

**SEABEE MEMORIAL SCHOLARSHIP  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**



**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2022**

	<u>Page(s)</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 18



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

## INDEPENDENT AUDITOR'S REPORT

April 18, 2023

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, 2022, 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, 2022, 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 Auditor's 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.

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.

***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 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, 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, 2022**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 210,662
Investments	7,551,476
Unconditional promises to give, without donor restriction	118,679
Unconditional promises to give, without donor restriction, related party	990
Cash value of insurance contract	<u>33,860</u>
Total current assets	<u>7,915,667</u>

**NON-CURRENT ASSETS**

Long-term unconditional promises to give, without donor restriction, net	185,450
Investments, with donor restrictions	<u>2,577,553</u>
Total non-current assets	<u>2,763,003</u>

**TOTAL ASSETS**

\$ 10,678,670

## LIABILITIES AND NET ASSETS

### CURRENT LIABILITIES

Accounts payable	\$ 33,022
Accounts payable, related party	<u>12,091</u>

### TOTAL LIABILITIES

45,113

### NET ASSETS

#### Without donor restrictions:

Board designated, Fallen Seabee Scholarship Fund	214,999
Board designated, scholarships	7,336,477
Undesignated	<u>504,528</u>

Total without donor restrictions 8,056,004

#### With donor restriction:

Endowment funds	<u>2,577,553</u>
-----------------	------------------

Total with donor restrictions 2,577,553

Total net assets 10,633,557

### TOTAL LIABILITIES AND NET ASSETS

\$ 10,678,670

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, 2022**

	Without Donor Restriction	With Donor Restriction	Total All Funds
<b>REVENUES AND OTHER SUPPORT</b>			
Contributions	\$ 781,757	\$ 658,143	\$ 1,439,900
Contributions, related party	28,404	-	28,404
Other sources	44,272	-	44,272
Interest and dividend income	194,359	-	194,359
In-kind revenues	1,074	-	1,074
Realized gains on investments	211,907	-	211,907
Unrealized loss on investments	(2,706,890)	(26,431)	(2,733,321)
Surrender value change in insurance contract	(2,316)	-	(2,316)
	<b>(1,447,433)</b>	<b>631,712</b>	<b>(815,721)</b>
<b>EXPENSES</b>			
Program services			
Scholarships	263,994	-	263,994
Program services	207,870	-	207,870
Fundraising	68,680	-	68,680
Fundraising: special events	83,569	-	83,569
General and administrative	103,371	-	103,371
	<b>727,484</b>	<b>-</b>	<b>727,484</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,174,917)</b>	<b>631,712</b>	<b>(1,543,205)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>10,230,921</b>	<b>1,945,841</b>	<b>12,176,762</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 8,056,004</b>	<b>\$ 2,577,553</b>	<b>\$ 10,633,557</b>

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, 2022**

	Program Services	Fundraising	General and Administrative	Total
Accounting services	\$ 17,161	\$ -	\$ 17,161	\$ 34,322
Bad debt	500	-	-	500
Bank fees	5,749	1,144	2,288	9,181
Calendars	9,917	9,917	-	19,834
Consulting contract services	2,283	9,130	-	11,413
Insurance	-	-	4,063	4,063
Memorial renovation	14,095	-	-	14,095
Office supplies	7,339	2,648	7,287	17,274
Payroll and taxes	116,654	25,178	13,068	154,900
Postage	6,595	3,957	2,638	13,190
Printing	10,701	6,084	6,031	22,816
Professional services	30	12	20	62
Registration fees	208	9,050	-	9,258
Related party contributions	-	-	44,429	44,429
Scholarships grants	263,994	-	-	263,994
Special event	-	82,358	-	82,358
Stationary	463	278	185	926
Telephone	-	-	1,214	1,214
Travel	4,987	2,493	4,987	12,467
Trophies and plaques	11,188	-	-	11,188
<b>TOTAL EXPENSES</b>	<b>\$ 471,864</b>	<b>\$ 152,249</b>	<b>\$ 103,371</b>	<b>\$ 727,484</b>

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, 2022**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from contributions	\$ 1,457,452
Cash paid for program and support services	(681,272)
Interest and dividends received	<u>3,904</u>
Net cash provided by operating activities	<u>780,084</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments	250,000
Purchase of investments and reinvested dividends	<u>(1,108,168)</u>
Net cash used in investing activities	<u>(858,168)</u>

Decrease in cash and cash equivalents	(78,084)
Cash and cash equivalents, beginning of year	<u>288,746</u>
Cash and cash equivalents, end of year	<u><u>\$ 210,662</u></u>

