

Coast Guard Mutual Assistance, Inc.

Financial Report
December 31, 2019

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Independent Auditor's Report

Board of Control
Coast Guard Mutual Assistance, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Coast Guard Mutual Assistance, Inc., which comprise the statements of financial position as of December 31, 2019, the related statements of activities, functional expenses 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.

Auditor's 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 auditor's 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 auditor considers 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coast Guard Mutual Assistance, Inc. as of December 31, 2019, 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.

Other Matter

The financial statements of Coast Guard Mutual Assistance, Inc. as of and for the year ended December 31, 2018, were audited by other auditors, whose report dated July 3, 2019, expressed an unmodified opinion on those statements.

RSM VS LLP

Washington, D.C.
June 18, 2020

Coast Guard Mutual Assistance, Inc.

**Statements of Financial Position
December 31, 2019 and 2018**

| | 2019 | 2018 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 2,510,560 | \$ 1,626,331 |
| Promises to give | 52,894 | 741,911 |
| Investments | 43,384,842 | 23,711,519 |
| Beneficial interest in perpetual trust | 1,231,258 | 1,083,997 |
| Accrued dividends and interest | 57,519 | 60,958 |
| Loans receivable, net | 3,047,306 | 3,766,462 |
| Property and equipment, net | 504,588 | 744,359 |
| Security deposit | 8,544 | 8,544 |
| Total assets | \$ 50,797,511 | \$ 31,744,081 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | \$ 12,369 | \$ 21,238 |
| Accrued leave | 40,702 | 29,513 |
| Deferred rent | 89,479 | 90,793 |
| Total liabilities | 142,550 | 141,544 |
| Commitment (Note 10) | | |
| Net assets: | | |
| Without donor restriction | 33,831,398 | 29,445,963 |
| With donor restriction | 16,823,563 | 2,156,574 |
| Total net assets | 50,654,961 | 31,602,537 |
| Total liabilities and net assets | \$ 50,797,511 | \$ 31,744,081 |

See notes to financial statements.

Coast Guard Mutual Assistance, Inc.

Statements of Activities

Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|--|-----------------------------|-----------------------------|
| Activities without donor restrictions: | | |
| Revenue, gains and other support: | | |
| Investment income (loss), net | \$ 4,510,262 | \$ (1,268,045) |
| Contributions | 3,041,060 | 1,542,718 |
| Other income | 36,293 | 23,426 |
| | <u>7,587,615</u> | <u>298,099</u> |
| Net assets released from restrictions | <u>1,029,782</u> | <u>645,000</u> |
| Total revenue, gains and other support | <u>8,617,397</u> | <u>943,099</u> |
| Expenses: | | |
| Program expenses: | | |
| Disasters and emergencies | 2,282,330 | 1,754,682 |
| Education | 807,002 | 966,696 |
| Family support | 239,715 | 394,762 |
| Total program expenses | <u>3,329,047</u> | <u>3,116,140</u> |
| Supporting services: | | |
| General and administrative | 465,250 | 369,967 |
| Fundraising | 437,665 | 265,915 |
| Total supporting services | <u>902,915</u> | <u>635,882</u> |
| Total expenses | <u>4,231,962</u> | <u>3,752,022</u> |
| Change in net assets without donor restrictions | <u>4,385,435</u> | <u>(2,808,923)</u> |
| Activities with donor restrictions: | | |
| Contributions | 15,052,894 | 1,287,302 |
| Investment gain (loss), net | 643,877 | (211,455) |
| Net assets released from restrictions | <u>(1,029,782)</u> | <u>(645,000)</u> |
| Change in net assets with donor restrictions | <u>14,666,989</u> | <u>430,847</u> |
| Change in net assets | <u>19,052,424</u> | <u>(2,378,076)</u> |
| Net assets: | | |
| Beginning | <u>31,602,537</u> | <u>33,980,613</u> |
| Ending | <u>\$ 50,654,961</u> | <u>\$ 31,602,537</u> |

See notes to financial statements.

