

**SEABEE MEMORIAL SCHOLARSHIP
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2020



SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
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DECEMBER 31, 2020

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ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

April 23, 2021

To the Officers and Board of Directors
Seabee Memorial Scholarship Association, Inc.
Springfield, Virginia

We have audited the accompanying financial statements of Seabee Memorial Scholarship Association, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, revenues and other support, functional expenses, and change in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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To the Officers and Board of Directors
Seabee Memorial Scholarship Association, Inc.
April 23, 2021

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seabee Memorial Scholarship Association, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The summary of investments on page 18, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Alexander, Van Loon, Sloan, Levens & Favre, PLLC

ALEXANDER, VAN LOON, SLOAN, LEVENS & FAVRE, PLLC
Certified Public Accountants
Gulfport, Mississippi

FINANCIAL STATEMENTS

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 249,469
Investments	7,938,259
Unconditional promises to give, without donor restriction	97,958
Prepaid expenses	9,770
Accounts receivable, related parties	1,059
Cash value of insurance contract	38,147
	<hr/>
Total current assets	8,334,662

NON-CURRENT ASSETS

Long-term unconditional promises to give, without donor restriction, net	161,325
Investments, with donor restrictions	1,020,219
	<hr/>
Total non-current assets	1,181,544

TOTAL ASSETS

\$ 9,516,206

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 20,604
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TOTAL LIABILITIES	<u>20,604</u>
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NET ASSETS

Without donor restrictions:

Board designated, Fallen Seabee Scholarship Fund	214,999
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Board designated, scholarships	5,404,677
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Undesignated	<u>2,855,707</u>
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Total without donor restrictions	<u>8,475,383</u>
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With donor restriction:

Endowment funds	<u>1,020,219</u>
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Total with donor restrictions	<u>1,020,219</u>
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Total net assets	<u>9,495,602</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,516,206</u></u>
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The accompanying notes are an integral part of these financial statements.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restriction	With Donor Restriction	Total All Funds
REVENUES AND OTHER SUPPORT			
Contributions	\$ 527,068	\$ -	\$ 527,068
Other sources	45,813	-	45,813
Interest and dividend income	136,594	-	136,594
Loan forgiveness	10,400	-	10,400
Realized gains on investments	627,491	-	627,491
Unrealized gains on investments	874,811	-	874,811
Surrender value change in insurance contract	(1,653)	-	(1,653)
	<u>2,220,524</u>	<u>-</u>	<u>2,220,524</u>
Total revenues and other support			
EXPENSES			
Program services			
Scholarships	413,412	-	413,412
Program services	140,307	-	140,307
Fundraising	183,303	-	183,303
Fund raising: special events	57,926	-	57,926
General and administrative	109,189	-	109,189
	<u>904,137</u>	<u>-</u>	<u>904,137</u>
Total			
CHANGE IN NET ASSETS	1,316,387	-	1,316,387
NET ASSETS, BEGINNING OF YEAR	<u>8,179,219</u>	<u>-</u>	<u>8,179,219</u>
Reclassification of net assets	(1,020,219)	1,020,219	-
NET ASSETS, END OF YEAR	<u>\$ 8,475,387</u>	<u>\$ 1,020,219</u>	<u>\$ 9,495,606</u>

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

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
STATEMENT OF REVENUES AND OTHER SUPPORT, FUNCTIONAL EXPENSES,
AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

REVENUES AND OTHER SUPPORT

	Total
Contributions	\$ 527,068
Other sources	45,813
Loan forgiveness	10,400
Interest	136,594
Realized gain on investments	627,491
Unrealized gain on investments	874,811
Surrender value change in insurance contract	(1,653)
TOTAL REVENUES AND OTHER SUPPORT	\$ 2,220,524

FUNCTIONAL EXPENSES

	Program Services	Fundraising	General and Administrative	Total
Accounting services	\$ 14,396	\$ -	\$ 14,396	\$ 28,792
Administrative contract services	39,542	-	9,886	49,428
Bank fees	3,846	549	1,099	5,494
Calendars	4,777	4,777	-	9,554
Consulting contract services	30,468	123,347	48,874	202,689
Insurance	-	-	1,960	1,960
Meetings and meals	177	-	94	271
Miscellaneous	-	11,339	-	11,339
Office supplies	3,007	1,243	3,013	7,263
Payroll and taxes	21,759	22,418	21,759	65,936
Postage	5,281	3,112	2,169	10,562
Printing	9,177	11,265	4,756	25,198
Professional services	2,836	3,899	610	7,345
Registration fees	299	-	-	299
Scholarships grants	413,412	-	-	413,412
Special event	-	57,926	-	57,926
Stationary	326	195	-	521
Travel	4,012	1,159	573	5,744
Trophies and plaques	404	-	-	404
TOTAL EXPENSES	\$ 553,719	\$ 241,229	\$ 109,189	\$ 904,137