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Change in net assets	<u>\$ (1,543,205)</u>
Adjustments reconciling the change in net assets to net cash provided by operating activities:	
Unrealized loss on investments	2,733,321
Bad debt	500
Realized gains on investments	(211,907)
Reinvested dividends	(190,455)
(Increase) decrease in assets:	
Unconditional promises to give	(55,158)
Prepaid expenses	1,020
Accounts receivable, related party	34
Other current assets	2,316
Increase in liabilities:	
Accounts payable	31,527
Accounts payable, related parties	<u>12,091</u>
Total adjustments	<u>2,323,289</u>
Net cash provided by operating activities	<u><u>\$ 780,084</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, 2022**

**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, 2022, 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.

**Related Entity**

CEC/Seabee Historical Foundation, Inc. (Foundation), a separate corporation, performs limited administrative services for the Seabee Memorial Scholarship Association, Inc. These administrative services consist primarily of processing donations and pledge payments mailed to the Association's post office box in Gulfport, Mississippi and maintaining the Association's donor records in a database. The Association and the Foundation also share three employees, executive director, administrative assistant, and marketing and development coordinator. Contributions are made between the entities to supplement their respective operating costs. The results of the Foundation's operations have not been reflected in these financial statements.

**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, 2022, the Association has net assets with donor restrictions that are restricted for the purpose of scholarship funding.

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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, 2022, 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 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.

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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, 2022.

**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 \$7,915,667 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	\$ 210,662
Investments	7,551,476
Unconditional promises to give, without donor restriction	119,669
Cash value of insurance contract	<u>33,860</u>
Total	<u>\$ 7,915,667</u>

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2: CASH AND INVESTMENTS**

**Cash and Cash Equivalents**

The Association's cash and cash equivalents at December 31, 2022 are summarized as follows:

	Amount
Navy Federal Credit Union	\$ 210,662

**Investments**

The Association's investments in mutual funds at December 31, 2022 are summarized as follows:

	Cost at 12/31/2022	Fair Value at 12/31/2022	Fair Value at 1/1/2022	Current Year Change
Vanguard Index Fund Admin	\$ 1,103,957	\$ 1,552,895	\$ 2,297,214	\$ (744,319)
Vanguard International Term Growth Adm	552,090	460,652	504,822	(44,170)
Vanguard International Growth Adm	389,041	384,165	648,717	(264,552)
Vanguard Short-Term Corp Bnd lx Ad	1,005,278	934,321	991,040	(56,719)
Vanguard 500 Index Fund Adm	3,686,112	5,813,715	6,406,454	(592,739)
Vanguard Inflation Adm	208,179	174,087	186,244	(12,157)
Loomis Sayles Inflation Securities	207,765	173,180	186,411	(13,231)
Schwab U.S. Tips ETF	206,357	174,114	186,469	(12,355)
Vanguard Short Term Inflation ETF	206,521	189,584	185,040	4,544
Vanguard Prime Money Market Fund	-	272,316	9,409	262,907
	\$ 7,565,300	\$10,129,029	\$11,601,820	\$(1,472,791)

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, 2022**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments (Continued)**

The following summarizes mutual funds investments activity for the year ended December 31, 2022:

	<u>Amount</u>
Balance at beginning of year	\$ 11,601,820
Purchases	1,105,981
Dividends, reinvested	192,938
Withdrawals	(250,000)
Fees	(296)
Realized gains	211,907
Unrealized loss	<u>(2,733,321)</u>
Balance at end of year	<u>\$ 10,129,029</u>

**Investment Return**

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2022:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Interest and dividend income (including interest earned on interest bearing cash account)	\$ 194,359	\$ -	\$ 194,359
Realized gain on investments	211,907	-	211,907
Unrealized gain (loss) on investments	(2,774,295)	40,974	(2,733,321)
Surrender value change in insurance contract	<u>(2,316)</u>	<u>-</u>	<u>(2,316)</u>
Total investment loss	<u>\$ (2,370,345)</u>	<u>\$ 40,974</u>	<u>\$ (2,329,371)</u>

**Overall Investment Objective**

The overall investment objective of the Association is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation.

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Overall Investment Objective (Continued)**

The following summarizes cash and cash equivalents and mutual fund investments for the year ended December 31, 2022:

	Balance at Beginning of Year	Balance at End of Year	Change Increase (Decrease)	Percentage Increase (Decrease)
Cash and cash equivalents	\$ 288,746	\$ 210,662	\$ (78,084)	-27%
Investments	9,655,979	7,551,476	(2,104,503)	-22%
Investments, donor restricted	1,945,841	2,577,553	631,712	32%
<b>Total</b>	<b>\$ 11,890,566</b>	<b>\$ 10,339,691</b>	<b>\$ (1,550,875)</b>	<b>-13%</b>

The Association's management considers the ending balance of \$10,339,691 to be the Association's corpus at December 31, 2022.

