

THE COAST GUARD FOUNDATION, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT



SANSIVERI, KIMBALL & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Coast Guard Foundation, Inc.:

Opinion

We have audited the accompanying financial statements of The Coast Guard Foundation, Inc. (the Foundation), 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, functional expenses, 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 Coast Guard Foundation, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' 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.

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 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 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.

Dansie, Kimball & Co., LLP

Providence, Rhode Island
June 9, 2022

THE COAST GUARD FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020		2021	2020
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 3,290,569	\$ 2,327,223	Accounts payable	\$ 256,848	\$ 244,296
Unconditional promises to give, net of allowance for uncollectible pledges	767,406	625,051	Accrued liabilities	138,909	111,524
Prepaid expenses and other current assets	148,867	103,576	Deferred revenue	453,005	193,667
Total current assets	4,206,842	3,055,850	Total current liabilities	848,762	549,487
INVESTMENTS	16,781,634	14,475,093	NET ASSETS:		
UNCONDITIONAL PROMISES TO GIVE, less current portion	190,000	369,000	Net assets without donor restrictions	6,005,917	5,504,219
PROPERTY AND EQUIPMENT - At cost:			Net assets with donor restrictions	14,775,783	12,324,408
Land and land improvements	175,746	175,746	Total net assets	20,781,700	17,828,627
Building	850,663	850,663			
Furniture and equipment	224,186	266,421			
Website	110,500	110,500			
Total	1,361,095	1,403,330			
Less accumulated depreciation and amortization	909,109	925,159			
Property and equipment, net	451,986	478,171			
TOTAL	\$ 21,630,462	\$ 18,378,114	TOTAL	\$ 21,630,462	\$ 18,378,114

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions of cash and other financial assets	\$ 3,380,704	\$ 4,076,409	\$ 7,457,113	\$ 3,026,604	\$ 2,806,689	\$ 5,833,293
Contributions of nonfinancial assets - gifts in-kind	3,812,607	202,679	4,015,286	2,098,639	88,360	2,186,999
Special events revenue, net of costs of direct benefit to donors of \$246,925 in 2021 and \$100,135 in 2020	1,272,160	178,120	1,450,280	1,085,649		1,085,649
Investment return, net	390,971	862,484	1,253,455	413,788	894,158	1,307,946
Income from forgiveness of Paycheck Protection Program note payable	389,500		389,500	389,500		389,500
Gift fee income	105,347		105,347			-
Miscellaneous	38,934		38,934	44,679		44,679
Total	9,390,223	5,319,692	14,709,915	7,058,859	3,789,207	10,848,066
Net assets released from restrictions	2,868,317	(2,868,317)	-	2,690,228	(2,690,228)	-
Total support and revenue	12,258,540	2,451,375	14,709,915	9,749,087	1,098,979	10,848,066
EXPENSES:						
Program services	8,798,625		8,798,625	6,315,958		6,315,958
Supporting services:						
Administrative and general	794,545		794,545	756,196		756,196
Development and fundraising	2,163,672		2,163,672	2,039,831		2,039,831
Total supporting services	2,958,217	-	2,958,217	2,796,027	-	2,796,027
Total program and supporting services expenses	11,756,842	-	11,756,842	9,111,985	-	9,111,985
CHANGE IN NET ASSETS	501,698	2,451,375	2,953,073	637,102	1,098,979	1,736,081
NET ASSETS, BEGINNING OF THE YEAR	5,504,219	12,324,408	17,828,627	4,867,117	11,225,429	16,092,546
NET ASSETS, END OF THE YEAR	\$ 6,005,917	\$ 14,775,783	\$ 20,781,700	\$ 5,504,219	\$ 12,324,408	\$ 17,828,627

