

**SEABEE MEMORIAL SCHOLARSHIP
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2021



SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
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ALEXANDER | VAN LOON | SLOAN | LEVENS | FAVRE, PLLC
Certified Public Accountants & Business Consultants

AVL WEALTHCARE, LLC
Wealth Management

INDEPENDENT AUDITORS' REPORT

May 4, 2022

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

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Seabee Memorial Scholarship Association, Inc. as of December 31, 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

To the Officers and Board of Directors
Seabee Memorial Scholarship Association, Inc.
May 4, 2022

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 Seabee Memorial Scholarship Association, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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

FINANCIAL STATEMENTS

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

| | |
|---|------------|
| Cash and cash equivalents | \$ 288,746 |
| Investments | 9,655,979 |
| Unconditional promises to give, without donor restriction | 80,042 |
| Prepaid expenses | 1,020 |
| Accounts receivable, related parties | 34 |
| Cash value of insurance contract | 36,176 |
| | <hr/> |
| Total current assets | 10,061,997 |

NON-CURRENT ASSETS

| | |
|--|-----------|
| Long-term unconditional promises to give, without donor restriction, net | 170,419 |
| Investments, with donor restrictions | 1,945,841 |
| | <hr/> |
| Total non-current assets | 2,116,260 |

TOTAL ASSETS

\$ 12,178,257

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|------------------|----------|
| Accounts payable | \$ 1,495 |
|------------------|----------|

| | |
|--------------------------|--------------|
| TOTAL LIABILITIES | <u>1,495</u> |
|--------------------------|--------------|

NET ASSETS

Without donor restrictions:

| | |
|--|---------|
| Board designated, Fallen Seabee Scholarship Fund | 214,999 |
|--|---------|

| | |
|--------------------------------|-----------|
| Board designated, scholarships | 9,440,980 |
|--------------------------------|-----------|

| | |
|--------------|----------------|
| Undesignated | <u>574,942</u> |
|--------------|----------------|

| | |
|----------------------------------|-------------------|
| Total without donor restrictions | <u>10,230,921</u> |
|----------------------------------|-------------------|

With donor restriction:

| | |
|-----------------|------------------|
| Endowment funds | <u>1,945,841</u> |
|-----------------|------------------|

| | |
|-------------------------------|------------------|
| Total with donor restrictions | <u>1,945,841</u> |
|-------------------------------|------------------|

| | |
|------------------|-------------------|
| Total net assets | <u>12,176,762</u> |
|------------------|-------------------|

| | |
|---|-----------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 12,178,257</u></u> |
|---|-----------------------------|

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, 2021

| | Without Donor Restriction | With Donor Restriction | Total All Funds |
|--|------------------------------|---------------------------|----------------------|
| REVENUES AND OTHER SUPPORT | | | |
| Contributions | \$ 1,051,100 | \$ 630,519 | \$ 1,681,619 |
| Other sources | 36,960 | - | 36,960 |
| Interest and dividend income | 130,452 | - | 130,452 |
| In-kind revenues | 8,784 | - | 8,784 |
| Realized gains on investments | 83,596 | - | 83,596 |
| Unrealized gains on investments | 1,247,786 | 295,103 | 1,542,889 |
| Surrender value change in insurance contract | (1,971) | - | (1,971) |
| | <u>2,556,707</u> | <u>925,622</u> | <u>3,482,329</u> |
| EXPENSES | | | |
| Program services | | | |
| Scholarships | 410,243 | - | 410,243 |
| Program services | 108,125 | - | 108,125 |
| Fundraising | 97,434 | - | 97,434 |
| Fundraising: special events | 52,945 | - | 52,945 |
| General and administrative | 132,423 | - | 132,423 |
| | <u>801,170</u> | <u>-</u> | <u>801,170</u> |
| CHANGE IN NET ASSETS | 1,755,537 | 925,622 | 2,681,159 |
| NET ASSETS, BEGINNING OF YEAR | <u>8,475,384</u> | <u>1,020,219</u> | <u>9,495,603</u> |
| NET ASSETS, END OF YEAR | <u>\$ 10,230,921</u> | <u>\$ 1,945,841</u> | <u>\$ 12,176,762</u> |

