

Navy-Marine Corps Relief Society

Audited Financial Statements

*Years ended December 31, 2022 and 2021
with Report of Independent Auditors*

Navy-Marine Corps Relief Society

Audited Financial Statements

Years ended December 31, 2022 and 2021

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Report of Independent Auditors

Board of Directors
Navy-Marine Corps Relief Society

Opinion

We have audited the financial statements of Navy-Marine Corps Relief Society (the Society), 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 accompanying financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 2022 and 2021, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society 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 Society's ability to continue as a going concern for 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society'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 Society's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
May 3, 2023

Navy-Marine Corps Relief Society

Statements of Financial Position

	December 31,	
	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 273,661	\$ 450,374
Investments	96,378,086	135,610,806
Prepaid expenses, inventory and other assets	1,673,742	1,680,839
Contributions and pledges receivable	2,831,092	4,162,418
Loans receivable, net	24,185,966	14,358,459
Property and equipment, net	<u>3,658,292</u>	<u>4,165,065</u>
Total assets	<u>\$ 129,000,839</u>	<u>\$ 160,427,961</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,419,968	\$ 698,924
Accrued salary and leave	1,538,943	1,611,953
Lines of credit	3,401,092	1,871
Pension liability	8,108,197	13,313,799
Annuity payable	<u>384,451</u>	<u>424,111</u>
Total liabilities	14,852,651	16,050,658
Net assets:		
Without donor restrictions	104,755,632	133,605,898
With donor restrictions	<u>9,392,556</u>	<u>10,771,405</u>
Total net assets	<u>114,148,188</u>	<u>144,377,303</u>
Total liabilities and net assets	<u>\$ 129,000,839</u>	<u>\$ 160,427,961</u>

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Statements of Activities

	Years ended December 31,					
	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, investment (loss) income and other support						
Contributions	\$ 12,453,620	\$ 2,427,015	\$ 14,880,635	\$ 13,581,983	\$ 2,784,757	\$ 16,366,740
Contributions - In-kind support	1,392,737	-	1,392,737	865,126	-	865,126
Other revenues:						
Thrift shop	1,210,640	-	1,210,640	882,934	-	882,934
Miscellaneous	8,396	-	8,396	13,395	-	13,395
Investment (loss) income, net	<u>(23,777,266)</u>	<u>(132,442)</u>	<u>(23,909,708)</u>	<u>15,400,048</u>	<u>854,162</u>	<u>16,254,210</u>
	(8,711,873)	2,294,573	(6,417,300)	30,743,486	3,638,919	34,382,405
Net assets released from restrictions:						
Satisfaction of program restrictions	855,558	(855,558)	-	4,349,716	(4,349,716)	-
Expiration of time restrictions	<u>2,684,757</u>	<u>(2,684,757)</u>	<u>-</u>	<u>2,658,774</u>	<u>(2,658,774)</u>	<u>-</u>
Total net assets released from restrictions	<u>3,540,315</u>	<u>(3,540,315)</u>	<u>-</u>	<u>7,008,490</u>	<u>(7,008,490)</u>	<u>-</u>
Total revenues, investment (loss) income and other support	<u>(5,171,558)</u>	<u>(1,245,742)</u>	<u>(6,417,300)</u>	<u>37,751,976</u>	<u>(3,369,571)</u>	<u>34,382,405</u>
Expenses						
Program services	22,605,696	-	22,605,696	21,771,605	-	21,771,605
Management and general	3,012,439	-	3,012,439	2,873,652	-	2,873,652
Fundraising	<u>2,266,175</u>	<u>-</u>	<u>2,266,175</u>	<u>1,443,506</u>	<u>-</u>	<u>1,443,506</u>
Total expenses	<u>27,884,310</u>	<u>-</u>	<u>27,884,310</u>	<u>26,088,763</u>	<u>-</u>	<u>26,088,763</u>
Change in net assets from operations	<u>(33,055,868)</u>	<u>(1,245,742)</u>	<u>(34,301,610)</u>	<u>11,663,213</u>	<u>(3,369,571)</u>	<u>8,293,642</u>
Non-operating activities						
Change in beneficial interest in trust held by third parties	-	(133,107)	(133,107)	-	30,696	30,696
Net periodic pension benefit (costs) other than service costs	1,672,517	-	1,672,517	(143,633)	-	(143,633)
Pension related benefit other than net periodic pension cost	<u>2,533,085</u>	<u>-</u>	<u>2,533,085</u>	<u>13,041,541</u>	<u>-</u>	<u>13,041,541</u>
Change in net assets	(28,850,266)	(1,378,849)	(30,229,115)	24,561,121	(3,338,875)	21,222,246
Net assets, beginning of year	<u>133,605,898</u>	<u>10,771,405</u>	<u>144,377,303</u>	<u>109,044,777</u>	<u>14,110,280</u>	<u>123,155,057</u>
Net assets, end of year	<u>\$ 104,755,632</u>	<u>\$ 9,392,556</u>	<u>\$ 114,148,188</u>	<u>\$ 133,605,898</u>	<u>\$ 10,771,405</u>	<u>\$ 144,377,303</u>