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services					Supporting Services		
	Academy Support	District Wide Support	Assistance to Families	Public Awareness	Total Program	Administrative and General	Development and Fundraising	Total
Grants to the U.S. Coast Guard:								
Educational support	\$ 9,263	\$ 371,587	\$ 540,017		\$ 920,867			\$ 920,867
Academy waterfront program	8,500				8,500			8,500
Morale, welfare and other	6,600	285,039	42,664		334,303			334,303
Shipmate funds		1,366,418			1,366,418			1,366,418
Athletics	15,000				15,000			15,000
Public outreach	9,791	25,000			34,791			34,791
Emergency relief and tragedy assistance			469,012		469,012			469,012
Public service announcements				\$ 3,695,260	3,695,260			3,695,260
Salaries and benefits	180,260	328,233	201,989	429,226	1,139,708	\$ 438,193	\$ 939,765	2,517,666
Event production costs				59,793	59,793		168,945	228,738
Direct mail solicitations				233,990	233,990	57,869	606,194	898,053
Donor cultivation					-		29,506	29,506
Promotional and advertising				259,257	259,257		129,595	388,852
Travel, receptions and meetings	1,219	7,556		951	9,726	35,697	55,970	101,393
Professional fees				80,178	80,178	123,408	100,692	304,278
Information technology and communication		375	7,200	25,733	33,308	25,452	36,634	95,394
Occupancy	25,321	4,307	4,307	15,303	49,238	41,349	9,073	99,660
Miscellaneous	2,012	18,242	13,144	36,442	69,840	64,605	80,802	215,247
Total expenses before depreciation and amortization	257,966	2,406,757	1,278,333	4,836,133	8,779,189	786,573	2,157,176	11,722,938
Depreciation and amortization	10,160	3,067	3,067	3,142	19,436	7,972	6,496	33,904
Total	\$ 268,126	\$ 2,409,824	\$ 1,281,400	\$ 4,839,275	\$ 8,798,625	\$ 794,545	\$ 2,163,672	\$ 11,756,842

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					Supporting Services		
	Academy Support	District Wide Support	Assistance to Families	Public Awareness	Total Program	Administrative and General	Development and Fundraising	Total
Grants to the U.S. Coast Guard:								
Educational support	\$ 70,157	\$ 252,844	\$ 704,366		\$ 1,027,367			\$ 1,027,367
Academy waterfront program	4,300				4,300			4,300
Morale, welfare and other	6,400	439,497	4,806		450,703			450,703
Shipmate funds		779,496			779,496			779,496
Athletics	14,500				14,500			14,500
Public outreach	2,300	55,000			57,300			57,300
Emergency relief and tragedy assistance			328,610		328,610			328,610
Public service announcements				\$ 1,962,291	1,962,291			1,962,291
Salaries and benefits	163,027	326,054	186,317	349,344	1,024,742	\$ 442,502	\$ 861,716	2,328,960
Event production costs					-		305,480	305,480
Direct mail solicitations				174,516	174,516	43,090	511,577	729,183
Donor cultivation					-		27,500	27,500
Promotional and advertising				226,171	226,171		93,297	319,468
Travel, receptions and meetings		12,494		1,042	13,536	3,594	38,148	55,278
Professional fees				80,007	80,007	150,333	66,211	296,551
Information technology and communication		664	7,733	36,379	44,776	15,242	37,815	97,833
Occupancy	29,086	4,157	4,157	6,818	44,218	33,448	8,740	86,406
Miscellaneous	452	25,363	3,447	19,815	49,077	56,627	73,249	178,953
Total expenses before depreciation and amortization	290,222	1,895,569	1,239,436	2,856,383	6,281,610	744,836	2,023,733	9,050,179
Depreciation and amortization	13,198	5,935	8,619	6,596	34,348	11,360	16,098	61,806
Total	\$ 303,420	\$ 1,901,504	\$ 1,248,055	\$ 2,862,979	\$ 6,315,958	\$ 756,196	\$ 2,039,831	\$ 9,111,985

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,953,073	\$ 1,736,081
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(1,011,163)	(920,397)
Depreciation and amortization	33,904	61,806
Income from forgiveness of Paycheck Protection Program note payable	(389,500)	(389,500)
Changes in operating assets and liabilities:		
Unconditional promises to give	36,645	216,169
Prepaid expenses and other current assets	(45,291)	193,537
Accounts payable	12,552	(58,353)
Accrued liabilities	27,385	19,188
Deferred revenue	259,338	(88,673)
Contributions restricted for long-term investment	(1,244,746)	(452,419)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>632,197</u>	<u>317,439</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of:		
Investments	(2,693,978)	(5,397,111)
Property and equipment	(7,719)	(6,236)
Proceeds from sales of investments	1,398,600	4,336,993
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,303,097)</u>	<u>(1,066,354)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for long-term investment	1,244,746	452,419
Proceeds from Paycheck Protection Program note payable	389,500	389,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,634,246</u>	<u>841,919</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	963,346	93,004
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>2,327,223</u>	<u>2,234,219</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 3,290,569</u>	<u>\$ 2,327,223</u>

