



CIA OFFICERS MEMORIAL FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2022






CIA OFFICERS MEMORIAL FOUNDATION

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors of
CIA Officers Memorial Foundation

Opinion

We have audited the accompanying financial statements of CIA Officers Memorial Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, 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.

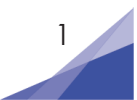
Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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





Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

CaliberCPAGroup, PLLC

Bethesda, MD
July 21, 2023



CIA OFFICERS MEMORIAL FOUNDATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Assets		
Cash and cash equivalents	\$ 4,635,011	\$ 4,302,307
Pledges and contributions receivable	1,773,867	2,431,966
Other receivables	53,981	51,025
Prepaid expense	3,088	20,578
Net property and equipment	-	933
Investments	<u>34,317,852</u>	<u>37,345,709</u>
Total assets	<u>\$ 40,783,799</u>	<u>\$ 44,152,518</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 40,001	\$ 5,145
Deferred revenue	<u>1,000</u>	<u>-</u>
Total liabilities	<u>41,001</u>	<u>5,145</u>
Net assets		
Without donor restrictions		
Undesignated	6,243,446	5,939,664
Board designated	<u>34,317,852</u>	<u>37,345,709</u>
Total net assets without donor restrictions	40,561,298	43,285,373
With donor restrictions	<u>181,500</u>	<u>862,000</u>
Total net assets	<u>40,742,798</u>	<u>44,147,373</u>
Total liabilities and net assets	<u>\$ 40,783,799</u>	<u>\$ 44,152,518</u>

See accompanying notes to financial statements.

CIA OFFICERS MEMORIAL FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Grants and contributions	\$ 5,263,758	\$ 106,500	\$ 5,370,258	\$ 10,316,642	851,770	\$ 11,168,412
Contributed nonfinancial assets	144,282	-	144,282	109,592	-	109,592
Net assets released from restrictions	787,000	(787,000)	-	843,740	(843,740)	-
Total support and revenue	6,195,040	(680,500)	5,514,540	11,269,974	8,030	11,278,004
Expenses						
Program services	1,867,041	-	1,867,041	1,494,895	-	1,494,895
Supporting services						
Management and general	1,017,298	-	1,017,298	217,714	-	217,714
Fundraising	504,240	-	504,240	235,502	-	235,502
Total support services	1,521,538	-	1,521,538	453,216	-	453,216
Total expenses	3,388,579	-	3,388,579	1,948,111	-	1,948,111
Changes in net assets before investment income	2,806,461	(680,500)	2,125,961	9,321,863	8,030	9,329,893
Investment income (loss), net	(5,530,536)	-	(5,530,536)	3,677,683	-	3,677,683
Changes in net assets	(2,724,075)	(680,500)	(3,404,575)	12,999,546	8,030	13,007,576
Net assets						
Beginning of year	43,285,373	862,000	44,147,373	30,285,827	853,970	31,139,797
End of year	\$ 40,561,298	\$ 181,500	\$ 40,742,798	\$ 43,285,373	\$ 862,000	\$ 44,147,373

See accompanying notes to financial statements.

CIA OFFICERS MEMORIAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarship grants	\$ 1,265,196	\$ -	\$ -	\$ 1,265,196
Non-scholarships grants	89,186	-	-	89,186
Salaries	401,987	117,497	140,944	660,428
Benefits	516	146	175	837
Professional fees				
Legal	-	47,887	-	47,887
Consulting	41,847	28,320	-	70,167
Other	-	15,000	15,395	30,395
Bad debt expense	-	750,000	-	750,000
Catering and rentals	-	-	287,359	287,359
Bank fees and other	122	2,863	-	2,985
Printing	-	1,716	23,959	25,675
Information technology	-	7,595	-	7,595
Payroll taxes	29,464	8,622	10,345	48,431
Office expense	10,227	19,599	11,773	41,599
Travel	8,238	-	5,060	13,298
Occupancy	17,573	4,819	5,952	28,344
Licenses/fees	-	12,497	2,368	14,865
Insurance	2,107	578	714	3,399
Depreciation	578	159	196	933
	<u>\$ 1,867,041</u>	<u>\$ 1,017,298</u>	<u>\$ 504,240</u>	<u>\$ 3,388,579</u>
Total	<u>\$ 1,867,041</u>	<u>\$ 1,017,298</u>	<u>\$ 504,240</u>	<u>\$ 3,388,579</u>