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services		Supporting Services		2022 Total
	Client Services	Management and General	Fundraising	Total	
Expenses					
Salaries and benefits	\$ 12,420,858	\$ 1,615,933	\$ 756,287	\$ 2,372,220	\$ 14,793,078
Grant expense	3,505,736	-	-	-	3,505,736
Provision for loan losses (net of recoveries)	1,020,449	-	-	-	1,020,449
Loans converted to grants	199,532	-	-	-	199,532
Financial assistance fees	7,514	-	-	-	7,514
Non-financial programs	311,849	-	-	-	311,849
Volunteer expenses	270,778	-	-	-	270,778
Human resources	-	382,954	-	382,954	382,954
Professional fees/bank charges	-	404,527	1,216,309	1,620,836	1,620,836
Office administration	1,015,966	132,175	61,861	194,036	1,210,002
Travel expense	55,222	209	18,075	18,284	73,506
Training and conferences	304,140	307	845	1,152	305,292
Depreciation and equipment expenses	2,089,340	271,820	127,217	399,037	2,488,377
Miscellaneous administration	-	21,815	75	21,890	21,890
Total expenses by function	<u>21,201,384</u>	<u>2,829,740</u>	<u>2,180,669</u>	<u>5,010,409</u>	<u>26,211,793</u>
Net periodic pension benefit other than service costs	<u>1,404,312</u>	<u>182,699</u>	<u>85,506</u>	<u>268,205</u>	<u>1,672,517</u>
Total operating expenses	<u>\$ 22,605,696</u>	<u>\$ 3,012,439</u>	<u>\$ 2,266,175</u>	<u>\$ 5,278,614</u>	<u>\$ 27,884,310</u>

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Statement of Functional Expenses

Year ended December 31, 2021

	Program Services		Supporting Services		2021 Total
	Client Services	Management and General	Fundraising	Total	
Expenses					
Salaries and benefits	\$ 13,839,859	\$ 2,025,647	\$ 713,839	\$ 2,739,486	\$ 16,579,345
Grant expense	4,125,880	-	-	-	4,125,880
Provision for loan losses (net of recoveries)	1,003,696	-	-	-	1,003,696
Loans converted to grants	235,625	-	-	-	235,625
Financial assistance fees	7,261	-	-	-	7,261
Non-financial programs	250,580	-	-	-	250,580
Volunteer expenses	217,848	-	-	-	217,848
Human resources	-	256,622	-	256,622	256,622
Professional fees/bank charges	-	269,863	617,922	887,785	887,785
Office administration	967,429	141,596	49,898	191,494	1,158,923
Travel expense	31,059	5,129	4,905	10,034	41,093
Training and conferences	12,871	2,675	1,030	3,705	16,576
Depreciation and equipment expenses	1,199,397	175,548	61,863	237,411	1,436,808
Miscellaneous administration	-	14,121	233	14,354	14,354
Total expenses by function	<u>21,891,505</u>	<u>2,891,201</u>	<u>1,449,690</u>	<u>4,340,891</u>	<u>26,232,396</u>
Net periodic pension costs other than service costs	<u>(119,900)</u>	<u>(17,549)</u>	<u>(6,184)</u>	<u>(23,733)</u>	<u>(143,633)</u>
Total operating expenses	<u>\$ 21,771,605</u>	<u>\$ 2,873,652</u>	<u>\$ 1,443,506</u>	<u>\$ 4,317,158</u>	<u>\$ 26,088,763</u>

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Statements of Cash Flows

	Years ended December 31,	
	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (30,229,115)	\$ 21,222,246
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	675,331	72,239
Realized and unrealized losses (gains), net	25,756,063	(12,244,536)
Change in beneficial interest in trusts held by third parties	133,107	(30,696)
Change in provision for doubtful accounts	436,463	202,277
Pension related costs other than net periodic costs	(2,533,085)	(13,041,541)
Changes in operating assets and liabilities:		
Prepaid expenses, inventory and other assets	7,097	(663,327)
Contributions and pledges receivable	1,331,326	(308,490)
Loans receivable	(10,263,970)	(1,718,029)
Accounts payable and accrued expenses	721,044	(223,306)
Accrued salary and leave	(73,010)	56,050
Pension liability	(2,672,517)	(497,385)
Annuity payable	(39,660)	15,917
Net cash used in operating activities	(16,750,926)	(7,158,581)
Cash flows from investing activities		
Purchase of property and equipment	(168,558)	(587,640)
Net sale of investments	13,343,550	4,767,572
Net cash provided by investing activities	13,174,992	4,179,932
Cash flows from financing activities		
Proceeds from line of credit	47,023,000	9,854,000
Payments on line of credit	(43,623,779)	(9,852,129)
Net cash provided by financing activities	3,399,221	1,871
Net change in cash and cash equivalents	(176,713)	(2,976,778)
Cash and cash equivalents, beginning of year	450,374	3,427,152
Cash and cash equivalents, end of year	\$ 273,661	\$ 450,374
Supplemental cash flow information		
Interest paid	\$ 133,972	\$ 15,899

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Notes to Financial Statements

Years ended December 31, 2022 and 2021

Note A - Organization

The Navy-Marine Corps Relief Society (the Society) is a non-profit charitable corporation founded in 1904. The Society consists of a headquarters located in Arlington, Virginia, and field offices located at U.S. Navy and Marine Corps installations throughout the world. The mission of the Society is to provide, in partnership with the Navy and Marine Corps, financial, educational and other assistance to members of the naval service of the United States, and their eligible family members and survivors, when in need, and to manage funds to administer these programs. Financial assistance may be in the form of interest-free loans, direct relief grants, educational loans, educational grants, or any combination thereof. The accompanying financial statements include the accounts of the Society's headquarters and its field sites.