CHANGE IN NET ASSETS **\$ 1,316,387**

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

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from contributions	\$ 622,493
Cash paid for program and support services	(895,255)
Interest and dividends received	<u>136,594</u>
Net cash used in operating activities	<u>(136,168)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments	423,067
Purchase of investments and reinvested dividends	<u>(260,065)</u>
Net cash provided by investing activities	<u>163,002</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from note payable	<u>10,400</u>
Net cash provided by investing activities	<u>10,400</u>
Increase in cash and cash equivalents	37,234
Cash and cash equivalents, beginning of year	<u>212,235</u>
Cash and cash equivalents, end of year	<u><u>\$ 249,469</u></u>

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH USED IN OPERATING ACTIVITIES**

Change in net assets	<u>\$ 1,316,387</u>
Adjustments reconciling the change in net assets to net cash used in operating activities:	
Unrealized gains on investments	(874,811)
Loan forgiveness	(10,400)
Realized gains on investments	(627,491)
(Increase) decrease in assets:	
Unconditional promises to give	50,675
Prepaid expenses	(750)
Accounts receivable	(1,059)
Other current assets	1,653
Increase in liabilities:	
Accounts payable	<u>9,628</u>
Total adjustments	<u>(1,452,555)</u>
Net cash used in operating activities	<u><u>\$ (136,168)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Seabee Memorial Scholarship Association, Inc. (Association), a Washington, D.C. corporation, is a non-profit organization whose purpose is to provide scholarship grants for the college education of deserving dependents of Seabees. The Association accomplishes its mission through the generosity of its supporters, which include all Seabees and friends of the Seabees who contribute funds toward the Association's purpose. These contributors receive newsletters to keep them advised of the Association.

The Association was founded in September 1970 as the Seabee Memorial Association and in 1978 changed its name to Seabee Memorial Scholarship Association, Inc. The Association is governed by a board of up to 30 directors. At December 31, 2020, the board consisted of 21 directors. The Association is managed on a day-to-day basis by its Executive Director. The Association's headquarters are located in Springfield, Virginia.

Basis of Presentation

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America under the accrual basis of accounting. The accrual basis of accounting is the method of accounting under which liabilities and expenses are recorded when incurred, whether or not paid, and income is recorded when earned, whether or not received.

The Association reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are reported as part of without donor restrictions. In addition, the Association is required to present a statement of cash flows. As permitted, the Association does not use fund accounting.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as net assets with donor restrictions. When donor restrictions are met, these amounts are reclassified to net assets without donor restrictions. However, if a restriction is fulfilled in the same year in which the contribution is received, the Association reports that support as unrestricted. At December 31, 2020, the Association has net assets with donor restrictions that are restricted for the purpose of scholarship funding.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period. Actual results could differ from those estimates.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Income Taxes

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law, and contributions to the Association are tax deductible within the limitations prescribed by the IRC.

The Association has implemented the accounting requirements associated with uncertainty in income taxes using the provision of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of December 31, 2020, the Association has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are defined as demand deposits and savings accounts at local banks, cash accumulation accounts at a local brokerage firm, and highly liquid investments with an original maturity of three months or less when purchased.

Investments

The Association records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. The amount reported as investments represents investment in mutual funds, marketable securities, and bonds using quoted prices for identical assets in active markets (level 1). There were no changes in the valuations techniques during the current year.

Investments, with donor restrictions are investments classified as restricted by the donor for specific purposes and reported as net assets with donor restrictions. When donor restrictions are met, these amounts are reclassified to net assets without donor restrictions. If a restriction is fulfilled in the same year in which the contribution is received, the Association reports that support as unrestricted.

Realized gains and losses related to the sale of investments are recognized as income in the period to which they relate.

Unconditional Promises to Give

Capital Campaign

The Association solicits promises to give to be paid over time (up to five years). Contributions are recorded at fair value as revenue at the time the promises to give are made.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional Promises to Give (Continued)

Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against the existing allowance account. It is management's policy to charge off uncollectible promises to give when it is determined that the receivable will not be collected. The allowance for doubtful accounts at year-end represents an estimate based on delinquent promises to give at December 31, 2020.