CIA OFFICERS MEMORIAL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services	Support Services		Total
		Management and General	Fundraising	
Scholarships grants	\$ 1,043,818	\$ -	\$ -	\$ 1,043,818
Non-scholarships grants	85,123	-	-	85,123
Salaries	292,617	107,388	126,624	526,629
Benefits	488	180	211	879
Professional fees				
Legal	-	36,462	-	36,462
Consulting	27,648	15,999	-	43,647
Other	-	14,800	960	15,760
Catering and rentals	-	-	61,724	61,724
Bank fees and other	120	2,168	-	2,288
Printing	-	240	22,475	22,715
Information technology	-	6,908	-	6,908
Payroll taxes	20,392	7,483	8,824	36,699
Office expense	2,117	8,276	5,303	15,696
Travel	4,033	23	318	4,374
Occupancy	15,873	5,668	6,803	28,344
Licenses/fees	-	11,167	1,118	12,285
Insurance	1,792	640	768	3,200
Depreciation	874	312	374	1,560
Total	\$ 1,494,895	\$ 217,714	\$ 235,502	\$ 1,948,111

CIA OFFICERS MEMORIAL FOUNDATION

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (3,404,575)	\$ 13,007,576
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	933	1,560
Bad debt expense	750,000	-
Net (appreciation) depreciation in fair value of investments	6,481,890	(2,898,024)
Changes in operating assets and liabilities		
Accounts receivable	(2,956)	(3,994)
Pledges receivable	(91,901)	(1,544,523)
Prepaid expenses	17,490	4,748
Accounts payable and accrued expenses	34,856	(14,600)
Deferred revenue	1,000	(3,530)
Net cash provided by operating activities	3,786,737	8,549,213
Cash flows from investing activities		
Purchase of investments	(8,632,477)	(9,871,588)
Proceeds from sale of investments	5,178,444	2,523,860
Net cash used for investing activities	(3,454,033)	(7,347,728)
Net change in cash and cash equivalents	332,704	1,201,485
Cash and cash equivalents		
Beginning of year	4,302,307	3,100,822
End of year	\$ 4,635,011	\$ 4,302,307

See accompanying notes to financial statements.



CIA OFFICERS MEMORIAL FOUNDATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1. ORGANIZATION

CIA Officers Memorial Foundation (the Foundation) was incorporated in 2001. The core mission of the CIA Officers Memorial Foundation is to provide undergraduate and graduate degree scholarships and associated funding for eligible dependents of CIA officers who die while on active-duty status. The Foundation also covers counseling services for the students, and provides emergency cash payments to the families upon the death of an employee to help defray immediate expenses, such as funeral costs, travel, and lodging, etc. In addition, the Foundation considers providing direct support as needed to officers wounded while on assignment in designated war zones and offers scholarship assistance to their dependents as well. In 2019, the Foundation established a daycare program to assist eligible families with childcare costs. In 2021, the Foundation established the Career Services Program to assist eligible students in finding internship and full-time employment opportunities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are presented in accordance with the accrual method of accounting. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net Assets - Net assets are reported in two distinct classes as follows:

Net assets without donor restrictions - These net assets are available to finance the general operations of the Foundation. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in its organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Foundation is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - The Foundation considers amounts available for immediate withdrawal from bank accounts and all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Pledge and Contributions Receivable - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions restricted by donors are initially recorded as an increase in support with donor restrictions and reclassified to net assets without donor restrictions when the time restrictions expire, or purpose restrictions are met. With donor restrictions, contributions are reported as without donor restrictions revenue if the restriction is met in the same calendar year that the contribution is received. An allowance for doubtful accounts was not considered necessary at December 31, 2022 and 2021.