Note B - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Society's ongoing program and supporting services. Nonoperating activities are limited to the change in beneficial interest in trust held by third parties, net periodic pension costs other than service costs and pension related changes other than net periodic pension cost.

Use of Estimates

Preparation of financial statements in accordance with 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. Actual results could differ from those estimates.

Subsequent Events

The Society has evaluated subsequent events for disclosure and recognition through May 3, 2023, the date on which these financial statements were available to be issued.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Salaries and benefits, office administration expenses and depreciation and equipment expenses are allocated on the basis of estimates of time and effort, while all other expenses are allocated directly based on the nature of the activity.

Revenue Recognition

Pledges and contributions result primarily from an annual fundraising drive sponsored by the Secretary of the Navy and held at Navy and Marine Corps commands throughout the world. Contributions are recognized when a promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met. Contributions received are recorded at fair value as net assets without donor restriction, or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. A contribution is reported as without donor restrictions if a restriction is fulfilled in the same time period in which the contribution is received. The Society estimates contributions and pledges receivable based on prior years' experience and management's analysis of specific promises made. All amounts are considered current.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

Revenue from sales at thrift shops is measured based on the amount of consideration received at the time of the sale. Generally the stand-alone selling price is based on the prices charged to customers. Revenue is recognized when control of the goods is transferred to the customer, which is the point of sale and satisfaction of the performance obligation. As each item is individually priced, no allocation of the transaction price is necessary.

Loans Receivable - Assistance and Education

The Society's loans receivable are reported on the statements of financial position, net of an allowance for doubtful accounts. In accordance with U.S. GAAP, loans made and repayments of loans affect the calculation of the loan balance and are not shown as income or expense. Due to the unique nature of the amounts due from loan recipients, it is not practical to estimate their fair market value.

Educational and direct relief loans are recorded at face value, bear no interest, and are generally due in monthly installments over periods deemed appropriate by caseworkers. The loans have widely varying maturities and are based upon need rather than credit worthiness of the borrower. Some loans are converted into grants and thereby expensed when it becomes apparent that the individual is in financial need and is unable to repay the Society. Some loans are written off as uncollectible. The Society determines loans to be uncollectible when payments are not received as scheduled.

Delinquent loans are charged to the allowance for doubtful accounts when internal collection efforts have been exhausted and the account is deemed uncollectible. The Society evaluates the adequacy of the allowance on an annual basis based on historical loss experience. Loans written off as expenses are shown net of recoveries in the financial statements.

Investments and Fair Value Measurements

All investments are carried at fair value, with gains and losses included in the statements of activities. Investment income (loss), net consists of interest and dividends earned from cash, cash equivalents and investments, gains and losses realized upon sales, and unrealized gains and losses resulting from fluctuations in market values of investments, net of related investment management expenses. Gains and losses upon sales are calculated using the average cost method.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Investments and Fair Value Measurements (continued)

The Society's estimates of fair value for financial assets and liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Society's significant market assumptions.

The three levels of the hierarchy are as follows:

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

Level 2 – Inputs to the valuation methodology include 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, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Society's own assumptions about the inputs that market participants would use.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, the Society estimates fair value using methods, models and assumptions that management believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment.

Income Taxes

The Society is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, income in the statements of activities has been properly classified as exempt. Accounting standards require an entity to analyze the technical merits of its tax positions and determine the likelihood that these positions will be sustained if examined by the taxing authorities. Management has evaluated its tax positions and concluded that the Society has properly maintained its exempt status. In addition, the Society has concluded that there are no uncertain tax positions as of December 31, 2022.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Inventory

Donated inventory located at the Society's thrift shops is valued at its estimated net realizable value. Management has determined that its thrift shop sales are generally exempt from sales tax.

During 2022 and 2021, branded items were purchased in bulk quantities resulting in inventory at year end. This inventory is valued at the lower of cost or net realizable value.

Gift Cards

The Society uses gift cards as a part of the operations for the Budget For Baby (B4B) program. As a result, gift cards were on hand as of December 31, 2022 and 2021, and are recorded within prepaid expenses, inventory and other assets on the statements of financial position.

Property and Equipment

Property and equipment, which includes software, are capitalized at cost for purchases over \$2,500. Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of three to five years for the respective assets. Work-in-progress is placed into service and depreciated over the estimated useful lives of the assets when operational.

Cash and Cash Equivalents

The Society considers cash and cash equivalents to include only demand deposits. Money market accounts and short-term, highly liquid investments purchased for its trading accounts and handled by investment managers are treated as investments rather than cash equivalents. The carrying amounts approximate fair value because of the short duration of these instruments.