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Programs of the Coast Guard Foundation

The Coast Guard Foundation, Inc. (the Foundation) is a national nonprofit organization incorporated in 1986. It traces its roots, however, to 1969, when the Coast Guard Academy Foundation was established to raise funds to enrich programs and morale for the cadets. The mid-1980's were times of declining budgets throughout the Coast Guard, so the founders were determined to expand their support beyond the Academy to include the men, women and families of the entire Service. True to that vision of helping the broadest group possible, today's Foundation has a widely felt and positive impact on the well-being, retention and professionalism of the Coast Guard's workforce and their families. Additionally, the Foundation honors and highlights the accomplishments of the Coast Guard to heighten public awareness of the Service's critical roles in serving and protecting the Nation.

The Foundation focuses on three key impact areas – education and workforce development assistance; morale, wellness and community building; and family resilience and emergency support.

Education and Workforce Development Assistance

Education is essential to a strong future for the Coast Guard community, but the rising costs of school and other barriers make it inaccessible to many. The Coast Guard Foundation steps in to make higher education possible. For children of active duty, retired, or active reserve members, we offer scholarships that reduce the amount needed for student loans, allowing them to focus on their studies and setting them and their families up for stronger futures. For children of Coast Guard members who die in operational, line of duty service, we offer scholarships that cover 100% of the expenses of higher education. This investment gives families relief and honors their heroism. For spouses of Coast Guard members, achieving higher education or professional licensing and certification gives them personal fulfillment and boosts the family's financial stability. We provide professional development opportunities and training programs for Coast Guard members that support their mission and set them up for future success. The Coast Guard Academy is a top-tier educational institution training the future leaders of the Coast Guard. To ensure the Academy is accessible to top students and provides the best education possible, we support recruitment initiatives, leadership development, diversity and inclusion programs, and hands-on classroom and extracurricular experiences.

Morale, Wellbeing and Community Building

Prioritizing the morale and wellbeing of the Coast Guard is crucial - not only so they remain always ready for their assignments, but so they can maintain their own physical and mental well-being while at sea or stationed in remote areas. We provide exercise, sports, and outdoor recreation equipment at Coast Guard stations and on board cutters so Coast Guard members have the resources they need to remain physically ready for duty. We fund recreation spaces in Coast Guard communities around the country so members and families have a place to be together, form

See independent auditors' report.

THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

strong support systems, and improve morale. The mental well-being of Coast Guard members is as important as their health - for their duties, the stability of their families, and their future beyond the Coast Guard. We help members maintain resiliency by partnering with Coast Guard leadership and offering morale support where needed. We support healthy marriages through training programs that equip Coast Guard chaplains to counsel and guide members and their spouses toward strong family relationships.

A sense of community is powerful for members and families, as Coast Guard deployments can be remote and isolating. The Coast Guard Foundation creates and celebrates communal bonds so that our heroes always feel supported. We fund community spaces that serve as gathering places for Coast Guard families to meet and connect with each other while stationed far away from loved ones. Members and families can also spend time together at these spaces when members are off duty. For small duty stations that are remote and lack resources, we step in to offer support that brings the community together and boosts morale. We celebrate Coast Guard members through our tribute events, golf tournaments, and our Run to Remember, a worldwide movement where thousands of individuals participate in road races, memorial walks, and other types of fitness events. These events take place across the country, honoring individual acts of heroism and the Coast Guard's importance as a whole.