**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, 2022 consist of the following:

Unconditional promises to give	\$ 324,285
Less: discount on pledges	(15,224)
Less: allowance for uncollectible promises to give	(3,942)
Net unconditional promises to give	305,119
Less: current portion	(119,669)
Long-term unconditional promises to give	<u>\$ 185,450</u>

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

One year or less	\$ 119,669
2023-2025	200,616
2025-2029	4,000
	<u>\$ 324,285</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, 2022 range from 0.53% to 3.00%.

Bad debt expense for the year ended December 31, 2022 totaled \$500.

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 4: RELATED PARTY TRANSACTIONS**

As of December 31, 2022, the Association has approximately \$990 in unconditional promises to give made by Officers and Board Members of the Association.

The Association has contributions to/from CEC/Seabee Historical Foundation, Inc. included in the statement of activities, as follows:

Contributions from CEC/Seabee Historical Foundation	<u>\$ 28,404</u>
Contributions to CEC/Seabee Historical Foundation	<u>\$ (44,429)</u>

Included in contributions to CEC/Historical Foundation is a payable in the amount of \$12,091 at December 31, 2022.

**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 \$1,670,000 at December 31, 2022. The intentions to give consist of \$10,000 to be paid to the Association as a beneficiary of a life insurance policy and \$1,660,000 to be paid to the Association as gifts in seven 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, 2022, the gross death benefit of the remaining policy is \$119,814. The policy's cash surrender value at year end is \$33,860, which consist of a decrease of \$2,316 in cash surrender value for the year ended December 31, 2022.

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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, 2022:

<b>With donor restrictions</b>	
Beginning balance	\$ 1,945,841
Contributions	658,143
Investment return	40,794
Disbursements	<u>(67,225)</u>
Ending balance with donor restrictions	<u>2,577,553</u>
 <b>Without donor restrictions</b>	
Beginning balance	9,655,979
Contributions	527,340
Investment return (loss)	(2,367,849)
Expenditures	
Scholarship payments	<u>(263,994)</u>
Ending balance without donor restrictions	<u>7,551,476</u>
<b>Total endowment funds, end of year</b>	<u><u>\$ 10,129,029</u></u>

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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, 2022.

**Investment and Spending Policies**

The Association has investment and spending policies for endowment assets that attempt to provide a stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Under the Association's investment and spending policies, endowment assets are invested in a manner that is intended to preserve inflation adjusted values and provide annual budgetary support that is both stable and growing. To satisfy its long-term rate of return objectives, the Association relies on a total return strategy in which investment returns are achieved through both a current yield (interest and dividends) and capital appreciation (realized and unrealized). The Association targets a diversified asset allocation, including, but not limited to, equity and fixed income instruments. Greater emphasis is placed on equity investments to achieve its long-term return objectives within prudent risk constraints.

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**NOTE 8: ENDOWMENT FUNDS (Continued)**

**Investment and Spending Policies (Continued)**

All investment income posted to the endowment funds is available for appropriation for expenditures in accordance with the donors' instructions as stipulated in the scholarship agreements.

**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, 2022:

Fallen Seabee Scholarship (net of expenses)	\$	214,999
Endowment funds corpus and earnings - Scholarships (net of expenses)		6,760,208
Non-endowment funds contributions and earnings (net of expenses)		<u>576,269</u>
Total funds without donor restriction	\$	<u><u>7,551,476</u></u>
<b>With donor restrictions</b>		
Donor restricted endowment funds corpus	\$	<u>2,577,553</u>
Total with donor restricted funds	\$	<u><u>2,577,553</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, 2022, joint costs of \$259,640 were incurred. Of these costs, \$60,707, \$163,865, and \$35,068 were allocated to fundraising, program services, and general and administrative, respectively, in the statement of activities.

**NOTE 11: CONCENTRATIONS**

*Donors*

Five donors accounted for approximately 50% of total 2022 contribution revenue. Of the five donors, 29% of the contributions were in the form of unconditional promises to give, of which 71% are included in unconditional promises to give at December 31, 2022.

**SEABEE MEMORIAL SCHOLARSHIP ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

**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>
2023	\$ 92,700
2024	128,400
2025	135,400
2026	<u>140,500</u>
	<u>\$ 497,000</u>

**NOTE 13: SUBSEQUENT EVENTS**

The Association has evaluated events occurring subsequent to year end through April 18, 2023, which is the date the financial statements were available to be issued. The following event occurred subsequent to December 31, 2022:

On March 11, 2023, the governing boards of both Seabee Memorial Scholarship Association, Inc. (SMSA) and CEC/Seabee Historical Foundation, Inc. (SHF) approved resolution 2023-01 which adopted their joint task force committee recommendations that a plan of merger be negotiated, drafted, and voted on by both boards to achieve the major (not all inclusive) objectives (a) SMSA and SHF combining into one 501(c)(3) entity; (b) SMSA absorbing SHF's assets and operating as one combined entity under SMSA's existing employee identification number; and (c) a new corporate name be adopted for the combined entity. As of the date of this report, the implementation of this resolution remains under review.