Concentrations of Credit Risk

Financial instruments that potentially subject the Society to significant concentrations of credit risk consist principally of cash, investments and loans receivable. Substantially all of the Society's cash and cash equivalents are maintained in a single bank. The Society has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by Federal Deposit Insurance Corporation. The Society has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents. With respect to investments, the Society limits its credit risk by diversifying its investments and working with many different investment managers.

In the normal course of business, the Society is also subject to the credit risk associated with the non-performance by counter-parties of their contractual obligations pursuant to securities and foreign currency transactions.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendment is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements in presentation and disclosure requirements. Under the ASU, not-for-profit entities are required to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Society adopted the provisions of this ASU during the year ending December 31, 2022. There was no impact on previously reported amounts.

Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation.

Note C - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	December 31,	
	2022	2021
Cash and cash equivalents	\$ 273,661	\$ 450,374
Investments	76,242,735	107,099,180
Contributions and pledges receivable	2,831,092	4,162,418
Loans receivable within one year	<u>22,464,374</u>	<u>11,106,594</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 101,811,862</u>	<u>\$ 122,818,566</u>

The Society has a policy to utilize lines of credit to meet daily obligations, as necessary. The Society is primarily supported by loan repayments and contributions. The Society had assets available for general expenditure within one year of \$101,811,862 and \$122,818,566 as of the years ended December 31, 2022 and 2021, respectively. None of the financial assets shown above are subject to any donor or other restrictions that make them unavailable for general expenditures.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note C - Liquidity and Availability of Resources (Continued)

Management has informally designated a portion of its investments as a reserve fund. These amounts are not deemed to be board designated net assets under U.S. GAAP. The Society maintains within this reserve fund an amount determined by the Board of Directors or management to be adequate to fund the maximum cash draw down of the fiscal or calendar year, and amounts may be drawn upon with Board of Directors or management approval. These amounts can be made available as necessary by either the Board of Directors or management, and can be used for ongoing programs and operations. The Society's annual business plan, which is approved by the Board of Directors, includes a planned reserve fund withdrawal, as necessary, to balance cash inflows and outflows.

The Society's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As discussed in Note G, the Society has lines of credit with financial institutions that they may draw on as needed.

Note D - Investments

The Society follows a policy of diversification of its investments in order to reduce volatility of price fluctuations in its overall portfolio and balance risk/return levels to meets its financial goals.

Investments are stated at fair value and consist of the following at December 31:

	<u>2022</u>	<u>2021</u>	<u>Level</u>
Bond exchange traded funds	\$ 41,073	\$ 6,832,393	Level 1
Equity exchange traded funds	53,693,416	73,033,280	Level 1
Short-term investments	1,117,180	1,304,888	Level 1
US Treasuries	1,949,296	-	Level 2
Equity mutual funds	16,864,783	26,055,779	Level 1
Bond mutual funds	9,769,625	14,524,584	Level 1
Fixed income securities	97,160	206,653	Level 2
Beneficial interest in perpetual trust	527,791	660,898	Level 2
Hedge fund	<u>12,317,762</u>	<u>12,992,331</u>	N/A
Total	<u>\$ 96,378,086</u>	<u>\$ 135,610,806</u>	

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note D - Investments (Continued)

The Society invests in a hedge fund, the Nineteen77 Global Multi-Strategy Alpha Limited (the Fund). The Fund is not publicly traded; the Society therefore values its investment in the Fund at the net asset value (NAV) as reported by the fund manager, multiplied by the number of units held. The net asset value of the Fund is based on the fair value of the underlying securities held by the Fund. The investment manager reserves the right to adjust the reported NAV if it is deemed to be not reflective of fair value. Because of the inherent uncertainty in the valuations of these investments, their estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the difference could be material. As permitted by U.S. GAAP, the Society uses the NAV as a practical expedient to determine the fair value of this private investment vehicle and it is therefore excluded from the fair value hierarchy.

The Fund is a feeder fund in a master-feeder structure whereby the Fund invests substantially all of its assets (other than as may be necessary to pay any Fund level expenses and implement any currency hedges) in the Nineteen77 Global Multi-Strategy Alpha Master Limited (the Master Fund), a company organized under the laws of the Cayman Islands. The investment objective of the Master Fund is to realize consistently high risk adjusted appreciation in the value of its assets. The Master Fund seeks to achieve its investment objective primarily through a combination of multiple strategies, which may include but are not limited to fundamental market neutral long/short, long/short equity, convertible arbitrage, merger arbitrage, credit trading, opportunistic, macro and quantitative strategies.

The Fund has notice requirements for redemptions which requires notification no later than the last business day of the first month of the quarter in which the shareholder wishes to redeem. As of December 31, 2022 and 2021, there were no unfunded commitments related to the Fund.

Note E - Loans Receivable-Assistance and Education

The Society provides uncollateralized interest-free loans to eligible service members and eligible family members for help with emergency needs and education, such as:

- Emergency Transportation
- Funeral Expenses
- Medical/Dental Bills (patient's share)
- Food, Rent and Utilities
- Disaster Relief Assistance
- Child Care Expenses
- Essential Vehicle Repairs
- Unforeseen Family Emergencies
- Tuition Assistance

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note E - Loans Receivable-Assistance and Education (Continued)

Credit quality indicators such as consumer credit risk scores, credit ratings, collateral, collection experience, etc. are not used for any criteria. The credit quality indicators used by the Society are internal metrics. Those internal metrics/assessments include verification of need, preparation of a budget, and ability to repay the loan.