Family Resilience and Emergency Support

When the Coast Guard family faces difficult times, the Coast Guard Foundation prioritizes family resilience, so that members, spouses, and children have the support they need to recover. When natural disasters strike, the Foundation offers Coast Guard members immediate relief by assessing member and family needs through our disaster relief and response program. We make sure they receive the resources to bounce back from hurricanes, floods, tornadoes, and other emergencies. We strengthen Coast Guard members' readiness by teaching families how to protect their loved ones and homes during natural disasters through services like our hurricane preparedness seminars. By giving families the tools to prepare for and weather storms safely, we ensure they remain resilient when disasters strike. When Coast Guard families or units face the unthinkable loss of an active duty member, we are there with immediate financial and morale support. We listen closely to individuals and families—and anticipate their needs—to ensure we provide relevant care in the wake of tragedy. An injured or critically ill Coast Guard member deeply affects family and loved ones. Our tragedy assistance support program ensures that families can focus exclusively on recovery. This dedicated and robust financial support system allows families and fellow service members to be nearby during these difficult times.

Public Awareness

The Coast Guard Foundation serves as a goodwill ambassador for the United States Coast Guard by making the public aware of the benefits of a strong Coast Guard. Through a public service announcement campaign, the foundation highlights the dedication and bravery of Coast Guard crews. For both the years ended December 31, 2021 and 2020, the airtime for the public service announcements was contributed to the Foundation.

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THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts are classified into two classes of net assets as follows:

- *Net assets without donor restrictions* – funds for which management and the Board of Directors of the Foundation retain full control to use in achieving any organizational purpose. These funds may include net assets without donor restrictions subject to self-imposed limits by action of the Board of Directors of the Foundation whereby designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.
- *Net assets with donor restrictions* – funds restricted by outside sources which may only be utilized in accordance with purposes established by the donor of such funds. When a donor restriction expires, such as when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as assets released from restriction. Certain donor restricted net assets have been restricted by donors to be maintained in perpetuity and only the income is to be utilized by the Foundation. Income may be utilized for net assets with or without donor restrictions as established by the donor of such funds.

Cash Equivalents

Cash equivalents include money market funds that have not been restricted by the donor for long-term purposes.

Promises to Give

Promises to give are recognized as revenue in accordance with Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Unconditional promises to give are recognized as revenue in the period the promise is made. Conditional promises to give are recognized as revenue only when the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Material unconditional promises to give that are expected to be collected in a period beyond one year are recorded at net realizable value, discounted for the present value of estimated future cash flows. The discounts on those amounts are computed using the Foundation's internal investment rate of return applicable to the year of the gift and are included in contribution revenue. As of December 31, 2021 and 2020, a discount for the present value was not considered necessary.

The Foundation did not incur bad debt expense during the years ended December 31, 2021 and 2020.

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THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Investments

Investments are reported at fair value. Investment income is reported net of management fees.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of the donation.

Property and equipment are depreciated and amortized using the straight-line method over the respective estimated useful lives of the assets.

Deferred Revenue

Deferred revenue includes amounts collected in advance related to conditional promises to give and special event sponsorships. Conditional promises to give will be recognized as revenue when the donor conditions are met. Special event sponsorships collected in advance will be recognized as revenue in the subsequent year, which is when such special events will take place. As of December 31, 2021, deferred revenue includes conditional promises to give of approximately \$337,000 and special event sponsorships collected in advance of approximately \$116,000. As of December 31, 2020, deferred revenue includes conditional promises to give of approximately \$79,000 and special event sponsorships collected in advance of approximately \$115,000.

Revenue Recognition

The Foundation recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Foundation recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

The Foundation recorded the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2021 and 2020.

Special Events Revenue

The Foundation conducts special events to raise contributions to support its activities. The participants attending these events are offered something of value (such as a meal and/or entertainment) for a sum that exceeds the costs of the benefits provided to the participants. The difference between the amount paid by the participants and the fair value of the benefits received by the participants is considered a contribution and recognized in accordance with ASC Topic 958. The amount paid by the participants related to the benefits received is subject to the revenue recognition guidance of ASC Topic 606 and is valued using the cost incurred by the Foundation to provide such benefits. Special event fees collected by the Foundation in advance of the event are initially recognized as liabilities (deferred revenue) and recognized as special events revenue upon

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the occurrence of the event. Factors that affect the timing of revenues and cash flows relate primarily to the dates on which the special events are held.