Property and Equipment - Property and equipment purchased or donated with a value in excess of the Foundation's capitalization threshold of \$1,000 is capitalized when acquired, recorded at cost (or fair market value in the case of donated property) and depreciated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvement costs are capitalized and amortized using the straight-line method over the term of the lease or useful life, whichever is shorter. Costs of repairing and maintaining equipment and amounts below the capitalization threshold are not capitalized and are included in expenses.

Investment Valuation and Income Recognition - Investments consisting of amounts held in short-term cash reserves and invested in equities and fixed income funds are carried at fair value. Fair value is 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. Interest income is reported on the accrual basis. Dividends are reported on the ex-dividend date. Unrealized gains (losses) resulting from increases (decreases) in fair value of shares held as well as the net realized gains (losses) arising from sales of investments are included in the statements of activities as an increase or decrease in net assets without donor restrictions from investment income.

Revenue Recognition - Revenue from contracts with customers consists primarily of service agreements and event registrations and related fees. Revenue is recognized when control of the promised goods or services is transferred to the Foundation's customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services.

Contract revenue represents revenue earned on contracts in which the Foundation is hired to perform a specific service. Contract revenue is recognized as costs are incurred based on actual costs incurred or payment terms established in the contracts.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognized for contracts for which payments have not been received is included in grants, contributions, and contracts receivable in the accompanying statements of financial position. Funds received under these contracts but not yet expended for the purpose specified by the funder are reflected as deferred revenue in the accompanying statements of financial position.

Special events revenue and registration fees are recognized in the year in which the related events or conferences are held. Amounts other than donations, collected for future events, are classified as deferred revenue in the accompanying statements of financial position.

Contributed Nonfinancial Assets - Donated services are recognized as contributions, in accordance with authoritative guidance, if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are performed by individuals with those skills and would otherwise be purchased by the Foundation. Donated space, food and beverage and supplies are recognized as contributions as they would otherwise need to be purchased by the Foundation.

Income Taxes - The Foundation is generally exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes.

The Foundation accounts for income taxes in accordance with ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Foundation performed an evaluation of uncertain tax positions for the years ended December 31, 2022 and 2021, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2022, the statute of limitations for tax years 2019 through 2021 remains open with the U.S. Federal jurisdiction and the various states and local jurisdictions in which the Foundation files returns.

Functional Allocation of Expenses - The costs of providing the various programs and supporting activities of the Foundation have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort studies.

Concentration of Credit Risk - Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist primarily of cash and cash equivalents, investments, accounts receivable, and pledges receivable.



NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management believes the risk of loss associated with cash and cash equivalents is low because cash and cash equivalents are maintained in financial institutions. However, at various times throughout the year, including year-end, the Foundation had cash and cash equivalents on deposit in one financial institution in amounts that exceed the federally insured amount.

The Foundation invests in a professionally managed portfolio that contains marketable equity, bond mutual funds and alternative investments. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the values of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement Adopted - During the year ended December 31, 2022, the Foundation adopted the provisions of Accounting Standards 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The update also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this update did not have a significant impact on the financial statements, except for increased disclosure.

Reclassifications - Certain information previously presented in the December 31, 2021 financial statements has been reclassified to conform to the December 31, 2022 presentation.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term earnings with acceptable risk to investment principal.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (CONTINUED)

The following table represents the Foundation's financial assets available to meet cash needs for general expenditure within one year of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Total assets at end of year	\$ 40,783,799	\$ 44,152,518
Less: non financial assets		
Prepaid expenses	(3,088)	(20,578)
Net property and equipment	-	(933)
Total financial assets at end of year	<u>40,780,711</u>	<u>44,131,007</u>
Less: amounts not available to meet general expenditures coming due within one year		
Purpose restricted net assets	<u>(181,500)</u>	<u>(862,000)</u>
Financial assets available to meet general expenditures coming due in the next year	<u>\$ 40,599,211</u>	<u>\$ 43,269,007</u>

