the Finance Committee, the Chair, and the Executive Director, with the support of an outside investment advisor. Fund performance is reviewed by the Board of Governors. The Finance Committee will allocate invested fund assets in investments that are financially conservative and focused on long term growth. The Finance Committee develops specific asset allocation recommendations, which are approved by the Board of Governors.

General Reserve Fund:

- The Association's goal for this reserve fund is a minimum of six months of normal operating costs. There is no current maximum goal set for this fund.
- Withdrawal of reserve funds may be authorized by the Chairman of the Board based on the recommendation of the Executive Director with concurrence by the Finance Committee when an emergency exists. Withdrawal of reserve funds for a non-emergency must first be approved by a two-thirds majority of the Board of Governors.

Scholarship Reserve Fund:

- This fund was established with the goal of providing sufficient resources to finance a reasonable annual spouse scholarship program and support designated/named scholarships in perpetuity.
- Unless otherwise directed by the Board of Governors, the Association's investment plan is to invest the fund to maintain the fund balance at \$700,000, with the goal of an annual return of at least 5%. Any fund balance exceeding \$700,000 will be withdrawn annually to cover existing named scholarship commitments and to provide additional scholarship awards. In 2020, the fund balance was above the \$700,000 goal. In 2021, investment returns have increased the balance in excess of \$700,000 desired minimum balance by \$33,822.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 7. Net Assets with Donor Restrictions:

The Association maintains net assets that are donor restricted as follows:

	2021	2020
Net assets with donor restrictions:		
Educational scholarships	\$ 320,300	\$ 649,534
Operation Purple programs	370,000	120,000
	<u>\$ 690,300</u>	<u>\$ 769,534</u>

Note 8. Commitments and Contingencies:

Operating lease commitments

The Association leases equipment under various non-cancelable operating leases. The lease agreements have original terms that range from 60 to 63 months and expire at various times through the years ending December 2024-2025. The leases require minimum monthly rental payments totaling approximately \$573 as of December 31, 2021.

In August 2019, the Association entered into a new lease agreement for office space under a non-cancelable operating lease. The term of this lease is eighty-nine months, effective October 2019. Under the terms of this lease, the Association will be responsible for its proportionate share of operating costs, maintenance, and any applicable taxes and insurance. The lease contains annual rent escalations. The Association will recognize rent expense on this long-term lease on a straight-line basis. Accordingly, a deferred rent liability will be reflected for the effects of rent escalations and the difference between actual rent payments and straight-line amortization. The lease also provides for a lease incentive in the amount of \$21,895 which will also be amortized over the term of the lease. As of December 31, 2021 and 2020 the deferred rent liability was \$69,992 and \$70,395, respectively. As of December 31, 2021 and 2020 rent expense was approximately \$133,627, and \$140,000, respectively. The rent amounts disclosed are inclusive of common area maintenance costs and pro-rata share of real estate taxes. The lease also provided for a lease incentive which is also amortized over the term of the lease. The unamortized lease incentive balance is \$15,253 and \$18,205 as of December 31, 2021 and 2020, respectively.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 8. Commitments and Contingencies (Concluded):

The future minimum lease payments required under the lease agreements on an annual basis are as follows for the years ending December 31:

2022	\$	147,296
2023		151,489
2024		153,918
2025		153,495
2026		157,983
Thereafter		<u>26,917</u>
Total	\$	<u>791,098</u>

Operating Contingencies

The Association sponsors various youth programs and summer camps that have inherent risk associated with such activities. Although the Association only sponsors the youth programs or may provide grants for children to attend, the Association purchases insurance coverage with respect to the Association's sponsorship of such activities. Additionally, each camp is required to agree to release, discharge, indemnify and forever hold harmless the Association, its agents, officers, directors, and employees, from any and all claims. Each camp is also required to provide the Association with proof of insurance.

Note 9. Retirement Plan:

The Association adopted a 403(b) plan covering all employees meeting certain minimal requirements. Plan participants may make voluntary tax-deferred contributions to the retirement plan up to the maximum amount allowed by the Internal Revenue Code. The Association provides eligible participants matching contributions of \$50 per month. During the years ended 2021 and 2020, the Association incurred retirement plan expenses, including matching contributions and plan administrative costs, approximating \$10,050 and \$11,700, respectively.

Note 10. Presentation of Prior Year Financial Statements:

Certain amounts and descriptions in the prior year financial statements have been modified for comparative purposes to conform to the presentation of the current year financial statements. These modifications had no effect on previously reported changes in net assets.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 11. Risks and Uncertainties:

NMFA continues to feel the impact of the COVID-19 pandemic declared by the World Health Organization in early 2020. Due to the highly contagious nature of the virus, the requirement for social distancing, limits on gatherings, and restrictions on travel, planning for in-person events, including Operation Purple (camps /family retreats) require more flexibility. NMFA's camps for 2021 included both an in-person and virtual option. Both options remain available for 2022. The Association's revenue and expenses also continue to remain uncertain due to the pandemic. However, management is aware and is actively monitoring its activity. In addition, both domestic and international equity markets have experienced significant fluctuations since March 2020. The ultimate impact of the COVID-19 pandemic on the amount and likelihood of loss is unknown and depends on future developments.

Note 12. Subsequent Events:

The Association has evaluated events through May 17, 2022, the date the financial statements were available to be issued and determined that there was no event occurring subsequent to December 31, 2021 that would have a material impact on the Association's results of operations or financial position that would require adjustment to or disclosure in the financial statements.