Contributed Nonfinancial Assets

The Foundation receives various forms of contributed nonfinancial assets including consumer goods, other property and services. It is the Foundation's policy to utilize consumer goods for its programs. The Foundation has a policy to either utilize or monetize donations of other property depending on its suitability for the Foundation's programs.

The Foundation recognized contributed nonfinancial assets within revenue, including airtime for public service announcements, consumer goods to be donated to the U.S. Coast Guard and other services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed consumer goods to be donated to the U.S. Coast Guard were donated for and utilized in the District Wide program. In valuing the consumer goods, the Foundation estimated the fair value on the basis of estimates of retail value that would be received for selling similar products in the United States.

Contributed television public service announcement airtime was donated for and utilized in the Public Awareness program. The fair value of the public service announcements was obtained from the donor and based on the cost that would have been incurred by the Foundation if it were required to purchase the airtime.

Advertising and other contributed services were donated for and utilized in the Public Awareness program. The fair value of the advertising and other contributed services was obtained from the donor and based on the cost that would have been incurred by the Foundation if it were required to purchase such services.

In addition, many individuals volunteer their time to the Foundation's program services and other activities. The value of these services has not been recognized in the accompanying financial statements, as it does not create or enhance nonfinancial assets or require specialized skills, which if not provided by donation, would have to be purchased by the Foundation.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated or implied 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.

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THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Allocation of Functional Expenses

The costs of providing program services and supporting activities have been summarized on a functional basis. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting activities (i.e. development and fundraising and administrative and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount or estimates of time and effort incurred by personnel.

Tax-Exempt Status

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code is subject to Federal income tax.

Management does not believe there are any material uncertain tax positions requiring disclosure or recognition. For the years ended December 31, 2021 and 2020, there were no tax related interest or penalties recorded or included in the accompanying financial statements.

Paycheck Protection Program

The Foundation has elected to account for loan proceeds received under the Paycheck Protection Program (PPP) as a conditional government grant that is earned as income through compliance with the loan forgiveness criteria. The income recognized is reported as income from forgiveness of Paycheck Protection Program note payable on the accompanying statements of activities and changes in net assets.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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. Significant estimates and assumptions made by management include the allowance for uncollectible pledges, depreciation and amortization of property and equipment which was based on the estimated useful lives of such assets, the valuation methodology used in determining the fair value of investments, management's determination that the Foundation met the criteria for the loan forgiveness of the PPP income and the value of donated property and contributed services received. Actual results could differ from those estimates and assumptions.

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THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

Subsequent Events

Management has evaluated subsequent events through June 9, 2022, which is the date the financial statements were available to be issued.

2. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 3,290,569	\$ 2,327,223
Unconditional promises to give, net	957,406	994,051
Investments	16,781,634	14,475,093
Total financial assets	<u>21,029,609</u>	<u>17,796,367</u>
Include amount available to be appropriated from endowment and used for general expenditures	 <u>693,485</u>	 <u>449,760</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	14,775,783	12,324,408
Endowment funds designated by the Board of Directors	3,671,810	3,569,731
	<u>18,447,593</u>	<u>15,894,139</u>
Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 3,275,501</u>	 <u>\$ 2,351,988</u>

The Foundation is substantially supported by contributions which include amounts with donor restrictions for use in a particular manner or in a future period. The Foundation must maintain sufficient resources to meet those responsibilities to its donors thus financial assets may not be available for general expenditure within one year. 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 amounts designated by the Board of Directors for endowment are subject to the Board of Directors' discretion and may be made available, if necessary. The Foundation also maintains a revolving line-of-credit agreement with a bank which provides for maximum available borrowings of \$750,000 as disclosed in Note 6.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

3. UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2021 and 2020, unconditional promises to give consist of the following:

	2021	2020
Receivable due in less than one year	\$ 790,556	\$ 648,201
Less allowance for uncollectible pledges	23,150	23,150
Net receivable due in less than one year	767,406	625,051
Receivable due in one to five years	190,000	369,000
Total net unconditional promises to give	<u>\$ 957,406</u>	<u>\$ 994,051</u>

As of December 31, 2021 and 2020, \$534,400 and \$530,250 of the Foundation's receivables were permanently restricted to be invested in perpetuity.