NOTE 4. CONTRACT BALANCES

All of the Foundation's contract assets are considered accounts receivable and are included within the accounts receivable balance in the statements of financial position. All of the Foundation's contract liabilities are included with deferred revenue in the statements of financial position. Balances in these accounts as of the beginning and end of the years ended December 31, 2022 and 2021 are indicated as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Accounts receivable	<u>\$ 53,981</u>	<u>\$ 51,025</u>	<u>\$ 47,031</u>
Deferred revenue	<u>\$ 1,000</u>	<u>\$ -</u>	<u>\$ 3,530</u>

NOTE 5. PLEDGES AND CONTRIBUTIONS RECEIVABLE

As of December 31, 2022, pledges and contributions receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Amounts due in		
2022	\$ -	\$ 2,356,966
2023	1,673,867	25,000
2024 - 2026	<u>100,000</u>	<u>50,000</u>
	<u>\$ 1,773,867</u>	<u>\$ 2,431,966</u>

Discounting the long-term pledges receivable is not considered necessary as the effect on the financial statements is immaterial.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

For the years ended December 31, 2022 and 2021, total investment income (loss) consisted of the following:

	<u>2022</u>	<u>2021</u>
Dividends and interest, net	\$ 951,354	\$ 779,659
Realized gain (loss)	(6,226)	859,942
Unrealized gain (loss)	<u>(6,475,664)</u>	<u>2,038,082</u>
Total investment income (loss), net	<u>\$ (5,530,536)</u>	<u>\$ 3,677,683</u>

Accounting standards provide the framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include other significant observable inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of December 31, 2022 and 2021, respectively:

Description	12/31/22 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic equities	\$ 7,181,831	\$ 7,181,831	\$ -	\$ -
Mutual funds	22,767,000	22,767,000	-	-
Short-term investments	<u>285,213</u>	<u>285,213</u>	-	-
Total	30,234,044	<u>\$ 30,234,044</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value*	<u>4,083,808</u>			
	<u>\$ 34,317,852</u>			

Description	12/31/21 Total	Quoted Market Price for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic equities	\$ 7,128,778	\$ 7,128,778	\$ -	\$ -
Mutual funds	27,874,022	27,874,022	-	-
Short-term investments	<u>584,587</u>	<u>584,587</u>	-	-
Total	\$ 35,587,387	<u>\$ 35,587,387</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value*	<u>1,758,322</u>			
	<u>\$ 37,345,709</u>			

*In accordance with ASC, investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented on these tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following are descriptions of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Domestic equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Mutual funds are valued at the net asset value that represents the market value of the assets less liability. Assets valued at net asset value are reported on the active market on which the individual securities are traded.

Short-term investments: Short-term (generally less than three months), highly liquid investments that are convertible to known amounts of cash.

Alternative Investments: The investments in alternative funds are valued based on the fund managers' estimation of fair value, which is based on the Foundation's pro-rata share of the fund's capital balance.

Authoritative guidance on fair value measurements permits the Foundation to measure the fair value of an investment in an investment entity that does not have a readily determinable fair value based upon the net asset value (NAV) per share of the investment. This guidance does not apply if it is probable that the investment will be sold at a value different than NAV. The Foundation's investment in these investment entities is subject to the terms of the respective agreements. Income or loss from investments in these investment entities is net of the Foundation's proportionate share of fees and expenses incurred or charged by these investment entities.