An analysis of loan activity, which includes all loans for education programs as well as direct relief, is as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Loans outstanding, beginning of year	\$ 15,339,661	\$ 13,621,632
Loans made	42,376,165	25,468,297
Collections on loans	(31,326,587)	(22,710,954)
Loans considered uncollectible	(586,076)	(803,689)
Loans converted to grants	<u>(199,532)</u>	<u>(235,625)</u>
Loans outstanding	25,603,631	15,339,661
Allowance for doubtful accounts	<u>(1,417,665)</u>	<u>(981,202)</u>
Loans receivable, end of year	<u>\$ 24,185,966</u>	<u>\$ 14,358,459</u>

The following chart represents the aging of loans receivable by class of loan as of December 31, 2022:

	31 to 60 Days <u>Past Due</u>	61 to 90 Days <u>Past Due</u>	Greater than 90 Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	<u>Total</u>
Total Financial Assistance	<u>\$ 37,734</u>	<u>\$ 37,817</u>	<u>\$ 439,654</u>	<u>\$ 515,205</u>	<u>\$25,088,426</u>	<u>\$25,603,631</u>

The following chart represents the aging of loans receivable by class of loan as of December 31, 2021:

	31 to 60 Days <u>Past Due</u>	61 to 90 Days <u>Past Due</u>	Greater than 90 Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	<u>Total</u>
Total Financial Assistance	<u>\$ 39,224</u>	<u>\$ 21,420</u>	<u>\$ 319,333</u>	<u>\$ 379,977</u>	<u>\$14,959,684</u>	<u>\$15,339,661</u>

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note E - Loans Receivable-Assistance and Education (Continued)

Impairment of loans receivable is evaluated collectively on the aggregate balance, not on the individual loan basis. The calculation is an estimate based upon the average of the prior three years history of loans write-offs, conversions and total loan assistance. The allowance is then adjusted as calculations require.

The following chart provides information for loans receivable as of December 31:

	<u>2022</u>	<u>2021</u>
Number of loans outstanding	30,217	21,769
Average face amount of loans	\$ 1,328	\$ 1,137
Average carrying amount of loans	\$ 847	\$ 705

The difference between the average face and average carrying amount of loans is due to payments of principal by loanees. Total impairment losses, which are recorded in program services expenses in the statements of activities, are \$1,020,449 and \$1,003,696 for the years ending December 31, 2022 and 2021, respectively.

The activity in the allowance for doubtful accounts - loans receivable is as follows for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Allowance, beginning balance	\$ 981,202	\$ 778,925
Provision for loan losses	1,022,539	1,005,966
Loans considered uncollectible	<u>(586,076)</u>	<u>(803,689)</u>
Allowance, ending balance	<u>\$ 1,417,665</u>	<u>\$ 981,202</u>

Note F - Property and Equipment

The following summarizes the property and equipment accounts as of December 31:

	<u>2022</u>	<u>2021</u>
Office furniture and equipment	\$ 61,967	\$ 61,967
Automobiles	15,802	15,802
Computer equipment	2,140,671	2,112,202
Software (including work-in-progress)	<u>4,715,453</u>	<u>4,575,364</u>
	6,933,893	6,765,335
Less: accumulated depreciation	<u>(3,275,601)</u>	<u>(2,600,270)</u>
Total property and equipment, net	<u>\$ 3,658,292</u>	<u>\$ 4,165,065</u>

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note G - Lines of Credit

The Society maintains a \$10,000,000 line of credit with Truist and a \$20,000,000 line of credit with UBS to provide funds to meet its short-term cash flow needs over the course of its operating cycle. The Truist line of credit expires on August 31, 2023 and carries an interest rate of the SOFR index plus 1.22% per annum. The Fixed Income Collateral account is pledged as collateral against the line of credit. The agreement allows for borrowing up to 75% of the market value (current market value of \$12,800,000 as of December 31, 2022) of this investment account. The outstanding account balance with Truist at December 31, 2022 and 2021 was \$3,401,092 and \$1,871 in principal and accrued interest, respectively.

The UBS line of credit carries an interest rate equal to the LIBOR 30-day index plus 1.20% per annum. One of the Society's investment accounts with UBS (current market value of \$66,700,000 as of December 31, 2022) is pledged as collateral. The outstanding account balance with UBS at December 31, 2022 and 2021 was \$0. The carrying value of both liabilities approximates fair value.

Note H - Retirement Plans

The Society sponsors a defined benefit retirement plan (the Plan), a 403(b) salary reduction arrangement, and a 401(k) Plan. The Society does not contribute to the 403(b) Plan. During 2022 the Society's Board of Directors voted to close the 403(b) Plan effective December 31, 2022. Following the closing of the plan distributions will be made as soon as practicable after December 31, 2022.