4. INVESTMENTS

As of December 31, 2021 and 2020, the Foundation's investments consisted of the following:

	2021	2020
Subject to the endowment spending policy:		
Mutual funds	\$ 15,714,353	\$ 13,820,198
Money market funds	637,643	225,330
Total subject to the endowment spending policy	<u>16,351,996</u>	<u>14,045,528</u>
Not subject to the endowment spending policy:		
Mutual funds	429,559	429,499
Money market funds	79	66
Total restricted for specific purpose	<u>429,638</u>	<u>429,565</u>
Total investments	<u>\$ 16,781,634</u>	<u>\$ 14,475,093</u>

The Foundation invests excess cash not yet ready to be spent in money market funds and mutual funds. As of December 31, 2021 and 2020, \$6,405,309 and \$5,155,442 of the Foundation's investments were permanently restricted for investment in perpetuity.

Investment income and gains and losses are allocated to individual donor funds based upon the balance of each fund in relation to the total of investments within the portfolio.

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5. FAIR VALUE MEASUREMENTS

Fair value is based on 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. In order to increase consistency and comparability in fair value measurements, U.S. GAAP established a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices, other than quoted prices within Level 1, including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs which are used when little or no market activity is available at the measurement date. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation methodologies that maximize the use of observable inputs to the extent possible.

The methodologies used to determine fair value may produce fair value calculations that may not have been indicative of net realizable values or reflective of future fair values. Furthermore, although management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

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Investments carried at fair value at December 31, 2021 and 2020 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2021				
Investments	\$ 16,781,634	\$ -	\$ -	\$ 16,781,634
2020				
Investments	\$ 14,475,093	\$ -	\$ -	\$ 14,475,093

6. NOTE PAYABLE - BANK

Note payable - bank consists of a revolving line-of-credit agreement with a bank. The note provides for maximum available borrowings of \$750,000. The note is due on demand and is not subject to a formal maturity date. The note is secured by unconditional promises to give and equipment. Payments of interest only are due monthly and are calculated at 0.50% above the bank's prime rate, which was 3.25% at December 31, 2021. In no event will the interest rate be less than 3.25%. There were no outstanding borrowings on the line-of-credit as of December 31, 2021 and 2020.

7. NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2021 and 2020, net assets without donor restrictions include amounts which function as part of the endowment. See Note 9 for disclosures related to the endowment.

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Net Assets With Donor Restrictions

As of December 31, 2021 and 2020, the Foundation has net assets with donor restrictions available for the following purposes:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
U.S. Coast Guard Academy support	\$ 948,329	\$ 829,279
District wide support	1,550,697	1,440,301
Assistance to families	4,783,292	3,891,287
Accelerated growth program	553,756	477,849
Subtotal	<u>7,836,074</u>	<u>6,638,716</u>
Subject to spending policy and appropriation:		
Investment in perpetuity:		
U.S. Coast Guard Academy support	830,181	824,560
District wide support	1,633,456	1,284,862
Assistance to families	3,986,312	3,106,510
Full mission support	489,760	469,760
Subtotal	<u>6,939,709</u>	<u>5,685,692</u>
 Total net assets with donor restrictions	 <u>\$ 14,775,783</u>	 <u>\$ 12,324,408</u>

As of December 31, 2021 and 2020, net assets available for expenditure for a specified purpose includes \$5,611,680 and \$4,703,498, respectively, which is subject to the Foundation's endowment spending policy.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time or by occurrence of events specified by donors. The amounts released during the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
U.S. Coast Guard Academy support	\$ 44,043	\$ 95,657
District wide support	1,818,230	1,104,823
Assistance to families	812,249	1,319,479
Accelerated growth program	193,795	170,269
 Total	 <u>\$ 2,868,317</u>	 <u>\$ 2,690,228</u>

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8. GIFTS IN-KIND

For the years ended December 31, 2021 and 2020, gifts in-kind consisted of the following:

	2021	2020
Without donor restrictions:		
Air time for public service announcements	\$ 3,695,260	\$ 1,962,291
Advertising and other services	117,347	136,348
Total	<u>3,812,607</u>	<u>2,098,639</u>
With donor restrictions -		
Consumer goods	202,679	88,360
Total gifts in-kind	<u>\$ 4,015,286</u>	<u>\$ 2,186,999</u>

These gifts in-kind were utilized in the year in which they were received.