Coast Guard Mutual Assistance, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2019**

| | Program Expenses | | | | Supporting Services | | | |
|---------------------------------------|------------------------------|-------------------|-------------------|------------------------------|----------------------------------|-------------------|---------------------------------|---------------------|
| | Disasters and Emergencies | Education | Family Support | Total Program Expenses | General and Administrative | Fundraising | Total Supporting Services | Total |
| Grants | \$ 312,881 | \$ 735,685 | \$ 172,044 | \$ 1,220,610 | \$ - | \$ - | \$ - | \$ 1,220,610 |
| Salaries and benefits | 517,319 | 42,066 | 39,916 | 599,301 | 256,843 | 214,036 | 470,879 | 1,070,180 |
| Fees for services | 724,041 | - | - | 724,041 | 32,463 | 7,655 | 40,118 | 764,159 |
| Loans converted to grants | 368,373 | - | - | 368,373 | - | - | - | 368,373 |
| Depreciation | 171,581 | 13,952 | 13,239 | 198,772 | 25,485 | 25,335 | 50,820 | 249,592 |
| Facilities rental | 58,446 | 4,753 | 4,510 | 67,709 | 29,018 | 24,181 | 53,199 | 120,908 |
| Printing and mailing | 6,209 | 505 | 479 | 7,193 | 18,024 | 95,472 | 113,496 | 120,689 |
| Bad debt expense (net of collections) | 77,073 | 6,267 | 5,947 | 89,287 | - | - | - | 89,287 |
| Bank fees | - | - | - | - | 37,989 | 33,929 | 71,918 | 71,918 |
| Computer equipment and maintenance | 34,519 | 2,807 | 2,663 | 39,989 | 21,062 | 8,768 | 29,830 | 69,819 |
| Miscellaneous expenses | 11,888 | 967 | 917 | 13,772 | 44,366 | 28,289 | 72,655 | 86,427 |
| | <u>\$ 2,282,330</u> | <u>\$ 807,002</u> | <u>\$ 239,715</u> | <u>\$ 3,329,047</u> | <u>\$ 465,250</u> | <u>\$ 437,665</u> | <u>\$ 902,915</u> | <u>\$ 4,231,962</u> |

See notes to financial statements.

Coast Guard Mutual Assistance, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2018**

| | Program Expenses | | | | Supporting Services | | | |
|---------------------------------------|------------------------------|-------------------|-------------------|------------------------------|----------------------------------|-------------------|---------------------------------|---------------------|
| | Disasters and Emergencies | Education | Family Support | Total Program Expenses | General and Administrative | Fundraising | Total Supporting Services | Total |
| Grants | \$ 447,225 | \$ 785,347 | \$ 161,944 | \$ 1,394,516 | \$ - | \$ - | \$ - | \$ 1,394,516 |
| Salaries and benefits | 353,899 | 91,298 | 117,211 | 562,408 | 215,772 | 117,380 | 333,152 | 895,560 |
| Loans converted to grants | 604,497 | - | - | 604,497 | - | - | - | 604,497 |
| Depreciation | 155,804 | 40,194 | 51,602 | 247,600 | 665 | 463 | 1,128 | 248,728 |
| Bad debt expense (net of collections) | 102,399 | 26,417 | 33,914 | 162,730 | - | - | - | 162,730 |
| Facilities rental | 53,084 | 13,695 | 17,581 | 84,360 | 32,023 | 16,360 | 48,383 | 132,743 |
| Printing and mailing | 1,978 | 510 | 655 | 3,143 | 10,338 | 109,850 | 120,188 | 123,331 |
| Miscellaneous expenses | 7,140 | 1,842 | 2,364 | 11,346 | 78,200 | 11,770 | 89,970 | 101,316 |
| Computer equipment and maintenance | 28,656 | 7,393 | 9,491 | 45,540 | 4,851 | 5,907 | 10,758 | 56,298 |
| Bank fees | - | - | - | - | 28,118 | 4,185 | 32,303 | 32,303 |
| | <u>\$ 1,754,682</u> | <u>\$ 966,696</u> | <u>\$ 394,762</u> | <u>\$ 3,116,140</u> | <u>\$ 369,967</u> | <u>\$ 265,915</u> | <u>\$ 635,882</u> | <u>\$ 3,752,022</u> |

See notes to financial statements.