The following tables summarize the Foundation's investment in certain entities that calculate net asset value per share as fair value measurements as of December 31, 2022 and 2021:

	December 31, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships	\$ 3,026,062	\$ -	Monthly	90 Days' Notice
Hedge funds	1,057,746	1,000,000	Quarterly	95 Days' Notice
	December 31, 2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships	\$ 1,558,102	\$ -	Monthly	90 Days' Notice
Hedge funds	200,220	1,800,000	Quarterly	95 Days' Notice



NOTE 6. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following summarizes the investment strategy for each of the Foundation's investments in the table presented on the previous page:

Limited Partnerships: The Foundations' investment in limited partnerships is comprised of a single investment. The fund's investment objective is to seek capital appreciation with limited variability of returns. This partnership attempts to achieve this objective by allocating capital among a number of pooled investment vehicles. An independent investment manager manages each pursuant to various alternative investment strategies, including relative value; market neutral and hedged equity; event-driven; and distressed credit securities.

Hedge Funds: The Foundation's investment in hedge funds is comprised of a single investment. The fund is a multi-strategy hedge fund and seeks to achieve above-average appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment opportunities, and engaging in a broad array of trading and investment strategies. The core strategies of the fund currently include relative value fundamental equity, equity arbitrage, quantitative strategies and fixed income strategies.

NOTE 7. PROPERTY AND EQUIPMENT

The property and equipment held by the Foundation consisted of the following components at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 8,401	\$ 8,401
Less: accumulated depreciation and amortization	<u>(8,401)</u>	<u>(7,468)</u>
Net property and equipment	<u>\$ -</u>	<u>\$ 933</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$933 and \$1,560, respectively.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions result from gifts of cash or other assets with donor-imposed restrictions that require that such resources be used in a later period or after a specified date or that the resources be used for a specified purpose. The restricted funds are released from restrictions when the specified date passes, or amounts are expended for the purpose specified. Unconditional promises to give a contribution in a future year are not available until the actual contribution is received, and accordingly, are included in net assets with donor restrictions until received. Unconditional promises to give are reported as net assets without donor restrictions when the donor's intention is to support current-period activities.



NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Uncollected pledges from special events are considered time restricted and are classified as net assets with donor restrictions. The uncollected pledges for the Annual Dinner and other special events are paid in the following calendar year and are considered time restricted and, as such, are classified as net assets with donor restrictions.

	<u>2022</u>	<u>2021</u>
Grants and contributions	\$ 175,000	\$ 850,000
Annual dinner	6,500	-
Biannual regional event	<u>-</u>	<u>12,000</u>
Total	<u>\$ 181,500</u>	<u>\$ 862,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors:

	<u>2022</u>	<u>2021</u>
Time restrictions expired	\$ 37,000	\$93,740
Purpose restrictions expired	<u>750,000</u>	<u>750,000</u>
Total	<u>\$ 787,000</u>	<u>\$ 843,740</u>

Included in the amount of net assets released from restriction during the year ended December 31, 2022 is \$750,000 of bad debt expense for a prior year pledge that was deemed uncollectible.

NOTE 9. CONCENTRATION OF CREDIT RISK

Funds on deposit with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, the Foundation had cash balances on deposit that exceeded the amounts insured by the FDIC, by approximately \$4,409,000.

NOTE 10. ENDOWMENT FUND

During the year ended December 31, 2022, the Board of Directors designated \$2,550,000 of net assets without donor restrictions as an addition to its general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as without donor restrictions net assets.



NOTE 10. ENDOWMENT FUND (CONTINUED)

Endowment Composition

Interpretation of Relevant Law - The Uniform Prudent Management of Institutional Fund Act (UPMIFA) was adopted by the State of Virginia in 2008. The Foundation interprets UPMIFA as requiring the preservation of the fair value of the original amount as of the date of the board designated reserve funds absent explicit stipulations to the contrary. As a result of this interpretation, the Foundation classifies as board designated net assets

the original value of the reserve funds and accumulations to the reserve funds made in accordance with the direction of the applicable designation at the time the accumulation is added to the funds.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate board designated reserve funds:

- The durations and preservation of the fund;
- The purposes of the board designated reserve fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation.

Investment Policies - The Board of Directors (the Board) of the Foundation are charged with the responsibility of managing the assets of the Foundation. The overall goal in managing these funds is to generate a long-term total rate of return that provides sustainable distributions to support the mission within reasonable levels of risk.