Under the terms of the Plan, a participant may retire at the later of attainment of age 65 or completion of five years of participation. Vesting in employer contributions is 0% for the first five years of service and full vesting occurs after five years. The Society's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date, but for those expected to be earned in the future. There are no Plan participant contributions. Effective on January 1, 2011, any employee hired after that date will not be eligible to enter the Plan. Effective December 16, 2020, the Plan was amended to freeze benefits effective December 31, 2021. The Society sponsors a 401(k) Plan for only those employees hired after January 1, 2011. Contributions to the 401(k) Plan were \$998,045 and \$357,679 for 2022 and 2021, respectively. Effective December 16, 2020, the 401(k) Plan was amended to allow participants hired prior to January 1, 2011 entry into the 401(k) Plan. Additionally this amendment stipulates supplemental Employer contributions for these new participants.

The Plan has established a trust to hold and administer the assets of the Plan and to pay benefits and expenses from the fund upon direction of the Plan administrators or the Society. Contributions are also made as needed to an insurance company and funded in accordance with an actuarial estimate of amounts required to meet the benefits payable to pre-1986 retirees who are still covered under the terms of the Society's previous coverage.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note H - Retirement Plans (Continued)

U.S. GAAP requires that the unfunded status of the Plan be recognized as a liability in the statements of financial position and as a reduction of net assets without donor restriction in the statements of activities.

The following table sets forth the Plan's funded status and amounts recognized in the Society's financial statements as of and for the years ended December 31:

	2022	2021
Accumulated benefit obligation	<u>\$ 54,483,770</u>	<u>\$ 70,513,273</u>
Projected benefit obligation	\$ (54,483,770)	\$ (70,513,273)
Plan assets at fair value	<u>46,375,573</u>	<u>57,199,474</u>
Funded status	<u>\$ (8,108,197)</u>	<u>\$ (13,313,799)</u>

The amounts of contributions, benefits paid from the Plan, and net periodic benefit costs are as follows for the years ended December 31:

	2022	2021
Employer contribution	<u>\$ 1,000,000</u>	<u>\$ 2,235,890</u>
Benefits paid	<u>\$ 3,193,503</u>	<u>\$ 3,087,243</u>
Components of net periodic benefit costs:		
Service costs	\$ -	\$ 1,594,872
Interest costs	1,891,327	1,928,124
Amortization of actuarial loss	122,418	1,564,200
Expected return on plan assets	<u>(3,686,262)</u>	<u>(3,348,691)</u>
Net periodic pension (benefit) costs	<u>\$ (1,672,517)</u>	<u>\$ 1,738,505</u>

The amounts that have been recognized for the period as an increase (reduction) in net assets without donor restriction arising from the Plan but not yet reclassified as components of net periodic benefit cost for the years ended December 31:

	2022	2021
Net benefit	<u>\$ 2,533,085</u>	<u>\$ 13,041,541</u>

There are no accumulated prior service costs that will be amortized into net periodic benefit costs during 2023. The net loss that will be amortized into net periodic benefit costs during 2023 is \$122,418.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note H - Retirement Plans (Continued)

In determining the expected rate of return on plan assets, the Society considers the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, the Society may consult with and consider the input of financial and other professionals in developing appropriate return benchmarks.

Assumptions used in accounting for the Plan were as follows at December 31:

	2022	2021
Weighted-average assumptions to determine benefit obligations:		
Discount rate	5.00 %	2.75 %
Rate of compensation increase	- %	3.50 %
Weighted-average assumptions to determine net periodic pension cost:		
Discount rate	2.75 %	2.50 %
Expected long-term rate of return on plan assets	6.50 %	6.50 %
Rate of compensation increase	- %	3.50 %

During 2021, the MP-2021 Improvement Generational Scale was adopted as a mortality assumption for the Plan. The projected benefit obligation decreased by \$232,802 in 2021 due to the changing of the improvement scale. MP-2021 is the most recently issued scale as of December 31, 2022, therefore, no updates were made during 2022.

The projected benefit obligation decreased in 2022 due to the increase in the discount rate from 2.75% in 2021 to 5.00% in 2022, which accounts for a decrease of \$15,364,540. The projected benefit obligation decreased in 2021 due to the increase in the discount rate from 2.50% in 2020 to 2.75% in 2021, which accounts for a decrease of \$2,591,715. The projected benefit obligation also decreased by \$6,089,731 due to the amendment to freeze pension accruals effective December 31, 2021.

Based on actuarial estimates, in 2023 the Society expects to contribute approximately \$1 million to plan year 2023. The estimated future benefits payments are as follows for the fiscal years ending December 31, 2023 through 2033:

2023	\$	3,660,526
2024		3,664,969
2025		3,799,547
2026		3,850,786
2027		3,826,365
2028 - 2033		18,937,106
	\$	37,739,299

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note H - Retirement Plans (Continued)

Plan assets invested in mutual funds and money market accounts are carried at their fair market value based on market quotes as determined by the custodian.

The following table sets forth by level, within the U.S. GAAP fair value hierarchy, the Plan assets at fair value as of December 31, 2022 and 2021:

	2022	2021	Level
Bond mutual funds	\$ 11,637,914	\$ 13,406,681	1
Equity mutual funds	31,666,463	38,651,896	1
Balanced mutual funds	2,331,850	2,860,528	1
Money market funds	739,346	2,280,369	1
	\$ 46,375,573	\$ 57,199,474	

There were no transfers between levels during the years ended December 31, 2022 or 2021.