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

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

| | Program Services | Fundraising | General and Administrative | Total |
|----------------------------------|---------------------|-------------------|-------------------------------|-------------------|
| Accounting services | \$ 13,513 | \$ - | \$ 13,513 | \$ 27,026 |
| Administrative contract services | 38,840 | 51,787 | 38,840 | 129,467 |
| Bank fees | 4,642 | 741 | 1,483 | 6,866 |
| Calendars | 2,138 | 2,138 | - | 4,276 |
| Consulting contract services | 194 | 775 | - | 969 |
| Insurance | - | - | 2,187 | 2,187 |
| Meetings and meals | - | 9,259 | - | 9,259 |
| Office supplies | 12,043 | 4,419 | 9,742 | 26,204 |
| Payroll and taxes | 1,237 | 1,275 | 53,824 | 56,336 |
| Postage | 2,738 | 1,643 | 1,095 | 5,476 |
| Printing | 18,746 | 12,663 | 8,759 | 40,168 |
| Professional services | 2,859 | 2,267 | 593 | 5,719 |
| Registration fees | 257 | 9,119 | - | 9,376 |
| Scholarships grants | 410,243 | - | - | 410,243 |
| Special event | - | 52,945 | - | 52,945 |
| Stationary | 477 | 286 | 191 | 954 |
| Telephone | - | - | 76 | 76 |
| Travel | 2,121 | 1,061 | 2,121 | 5,303 |
| Trophies and plaques | 8,320 | - | - | 8,320 |
| TOTAL EXPENSES | \$ 518,368 | \$ 150,378 | \$ 132,424 | \$ 801,170 |

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|------------------|
| Cash received from contributions | \$ 1,728,426 |
| Cash paid for program and support services | (802,745) |
| Interest and dividends received | 130,452 |
| | <u>1,056,133</u> |
| Net cash provided by operating activities | <u>1,056,133</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|--------------------|
| Proceeds from sale of investments | 450,000 |
| Purchase of investments and reinvested dividends | (1,466,856) |
| | <u>(1,016,856)</u> |
| Net cash used in investing activities | <u>(1,016,856)</u> |

| | |
|--|-------------------|
| Increase in cash and cash equivalents | 39,277 |
| Cash and cash equivalents, beginning of year | 249,469 |
| | <u>249,469</u> |
| Cash and cash equivalents, end of year | <u>\$ 288,746</u> |

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

**RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

| | |
|---|----------------------------|
| Change in net assets | <u>\$ 2,681,159</u> |
| Adjustments reconciling the change in net assets to net cash used in operating activities: | |
| Unrealized gains on investments | (1,542,889) |
| Realized gains on investments | (83,596) |
| (Increase) decrease in assets: | |
| Unconditional promises to give | 8,822 |
| Prepaid expenses | 8,750 |
| Accounts receivable | 1,025 |
| Other current assets | 1,971 |
| Decrease in liabilities: | |
| Accounts payable | <u>(19,109)</u> |
| Total adjustments | <u>(1,625,026)</u> |
| Net cash provided by operating activities | <u><u>\$ 1,056,133</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, 2021

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, 2021, the board consisted of 29 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, 2021, 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, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2021, 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 valuation 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, 2021

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, 2021.

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 \$10,966,599 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 | \$ 288,746 |
| Investments | 10,561,601 |
| Unconditional promises to give, without donor restriction | 80,042 |
| Accounts receivable, related parties | 34 |
| Cash value of insurance contract | <u>36,176</u> |
| Total | <u>\$ 10,966,599</u> |

NOTE 2: CASH AND INVESTMENTS

Cash and Cash Equivalents

The Association's cash and cash equivalents at December 31, 2021 are summarized as follows:

| | |
|---------------------------|-------------------|
| | <u>Amount</u> |
| Navy Federal Credit Union | <u>\$ 288,746</u> |

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The Association's investments are in mutual funds, marketable securities, and bond funds at December 31, 2021 are summarized as follows:

| | Fair Value at 1/1/2021 | Fair Value at 12/31/2021 | Current Year Change |
|--|---------------------------|-----------------------------|------------------------|
| Vanguard Index Fund Admin | \$ 1,982,239 | \$ 2,297,214 | \$ 314,975 |
| Vanguard Inter-term Corp Bnd lx Ad | 582,034 | - | (582,034) |
| Vanguard International Term Growth Adm | 585,877 | 504,822 | (81,055) |
| Vanguard International Growth Adm | 653,566 | 648,717 | (4,849) |
| Vanguard Short-Term Corp Bnd lx Ad | 517,662 | 991,040 | 473,378 |
| Vanguard Total Bond Mkt Index Adm | 578,957 | - | (578,957) |
| Vanguard 500 Index Fund Adm | 4,002,935 | 6,406,454 | 2,403,519 |
| Vanguard Inflation Adm | - | 186,244 | 186,244 |
| Loomis Sayles Inflation Securities | - | 186,411 | 186,411 |
| Schwab U.S. Tips ETF | - | 186,469 | 186,469 |
| Vanguard Short Term Inflation ETF | - | 185,040 | 185,040 |
| Vanguard Prime Money Market Fund | 55,208 | 9,409 | (45,799) |
| | <u>\$8,958,478</u> | <u>\$11,601,820</u> | <u>\$ 2,643,342</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, 2021

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The following summarizes mutual funds investments activity for the year ended December 31, 2021:

| | <u>Amount</u> |
|------------------------------|----------------------|
| Balance at beginning of year | \$ 8,958,478 |
| Purchases | 1,337,443 |
| Dividends, reinvested | 129,420 |
| Sales | (450,000) |
| Fees | (6) |
| Realized gains | 83,596 |
| Unrealized gains | 1,542,889 |
| Balance at end of year | <u>\$ 11,601,820</u> |