9. ENDOWMENT

The Foundation's endowment includes both donor-restricted endowment funds and funds without donor restrictions designated by the Board of Directors to provide income for Foundation purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the Massachusetts Uniform Prudent Management Institutional Funds Act (MA UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Foundation has interpreted MA UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be a fund with deficiency if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted MA UPMIFA to permit spending from funds with deficiencies in accordance with the prudent measures required under the law.

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Additionally, in accordance with MA UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment 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 organization; and
- The investment policy of the Foundation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the organization to retain as a fund of perpetual duration. There were no funds with deficiencies as of December 31, 2021 and 2020.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested with a goal of capital enhancement and preservation over time, both in nominal and real terms while minimizing volatility through diversification and a sound asset allocation policy.

The long-term goal of the endowment fund is a total return target of 6% to 8%, net of inflation and expenses, compounded annually. Total returns include investment income plus realized and unrealized gains and losses on endowment fund assets. Actual returns in any given year may vary from this goal.

The investment manager operates within specific guidelines that are determined by the investment committee and described in the investment policy statement. Such statement is periodically reviewed and updated. Investment performance for each asset class is measured against an appropriate index. It is expected that the equity holdings will outperform their respective relevant benchmark over a normal market cycle of three to five years.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

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Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions of assets for any calendar year shall not exceed any of the following guidelines:

- An amount not to exceed 5% of the three year average market value of the endowment funds as of December 31st of the previous years. The Foundation understands that a period of depressed investment values, absent new endowment gifts, will result in decreased distributions.
- In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2% to 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.
- The Foundation has a policy that permits spending from funds with deficiency depending on the degree to which the fund is deficient, unless otherwise precluded by donor intent or relevant laws and regulations.
- In no case will any donor-imposed restriction on any funds in the endowment be compromised. The policy does not apply to, and therefore does not limit the specific use of, restricted funds as specified by the donor.

Board Designated Endowment Funds

As of December 31, 2021 and 2020, the endowment included board designated endowment funds of \$3,671,810 and \$3,569,731 respectively.

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Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	\$ 3,523,445	\$ 8,553,541	\$ 12,076,986
Investment return, net	410,172	893,044	1,303,216
Contributions received and invested	488	753,334	753,822
Appropriation for expenditure in accordance with spending policy	-	(340,979)	(340,979)
Amounts designated by Board of Directors for endowment purposes	252,483	-	252,483
Endowment net assets, December 31, 2020	4,186,588	9,858,940	14,045,528
Investment return, net	406,349	885,049	1,291,398
Contributions received and invested	24,035	1,751,168	1,775,203
Appropriation for expenditure in accordance with spending policy	(382,015)	(378,118)	(760,133)
Endowment net assets, December 31, 2021	\$ 4,234,957	\$ 12,117,039	\$ 16,351,996

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10. SPECIAL EVENTS

The Foundation holds a number of special events in order to generate awareness and raise funds. For the years ended December 31, 2021 and 2020, special events revenue, net consisted of the following:

	2021	2020
Gross receipts generated by special events:		
Benefits received by participants	\$ 246,925	\$ 100,135
Contribution revenue	1,450,280	1,085,649
Total gross receipts	1,697,205	1,185,784
Less direct expenses incurred by:		
Program services	(157,330)	(57,201)
Development and fundraising (includes facility, entertainment and other costs)	(567,223)	(536,602)
Special events revenue, net	<u>\$ 972,652</u>	<u>\$ 591,981</u>

11. PAYCHECK PROTECTION PROGRAM

Paycheck Protection Program - First Draw

On April 29, 2020, the Foundation executed an unsecured promissory note with a bank to provide borrowings of \$389,500. The note was guaranteed by the Small Business Administration (SBA) under the Paycheck Protection Program (PPP) and accrued interest at 1%. The PPP provisions contained in the promissory note restricted the use of the loan proceeds and included a provision in which the SBA may provide loan forgiveness of principal and accrued interest based on the terms set forth in the promissory note. As of December 31, 2020, while the Foundation had not yet received forgiveness from the SBA, management had determined that the Foundation incurred expenses meeting the qualifications for forgiveness of the entire loan amount and recognized the proceeds from the loan as loan forgiveness income in the accompanying statement of activities and changes in net assets for the year ended December 31, 2020. On February 10, 2021, the Foundation was notified by the SBA that its PPP loan forgiveness application was approved and such note was forgiven in its entirety.