Conditional Promises to Give

Conditional promises to give are recognized by the Association as revenues when substantially all the conditions have been met.

Functional Allocation of Expenses

The cost of providing the Association's fund raising, program, and support services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited based on a combination of specific identification and allocation by management.

Liquidity and Availability of Financial Assets

The Association has \$8,324,892 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenses, consisting of the following:

Cash and cash equivalents	\$ 249,469
Investments	7,938,259
Unconditional promises to give, without donor restriction	97,958
Accounts receivable, related parties	1,059
Cash value of insurance contract	<u>38,147</u>
Total	<u><u>\$ 8,324,892</u></u>

NOTE 2: CASH AND INVESTMENTS

Cash and Cash Equivalents

The Association's cash and cash equivalents at December 31, 2020 are summarized as follows:

	<u>Amount</u>
Navy Federal Credit Union	<u><u>\$ 249,469</u></u>

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The Association's investments are in mutual funds, marketable securities, and bond funds and at December 31, 2020 are summarized as follows:

	Fair Value at 1/1/2020	Fair Value at 12/31/2020	Current Year Change
Vanguard Index Fund Admin	\$1,446,429	\$1,982,239	\$ 535,810
Vanguard Inter-term Corp Bnd lx Ad	779,885	582,034	(197,851)
Vanguard International Term Growth Adm	312,364	585,877	273,513
Vanguard International Growth Adm	358,086	653,566	295,480
Vanguard Short-Term Corp Bnd lx Ad	311,584	517,662	206,078
Vanguard Total Bond Mkt Index Adm	-	578,957	578,957
Vanguard 500 Index Fund Adm	4,298,419	4,002,935	(295,484)
MFS Growth Fund	62,446	-	(62,446)
Vanguard Prime Money Market Fund	49,965	55,208	5,243
	<u>\$7,619,178</u>	<u>\$8,958,478</u>	<u>\$1,339,300</u>

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

All of the Association's mutual funds, marketable securities, and bond funds have been valued using Level 1 measurements.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The following summarizes mutual funds investments activity for the year ended December 31, 2020:

	Amount
Balance at beginning of year	\$ 7,619,178
Purchases	125,000
Transfers	(2,121)
Dividends, reinvested	135,349
Sales	(420,846)
Fees	(384)
Realized gains	627,491
Unrealized losses	874,811
	\$ 8,958,478

Investment Return

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020:

	Amount
Interest and dividend income (including interest earned on interest bearing cash account)	\$ 136,594
Realized gain on investments	627,491
Unrealized gains on investments	874,811
Surrender value change in insurance contract	(1,653)
	\$ 1,637,243

The following summarizes cash and cash equivalents, mutual funds investments, and bond funds investments for the year ended December 31, 2020:

	Balance at Beginning of Year	Balance at End of Year	Change Increase (Decrease)	Percentage Increase (Decrease)
Cash and cash equivalents	\$ 212,235	\$ 249,469	\$ 37,234	18%
Investments	7,619,178	7,938,259	319,081	4%
Investments, donor restricted	-	1,020,219	1,020,219	100%
Total	\$ 7,831,413	\$ 9,207,947	\$ 1,376,534	18%

The Association's management considers the ending balance of \$9,207,947 to be the Association's corpus at December 31, 2020.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3: UNCONDITIONAL PROMISES TO GIVE

In accordance with FASB ASC 958-605, Unconditional promises to give, not expected to be collected within one year, are discounted. Unconditional promises to give as of December 31, 2020, consist of the following:

Unconditional promises to give	\$	293,124
Less: discount on pledges		(14,948)
Less: allowance for uncollectible promises to give		(18,893)
		259,283
Net unconditional promises to give		259,283
Less: current portion		(97,958)
		161,325
Long-term unconditional promises to give	\$	161,325

The unpaid portion of the unconditional promises to give is expected to be collected as follows:

One year or less	\$	97,958
2022-2024		195,166
		\$ 293,124

Pledges receivable with due dates extending beyond one year are discounted using U. S. Treasury bill rates for similar term investments. The applicable rates at December 31, 2020 range from 0.53% to 1.95%.

There was no bad debt expense for the year ended December 31, 2020.

NOTE 4: RELATED PARTY TRANSACTIONS

For the year ended December 31, 2020, the Association recognized accounts receivable, related parties of \$1,059 in the statement of financial position and paid and recognized \$10,949 in expenses for administrative services provided by the CEC/Seabee Historical Foundation, Inc., a related party, that is included in program services and general and administrative expenses in the statement of activities.