The investment policy and target investment allocations for the plan assets for the fiscal years ending December 31, 2022 and 2021, respectively, are designed to target 20% to 60% invested in fixed income securities, 40% to 80% invested in equity securities, and 0% to 40% invested in cash and cash equivalents.

The following table summarizes the plan assets by major category as of December 31:

	2022	2021
Equity securities	74 %	73 %
Fixed income securities	25 %	23 %
Other	1 %	4 %
Total	100 %	100 %

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note I - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
McAlinden Fund	\$ -	\$ 128,618
Gordon B. Davis Fund	2,051,050	2,166,800
Military Services Support	-	102,440
Clegg Fund	564,205	853,735
Neuman Fund	597,171	685,671
Alvin Cerny Fund	-	130,720
USAA	<u>99,484</u>	<u>99,484</u>
	3,311,910	4,167,468
Subject to the passage of time:		
Pledges receivable	2,427,015	2,684,757
Restricted in perpetuity:		
SCAMP Fund	250,000	250,000
Selfridge Fund	1,000,000	1,000,000
The Ilgenfritz Fund	1,451,619	1,428,283
Lowell Reade	580,000	580,000
Beneficial interest in Behannon Perpetual Trust	<u>527,791</u>	<u>660,897</u>
	<u>3,809,410</u>	<u>3,919,180</u>
Not subject to spending policy or appropriation:		
Underwater endowments	<u>(155,779)</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 9,392,556</u>	<u>\$ 10,771,405</u>

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note I - Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time as follows for the year ended December 31:

	2022	2021
Satisfaction of purpose restrictions:		
SCAMP Fund	\$ -	\$ 35,156
Selfridge Fund	-	140,670
Clegg Fund	289,530	159,000
Gordon B Davis Fund	115,750	174,000
Neuman Fund	88,500	121,000
Ilgenfritz Fund	-	128,795
Alvin Cerny Fund	130,720	23,549
Lowell Reade	-	81,589
USAA Grant	-	3,485,957
McAlinden	128,618	-
Military Services Support	102,440	-
	855,558	4,349,716
Expiration of time	2,684,757	2,658,774
Total net assets released from donor restrictions	\$ 3,540,315	\$ 7,008,490

Net assets with donor restrictions are available for the following purposes:

Joseph A. McAlinden Working Divers Scholarship Fund - To fund research of ocean agriculture by Navy working divers.

Gordon B. Davis Scholarship Fund - To provide education scholarships to eligible Marine Corps personnel.

Alvin Cerny Fund - To provide educational assistance to eligible Sailors, Marines and their families.

Military Services Support - To provide financial assistance for Society-wide programs, restricted to interest income only for a period of 10 years.

RADM Courtney G. Clegg (MC) and Mrs. Margaret H. Clegg Scholarship Fund - To provide education scholarships to eligible dependents of the Navy and Marine Corps.

Major Joel L. Neuman USMC Scholarship Fund - To provide educational assistance to eligible Sailors, Marines and their families.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note I - Net Assets With Donor Restrictions (Continued)

USAA - To provide support for the Budget for Baby Workshop, Emergency Financial Assistance, Disaster Assistance, and Combat Casualty Assistance – Visiting Nurse program.

Scholarships for Children of American Military Personnel (SCAMP) - To provide scholarships through the Travers Scholarship Program (\$250,000 corpus).

Selfridge Fund - To assist widows and minor children of deceased officers and enlisted men of the U.S. Navy and Marine Corps (\$1,000,000 corpus).

Lowell Reade - To be used at the discretion of the Society (\$580,000 corpus).

The Ilgenfritz Fund - The Society received a partial distribution from the Ilgenfritz estate in 2013 directing the funds be used to provide educational assistance to children of active duty and deceased members of the Naval Services (Navy and Marine Corps). During 2016, based on the agreement with the estate, the entire balance of this fund was restricted to the donated corpus (\$1,428,283 corpus).

Behannon Perpetual Trust - The Society holds a beneficial interest in the Mozelle Behannon Charitable Trust, a perpetual trust which is valued at the fair value of the Society's one-third share of the assets in the trust. The Society receives an annual income payment which is used to fulfill the Society's mission.

Note J - Commitments

USS Cole Memorial Fund - Provides financial assistance to surviving family members of the personnel killed as a result of the terrorist attack on USS Cole on October 12, 2000. During 2013, the USS Cole Memorial Fund exhausted all monies in the fund. All future payments to support eligible beneficiaries will be paid out of the Society's operating funds. As of December 31, 2022, the Society made the last anticipated disbursement of \$125,000 as each child has reached their 21st birthday. The Society has agreed to be the guarantor of sufficient funds for tuition, books and fees for this child to obtain a four-year, post-secondary university degree or equivalent technical/vocational training. Since the Society is not the first payer of educational benefits, and since it is unknown if the child will pursue future education opportunities, or what the future cost of tuition will be, it is not possible to estimate any reasonable future disbursement amount for this purpose. The Society paid \$125,000 and \$0 during the years ending December 31, 2022 and 2021, respectively.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note J - Commitments (Continued)