Paycheck Protection Program - Second Draw

On February 8, 2021, the Foundation executed an unsecured promissory note with a bank to provide borrowings of \$389,500. The note was guaranteed by the SBA under the PPP Second Draw Loans and accrued interest at 1%. The PPP provisions contained in the promissory note restricted the use of the loan proceeds and included a provision in which the SBA may provide loan forgiveness of principal and accrued interest based on the terms set forth in the promissory

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note. During 2021, management applied for forgiveness having determined that the Foundation incurred expenses meeting the qualifications for forgiveness of the entire amount. On November 11, 2021, the Foundation was notified by the SBA that its PPP loan forgiveness application was approved and such note was forgiven in its entirety. The proceeds from the loan have been recognized as loan forgiveness income in the accompanying statement of activities and changes in net assets for the year ended December 31, 2021.

12. EMPLOYEE BENEFIT PLAN

The Foundation has a defined contribution retirement plan covering substantially all employees. Such plan qualifies under Section 403(b) of the Internal Revenue Code. Under the plan, the Foundation will make a matching contribution for each eligible participant up to a maximum of 4% of each participant's eligible compensation. For the years ended December 31, 2021 and 2020, the Foundation's contributions to the plan amounted to approximately \$77,200 and \$76,700, respectively.

13. ALLOCATION OF JOINT COSTS

The Foundation conducted activities that included appeals for contributions and in connection incurred joint costs. These activities included the publication of press releases and public announcements, newsletters and the annual report. For the years ended December 31, 2021 and 2020, the approximate allocation of joint costs are as follows:

	2021	2020
Program services	\$ 253,710	\$ 184,250
Support services:		
Administrative and general	16,400	14,150
Development and fundraising	194,290	136,140
Total approximate joint costs	<u>\$ 464,400</u>	<u>\$ 334,540</u>

14. RISKS AND UNCERTAINTIES

Concentrations of Credit, Market and Interest Rate Risks

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments and unconditional promises to give. Investments are also exposed to other risks such as market and interest rate risks.

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Cash and cash equivalents subject the Foundation to credit risk in that, from time to time, cash deposits exceed the insurance coverage. As of December 31, 2021, the Foundation had approximately \$1.5 million of cash deposits at one financial institution in excess of the insurance limit. Management considers such circumstances to be normal business risks.

As of December 31, 2021, investments consisted of a diversified portfolio of mutual funds and money market accounts. Management believes the diversity of the portfolio minimizes the risk of loss.

As of December 31, 2021, the Foundation had unconditional promises to give from two donors representing approximately 12% and 25% of total unconditional promises to give. The Foundation believes such amount is fully collectible. Further, the Foundation does not have a history of significant bad debt write-offs.

Economic Uncertainties

The novel strain of coronavirus was declared a pandemic on March 11, 2020. The Foundation derives significant revenues from hosting special events and from engaging donors in person. Given regulatory restrictions and concern for public safety, certain events and staff travel were canceled, which resulted in a decrease in fundraising and program support. The extent that COVID-19's impact will continue to have on the Foundation's operational and financial performance is uncertain as it will depend on certain developments, including the continued duration and spread of the virus, the ability to safely host events, the ability for staff to travel, and the impact on donors, employees and vendors.

Geopolitical Risk

In February 2022, Russia commenced an invasion of Ukraine. In response to this, many countries, including the United States of America, placed significant economic sanctions on Russia. These sanctions and the conflict as a whole will likely have a broad and negative impact on commerce, supply chain logistics and financial markets around the world. In addition, the United States has committed military, humanitarian, and economic assistance to help Ukraine defend itself from Russia. The extent to which this conflict will impact the Foundation's financial condition or results of operations is unknown.

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