NOTE 5: INTENTIONS TO GIVE

The Association has received indications of gifts in the form of bequests which are revocable during the donors' lifetime. Due to the uncertain nature of these intentions, the Association has not recognized an asset or contribution revenue for these gifts. The estimated total intentions to give approximated \$1,085,000 at December 31, 2020. The intentions to give consist of \$10,000 to be paid to the Association as a beneficiary of a life insurance policy and \$1,075,000 to be paid to the Association as gifts in five estate plans.

NOTE 6: INSURANCE CONTRACTS

The Association is the owner and beneficiary of \$100,000 universal life insurance policy on the life of a former Seabee. At December 31, 2020, the gross death benefit of the remaining policy is \$119,814. The policy's cash surrender value at year end is \$38,147, which consist of a decrease of \$1,653 in cash surrender value for the year ended December 31, 2020.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 7: LOAN FORGIVENESS

Under provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, on April 15, 2020, the Association received a \$10,400 Paycheck Protection Program (PPP) loan. The PPP loan is 100% guaranteed by the U.S. Small Business Administration (SBA). The major terms of the loan are 1% per annum interest rate, first six months payments deferred, and April 15, 2022 maturity date. Also included in the SBA's PPP loan agreement, is the stipulation that, if certain criteria is met during the six months deferral period, the loan will be fully forgiven and will be considered revenue.

As of December 31, 2020, the Association had sufficiently met all criteria for the loan to be fully forgiven. Therefore, the loan proceeds are recognized as loan forgiveness revenues in the statement of activities.

NOTE 8: ENDOWMENT FUNDS

The Association maintains many endowment funds. These funds are held with donor restrictions. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

Endowment Net Assets and Activity

The Association has the following donor-restricted endowment-related activities for the year ended December 31, 2020:

With donor restrictions	
Beginning balance	<u>\$1,020,219</u>
Ending balance with donor restrictions	<u>1,020,219</u>
Without donor restrictions	
Beginning balance	7,069,508
Contributions	120,000
Investment return	
Interest, dividend and other income	<u>1,699,288</u>
Total investment return	<u>1,699,288</u>
Expenditures	
Scholarship payments	<u>413,413</u>
Total expenditures	<u>413,413</u>
Ending balance without donor restrictions	<u>8,475,383</u>
Total endowment funds, end of year	<u><u>\$9,495,602</u></u>

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8: ENDOWMENT FUNDS (Continued)

Interpretation of Relevant Law

Effective July 1, 2012, the District of Columbia enacted the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). The Association interprets the current district law regarding the treatment of endowments as the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Association and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effects of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Association
- 7) The investment policies of the Association

Funds with Deficiencies

From time to time, the fair value of assets associated with endowment funds with donor-restrictions may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. The Association has no funds with deficiencies at December 31, 2020.

Investment and Spending Policies

As of December 31, 2020, the Association does not have a documented investment and spending policy related to endowment assets.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9: NET ASSETS

Net assets with and without donor restrictions are from contributions received from donors for the benefit of scholarship recipients. Endowment fund corpus is donor restricted. Investment earnings and non-endowment funds are without donor restrictions. Net assets consist of the following at December 31, 2020:

Without donor restrictions	
Endowment funds corpus and earnings -	
Fallen Seabee Scholarship (net of expenses)	\$ 214,999
Endowment funds corpus and earnings -	
Scholarships (net of expenses)	5,404,677
Non-endowment funds contributions and	
earnings (net of expenses)	<u>2,855,707</u>
Total funds without donor restriction	<u><u>\$ 8,475,383</u></u>
With donor restrictions	
Donor restricted endowment funds corpus	<u>1,020,219</u>
Total with donor restricted funds	<u><u>\$ 1,020,219</u></u>

NOTE 10: JOINT COSTS

The Association's joint costs include activities such as general fundraising appeals, preparing and mailing newsletters and calendars, and coordinating special fundraising events. As of December 31, 2020, joint costs of \$402,573 were incurred. Of these costs, \$164,715, \$130,627, and \$107,231 were allocated to fundraising, program services, and general and administrative, respectively, in the statement of activities.

NOTE 11: CONCENTRATIONS

Credit Risk

The Association maintains its cash balances in a financial institution located in Merrifield, Virginia. The balances at these financial institutions are insured by the National Credit Union Administration (NCUA). At various times there may be balances in the banks that exceed the NCUA limits. However, at December 31, 2020, the Association had no uninsured cash balances.