Coast Guard Mutual Assistance, Inc.

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

| | 2019 | 2018 |
|--|---------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 19,052,424 | \$ (2,378,076) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 249,592 | 248,728 |
| Provision for doubtful accounts | (40,000) | - |
| Realized and unrealized (gains) losses on investments: | (4,186,191) | 1,847,176 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Change in beneficial interest in perpetual trust | (147,261) | 130,727 |
| Accrued dividends and interest | 3,439 | (34,967) |
| Promises to give | 689,017 | (96,911) |
| Loans receivable | 759,156 | 102,693 |
| Other receivables | - | 700 |
| Increase (decrease) in: | | |
| Accounts payable | (8,869) | (194) |
| Accrued leave | 11,189 | (22,875) |
| Deferred rent | (1,314) | 3,034 |
| Net cash provided by (used in) operating activities | 16,381,182 | (199,965) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (9,821) | (50,659) |
| Purchases of investments | (15,640,362) | (14,544,547) |
| Proceeds from sale of investments | 153,230 | 15,232,034 |
| Net cash (used in) provided by investing activities | (15,496,953) | 636,828 |
| Net increase in cash and cash equivalents | 884,229 | 436,863 |
| Cash and cash equivalents: | | |
| Beginning | 1,626,331 | 1,189,468 |
| Ending | \$ 2,510,560 | \$ 1,626,331 |

See notes to financial statements.

Coast Guard Mutual Assistance, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Coast Guard Mutual Assistance, Inc. (CGMA) is a non-profit charitable organization operating since 1924 to provide financial aid to all active-duty and retired Coast Guard personnel, commissioned officers of the Public Health Service serving with the Coast Guard, civilian employees of the Coast Guard and members of the Selected Reserve and Auxiliary. Financial assistance may be in the form of an outright grant or an interest-free loan for housing assistance, post-secondary educational purposes, general assistance, medical and dental assistance, debt management or emergency assistance. The organization consists of a headquarters located in Arlington, Virginia and over 140 field offices located at Coast Guard installations throughout the country. CGMA incorporated in Virginia in 1998.

Program services: Program services descriptions are as follows:

Disasters and emergencies: CGMA supports what is not covered by insurance after a disaster, emergency travel, unexpected repairs to homes or vehicles, losses (funds, property or identity), pay issues, bills and expenses, privation and other circumstances. These short-term situations are often out of the control of CGMA's clients, pose a serious financial or personal hardship and require urgent help.

Education: CGMA fosters their client's long-term financial well-being through education, including supplemental education grants, education loans, Stafford loan fee reimbursement, financial counseling, tutoring and other efforts designed to promote financial resilience.

Family support: CGMA provides help for unexpected medical and dental expenses, housing assistance (rental assistance, closing costs, deposits, etc.), funeral costs, service animals, pet expenses, costs to support exceptional family members (special needs), adoption loans and grants, respite care, layettes and other family needs.

A summary of CGMA's significant accounting policies follows:

Income taxes: CGMA is exempt from the payment of income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of accounting: CGMA prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-profit Entities Topic of the FASB ASC, CGMA is required to report information regarding its financial position and activities according to two classes to net assets as follows:

Net assets without donor restrictions: Net assets without donor restrictions include undesignated funds that are available for the support of CGMA's activities and not subject to donor-imposed restrictions.

Net assets with donor restrictions: Net assets with donor restrictions result from unconditional contributions whose use is limited by donor-imposed stipulations that are fulfilled and removed by actions of CGMA pursuant to these stipulations.

Coast Guard Mutual Assistance, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, CGMA considers all short-term, highly-liquid investments with original maturities of three months or less to be cash and cash equivalents. Money market funds held in investments are excluded from cash and cash equivalents.