Pentagon Assistance Fund - To provide financial assistance to surviving spouses and children of the naval personnel killed as a result of the terrorist attack on the Pentagon on September 11, 2001, and those killed in the theater of combat operations during Operation Enduring Freedom. The fund provides for the Society to act as a guarantor of sufficient funds for tuition, books and fees for each of the surviving spouses and children to obtain a four-year, post-secondary university degree or equivalent technical/vocational training. Additionally, each surviving spouse received a distribution of \$50,000 and each surviving child will be eligible to receive \$125,000 upon reaching his or her 21st birthday. The Pentagon Assistance Fund was closed to new beneficiaries on June 1, 2007, coincident with the increase of the Service member's Group Life Insurance (SGLI) benefit to \$400,000 and Congressional approval of the transferability of education benefits to the spouses and dependent children of service personnel. As of December 31, 2022, there are no net assets with donor restrictions remaining relating to this purpose. However, the Society will continue to honor its commitment through the use of net assets without donor restrictions. Due to the nature of this commitment, it is not possible to reasonably estimate the future disbursements for these purposes.

No liability has been recorded in the statements of financial position as of December 31, 2022 and 2021 for the commitments described above. Expense for the commitment for the \$125,000 fixed sum is recognized in the year an eligible individual reaches age twenty-one, and for the educational expenses, in the year the qualified expenses are incurred. The Society expects that 8 children will receive this benefit through the year ended December 31, 2027.

Note K - Endowment

The Society's endowments consist of four individual donor-restricted endowment funds established for the purposes of providing income to support general operations and specific activities, as detailed in Note I. As required by U.S. GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Management and the Board of Directors of the Society have interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, the Society retains in perpetuity (a) the original value of the initial and subsequent gift amounts (including promises to give net of discount and allowance for uncollectible amounts) donated to the endowment fund and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note K - Endowment (Continued)

Interpretation of Relevant Law (continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, funds with original gift values of \$1,830,000, fair values of \$1,674,221 and deficiencies of \$155,779 were reported in net assets with donor restrictions. There were no underwater endowments for the year ended December 31, 2021.

Investment and Spending Policies

Endowment funds are invested to provide long term growth of capital to meet the future obligations of the funds in accordance with the respective donor covenants establishing them. Another consideration and objective of the fund is to prudently manage risk by diversifying investments in a manner that lowers overall volatility of the funds' corpus. An asset allocation of 50% to 70% in equities, 20% to 50% in fixed income, and 5% to 10% in other asset classes is maintained.

The Society considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the endowment fund
- The purpose of the Society 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 Society
- The investment policies of the Society
- The changing financial needs of the Society's clients, i.e., demands for services and programs of the Society

The earnings on endowment funds in excess of corpus are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors. Donor restricted funds for which the restricted purpose is satisfied in the year they are received are classified as net assets without donor restrictions on the statements of activities.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note K - Endowment (Continued)

Investment and Spending Policies (continued)

Changes in endowment net assets for the years ended December 31 are as follows:

	With Donor Restrictions
Endowment net assets January 1, 2022	\$ 3,258,283
Contributions	-
Investment return, net	(132,443)
Amounts appropriated for expenditure	-
Endowment net assets December 31, 2022	\$ 3,125,840
Endowment net assets January 1, 2021	\$ 3,258,283
Contributions	-
Investment return, net	386,210
Amounts appropriated for expenditure	(386,210)
Endowment net assets December 31, 2021	\$ 3,258,283

Note L - Contributed Services/Facilities/Equipment

Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased. No contributions of services were recorded in the financial statements for the years ended December 31, 2022 and 2021.

The Society receives substantial benefit from services provided by active and retired members of the Navy and Marine Corps and their spouses. These volunteer services totaled an estimated 187,000 hours and 160,000 hours in 2022 and 2021, respectively. The value of these volunteer services is not included in the financial statements.

In addition, the Navy and Marine Corps donate the use of office space and other services at various military installations around the world. The value of these donated facilities has not been reflected in the accompanying financial statements and is not presently determinable. Space occupied by the Society's Headquarters in Arlington, Virginia during 2022 and 2021 was valued at \$649,763 and \$635,351, respectively, which is recorded in the financial statements as contributions and office administration expense (which is allocated to program and supporting services as benefited). This value is estimated based on the value of renting similar space as valued by the Navy and Marine Corps. There are no donor restrictions.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note L - Contributed Services/Facilities/Equipment (Continued)

In 2022 the Society received substantial benefit from a media campaign for Giving Tuesday in which approximately \$525,556 of airtime was donated to the Society by multiple broadcast stations and internet reach on Yahoo channels. This amount was measured by the level of media exposure received and allocated to program and supporting services as benefited. There are no donor restrictions.

The Society, from time to time, is provided the use of government furniture and equipment in accordance with Title 10 of the U.S. Code and agreements reached between the Society and the Navy and Marine Corps. The equipment is being depreciated over a five-year useful life in accordance with Title 10 and the Society recognized \$0 and \$35,738 in depreciation and equipment expenses for 2022 and 2021, respectively.