The Board believe their role is one of setting and reviewing policy and retaining, monitoring, and evaluating advisers and investment managers. It is the Board's desire to find ways to invest these funds in accordance with the principles of the Foundation. The Board will review the investment policy statement at least annually.

The primary financial objectives of the investment funds (Funds) are to provide a stream of relatively stable and constant earnings in support of annual budgetary needs and preserve and enhance the real (inflation-adjusted) purchasing power of the Funds.

The endowment is held in investments in cash equivalents, equities, mutual funds and alternative investments and is included in investments in the accompanying statements of financial position. It is the intention of the Board that the funds allocated to the endowment remain there indefinitely. However, at this time, the funds may, upon approval by the Board, be withdrawn to sustain the Foundation's operations.

NOTE 10. ENDOWMENT FUND (CONTINUED)

The objective of this reserve fund is to provide for long-term financial stability of the Foundation's core mission. To achieve that objective, the Foundation invests in a well-diversified asset mix, which includes equities, debt securities, alternative investments and cash equivalents which is intended to result in a consistent inflation-protected rate of return while growing the fund if possible. Investment risk is measured in terms of the total reserve fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Composition of and changes in endowment net assets for the year ended December 31, 2022 were as follows:

Board-designated endowment net assets, beginning of year	\$ 37,345,709
Funds designated by the board during the year	2,550,000
Dividends and interest	1,055,377
Net appreciation (depreciation)	(6,481,885)
Amounts appropriated for expenditures	<u>(151,349)</u>
Board-designated endowment net assets, end of year	<u>\$ 34,317,852</u>

NOTE 11. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets are recorded at estimated fair value as contributed nonfinancial assets in the statements of activities. Contributed nonfinancial assets did not have donor-imposed restrictions. Donated services, rent/meeting space, food and beverage and supplies were utilized in various program, management and general and fundraising activities.

Contributed nonfinancial assets consisted of the following for the year ended December 31, 2022:

Services	\$ 95,854
Rent/meeting space	32,844
Food and beverage	14,796
Supplies	<u>788</u>
	<u>\$ 144,282</u>

Services: Contributions of donated services that either create or enhance nonfinancial assets or that require specialized skills were provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services are recorded at fair value in the period received. Donated services are provided by professional or technical personnel, consultants and other skilled labor and are an integral and necessary part of activities. Donated services are valued at billing rates consistent with those paid for similar work at the Foundation. Contributions of donated services were used in various program management and general, and fundraising activities.

NOTE 11. CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

Rent/meeting space: Contributed rent and meeting space is estimated at the fair value of comparable space and facilities. Contributed rent and meeting space was used for management and general activities, a portion of which is allocated to other program and support service functions on the statements of functional expenses.

Food and beverage and supplies: Contributed food and beverage and supplies are estimated at the fair value, generally supported by receipts or documentation from the vendor or donor. Contributed food and beverage was used for both management and general and fundraising activities. Donated supplies were used for fundraising activities.

NOTE 12. SPECIAL EVENTS

Revenues and expenses relating to fundraising events were as follows:

	<u>2022</u>	<u>2021</u>
Contributions and fundraising revenue	\$ 2,523,129	\$ 2,211,245
Direct expenses	<u>(504,240)</u>	<u>(235,502)</u>
Total	<u>\$ 2,018,889</u>	<u>\$ 1,975,743</u>

Included above is the activity related to the Annual Dinner. During the years ended December 31, 2022 and 2021, the Foundation generated revenues from the Annual Dinner in the amounts of \$1,525,465 and \$824,076, respectively, and incurred direct expenses of \$289,220 and \$48,711, respectively. Included in the revenue from the annual dinner is \$29,804 and \$62,232 received in stock donations for the years ended December 31, 2022 and 2021, respectively.

NOTE 13. SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through July 21, 2023, which is the date the financial statements were available to be issued. This review and evaluation revealed no material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.