Donors

Two donors accounted for approximately 17% of total 2020 contribution revenue. Of the two donors, 10% of the contributions were in the form of unconditional promises to give and 44% are included in unconditional promises to give at December 31, 2020.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12: COMMITMENT AND CONTINGENCIES

Scholarship Grants and Commitments

The scholarship committee, appointed by the Association's Board of Directors, screens applicants for eligibility and awards grants based on scholastic performance and financial need. Annual renewal of the scholarship grants is subject to the recipients maintaining required academic standings. The Association has committed to provide these scholarships as follows:

<u>Year</u>	<u>Total Amount</u>
2021	\$ 90,200
2022	90,200
2023	99,900
2024	<u>146,500</u>
	<u>\$ 426,800</u>

COVID-19

A novel strain of coronavirus (COVID-19) spread across the world and was declared a pandemic by the World Health Organization on March 11, 2020. As a result of the spread of COVID-19, economic uncertainties have arisen. The extent of the impact of COVID-19 on operational and financial performance will depend on the duration and spread of the outbreak. As of the date of this report, the effects are uncertain and cannot be reasonably estimated.

NOTE 13: SUBSEQUENT EVENTS

The Association has evaluated subsequent events through April 23, 2021, the date which the financial statements were issued. No such events have been identified for this time period that are required to be recognized or disclosed.

SUPPLEMENTARY INFORMATION

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
SUMMARY OF INVESTMENTS
December 31, 2020

Seabee Memorial Scholarship Association Finance Report 12/31/2020	Value as of End-of-Year	Within Portfolio Share %	Within Portfolio Goal %	Average Annual Returns (%) As of 12/31/2020 *	Benchmarks 2020 12/31/2020
				1-Yr. 5-Yr. 10-Yr. 15-Yr.	

Investment Portfolio (w/Vanguard), 12/31/2020

2019 End-of-Year Balance at Vanguard (12/31/2020)	\$ 7,619,176				Weighted Average (Actual Splits) of S&P 500 Index and Barclays-Bloomberg Aggregate U.S. Bond Index
2020 Market Gains (or Losses)	1,480,300				
2020 Income (Dividends & Misc. Returns)	157,350				
2020 Stock Transfers (Gifts) to SMSA.	3,452				
2020 Cash-In Transfers from NFCU	125,000				
2020 Cash-Out to NFCU for SMSA Operating Expenses	0				
2020 Cash-Out for SMSA Scholarships	(426,800)				
2020 End-of-Year Balance (12/31/2020) at Vanguard	\$ 8,958,478				
Stock Funds and Brokerage Acct Holdings	\$ 6,638,740	72.1	< 80.0		
Bonds + Cash Equiv. at NFCU	2,569,207	27.9	> 20.0		

SMSA Investment Valuations	2019 at Vanguard	2019 at NFCU	2019 EOY Total	2020 at Vanguard	2020 at NFCU	2020 EOY Total
	\$ 7,619,176	223,946	7,843,123	8,958,478	249,469	9,207,947

SMSA Rates of Return per Vanguard	22.0	13.6	11.6	8.80
Portfolio				15.4

Stock Funds & Brokerage Acct Holdings, 12/31/2020

(Fees %)					
0.04	VFIAX Vanguard 500 Index Fund Adm Shares	\$ 4,002,935	60.3	60.0	18.4
0.05	VIGAX Vanguard Growth Index Fund Adm Shares	1,982,239	29.9	30.0	40.2
0.33	VWILX Vanguard Int'l Growth Fund Adm Shares	653,566	9.8	10.0	59.7
	Total Stock Funds & Stocks	\$ 6,638,740	100.0	100.0	18.4

Bond Funds, Cash and Equivalents (Vanguard + NFCU), 12/31/2020

0.10	VFIDX Vang. Intermediate-Term Invest Grade Fund	\$ 585,877	23	\$ 25	
0.07	VICSX Vang. Intermediate-Term Corp. Index Fund	582,034	22.7	25.0	10.4
0.05	VBTLX Vang. Total Bond Mkt. Index Fund	578,957	22.5	25.0	9.2
0.07	VSCSX Vang. Short-Term Corp. Bond Index Fund	517,662	20.1	17.0	7.7
0.11	VMFXX Vang. Fed. M. Market (Sweep-In Dividends)	55,208	2.1	3.0	5.1
--	NFCU Navy Federal Credit Union (3 Accounts)	249,469	9.7	5.0	0.5
	Total Bond Funds & Cash	\$ 2,569,207	100.0	100.0	7.8

* As reported by Vanguard or MorningStar Performance