Investment Return

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2021:

| | <u>Amount</u> |
|---|---------------------|
| Interest and dividend income (including interest earned on interest bearing cash account) | \$ 130,452 |
| Realized gain on investments | 83,596 |
| Unrealized gains on investments | 1,542,889 |
| Surrender value change in insurance contract | (1,971) |
| Total investment gain | <u>\$ 1,754,966</u> |

The following summarizes cash and cash equivalents, mutual funds investments, and bond funds investments for the year ended December 31, 2021:

| | <u>Balance at Beginning of Year</u> | <u>Balance at End of Year</u> | <u>Change Increase (Decrease)</u> | <u>Percentage Increase (Decrease)</u> |
|-------------------------------|---|-----------------------------------|---|---|
| Cash and cash equivalents | \$ 249,469 | \$ 288,746 | \$ 39,277 | 16% |
| Investments | 7,938,259 | 9,655,979 | 1,717,720 | 22% |
| Investments, donor restricted | 1,020,219 | 1,945,841 | 925,622 | 91% |
| Total | <u>\$ 9,207,947</u> | <u>\$ 11,890,566</u> | <u>\$ 2,682,619</u> | 29% |

The Association's management considers the ending balance of \$11,890,566 to be the Association's corpus at December 31, 2021.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021 consist of the following:

| | | |
|--|----|-----------------------|
| Unconditional promises to give | \$ | 264,157 |
| Less: discount on pledges | | (9,754) |
| Less: allowance for uncollectible promises to give | | <u>(3,942)</u> |
| Net unconditional promises to give | | 250,461 |
| Less: current portion | | <u>(80,042)</u> |
| Long-term unconditional promises to give | \$ | <u><u>170,419</u></u> |

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

| | | |
|------------------|----|-----------------------|
| One year or less | \$ | 80,042 |
| 2023-2025 | | <u>184,115</u> |
| | \$ | <u><u>264,157</u></u> |

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, 2021 range from 0.53% to 1.95%.

There was no bad debt expense for the year ended December 31, 2021.

NOTE 4: RELATED PARTY TRANSACTIONS

For the year ended December 31, 2021, the Association recognized accounts receivable, related parties of \$34 in the statement of financial position and paid and recognized \$17,394 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 \$1,185,000 at December 31, 2021. The intentions to give consist of \$10,000 to be paid to the Association as a beneficiary of a life insurance policy and \$1,175,000 to be paid to the Association as gifts in six estate plans.

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the gross death benefit of the remaining policy is \$119,814. The policy's cash surrender value at year end is \$36,176, which consist of a decrease of \$1,971 in cash surrender value for the year ended December 31, 2021.

NOTE 7: 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, 2021:

| | |
|---|-----------------------------|
| With donor restrictions | |
| Beginning balance | \$ 1,020,219 |
| Contributions | 630,519 |
| Investment return | 356,935 |
| Disbursements | <u>(61,832)</u> |
| Ending balance with donor restrictions | <u>1,945,841</u> |
| Without donor restrictions | |
| Beginning balance | 7,838,028 |
| Contributions | 828,192 |
| Investment return | |
| Interest, dividend and other income | <u>1,400,002</u> |
| Total investment return | <u>1,400,002</u> |
| Expenditures | |
| Scholarship payments | <u>410,243</u> |
| Total expenditures | <u>410,243</u> |
| Ending balance without donor restrictions | <u>9,655,979</u> |
| Total endowment funds, end of year | <u><u>\$ 11,601,820</u></u> |

SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021.

Investment and Spending Policies

As of December 31, 2021, the Association does not have a documented investment and spending policy related to endowment assets.

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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, 2021:

| | |
|---|-------------------------|
| 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) | 6,232,869 |
| Non-endowment funds contributions and | |
| earnings (net of expenses) | <u>3,208,111</u> |
| Total funds without donor restriction | <u><u>9,655,979</u></u> |
| | |
| With donor restrictions | |
| Donor restricted endowment funds corpus | <u>1,945,841</u> |
| Total with donor restricted funds | <u><u>1,945,841</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, 2021, joint costs of \$224,178 were incurred. Of these costs, \$78,098, \$83,725, and \$62,355 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 this financial institution are insured by the National Credit Union Administration (NCUA). At various times there may be balances in the banks that exceed the NCUA limits. At December 31, 2021, the Association had an uninsured cash balance of \$42,445.

Donors

Five donors accounted for approximately 50% of total 2021 contribution revenue. Of the five donors, 7% of the contributions were in the form of unconditional promises to give, of which 11% are included in unconditional promises to give at December 31, 2021.

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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> |
|-------------|---------------------|
| 2022 | \$ 81,400 |
| 2023 | 86,600 |
| 2024 | 125,100 |
| 2025 | <u>134,000</u> |
| | <u>\$ 427,100</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 May 4, 2022, 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.