CGMA maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to CGMA. However, CGMA has not experienced losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

Promises to give: Contributions result primarily from annual fundraising campaigns among active-duty and retired Coast Guard personnel, including civilians, auxiliarists and reservists. Unconditional promises to give are recognized as revenue in the period the promises are received. CGMA's management reviews the collectability of promises to give on a regular basis. No reserve for doubtful accounts has been established because management expects to collect all promises to give in full.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations net of related fees.

CGMA invests funds in a professionally managed portfolio that contains various securities detailed in Note 2. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods

Loans receivable: Loans receivable are reviewed for potential write off when Coast Guard personnel leave the Coast Guard. CGMA wrote off \$89,287 and \$154,508 of loans receivable in 2019 and 2018, respectively. If the Coast Guard personnel is experiencing financial hardship, they may apply for their loan to be converted to a grant. If approved by CGMA, the loan is converted to grant expense. The loans converted to grants amounted to \$368,373 and \$604,497 for the years ended December 31, 2019 and 2018, respectively.

Property and equipment: Acquisitions of property and equipment greater than \$1,000 and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives.

Deferred rent and lease incentives: The value of the rent abatements as well as rent increases in future years received under the lease agreement for office space for CGMA is being allocated on a straight-line basis over the term of the lease as a reduction to rent expense.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions: Unconditional contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other unconditional donor-restricted contributions are reported as increases in restricted net assets, depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Restricted contributions, whose restrictions are met within the same period as the contributions are recognized, are recorded as contributions without restrictions.

Functional allocation of expenses: Certain costs are allocated among multiple program services or supporting services activities. Allocable costs include professional fees, facilities rental, printing and mailing, computer equipment and maintenance, salary and benefits. The costs are allocated among program services and supporting services activities based on employee effort and direct expenditures.

New accounting principles: The Financial Accounting Standards Board (FASB) issued the Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies requirements on how to determine reciprocal and non-reciprocal transactions. Reciprocal transactions generally follow the contract accounting standards under ASU 2014-09, *Revenue from Contracts with Customers*. Nonreciprocal transactions generally follow the contribution accounting standards. ASU 2018-08 also clarified and revised the definition of conditional contributions. CGMA adopted the standard using the modified prospective method as permitted by ASU 2018-08. CGMA will adopt the provisions of ASU 2018-08 for contributions made during the year ended December 31, 2020, when it is applicable.

Reclassifications: Certain items in the December 31, 2018, financial statements have been reclassified to conform to the December 31, 2019, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net asset balances.

Upcoming accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. CGMA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: Subsequent events have been evaluated through June 18, 2020, which is the date the financial statements were available to be issued.

Coast Guard Mutual Assistance, Inc.

Notes to Financial Statements

Note 2. Investments

Investments consisted of the following at December 31:

| | 2019 | 2018 |
|--|----------------------|----------------------|
| Equities | \$ 18,233,158 | \$ 13,598,498 |
| Fixed income securities | 6,257,319 | 5,966,959 |
| Mutual funds – fixed income | 3,440,796 | 2,942,132 |
| Mutual funds – real estate investment trusts | 40,736 | 37,470 |
| Money market funds | 15,412,833 | 1,166,460 |
| | <u>\$ 43,384,842</u> | <u>\$ 23,711,519</u> |

Investment income (loss) consisted of the following for the years ended December 31:

| | 2019 | 2018 |
|--------------------------------|---------------------|-----------------------|
| Interest and dividends | \$ 880,870 | \$ 548,449 |
| Net gain (loss) on investments | 4,186,191 | (1,847,176) |
| Less investment fees | (110,183) | (100,046) |
| | <u>\$ 4,956,878</u> | <u>\$ (1,398,773)</u> |

Note 3. Beneficial Interest in Perpetual Trust

In 2012, CGMA received an irrevocable right to receive income earned from a perpetual trust. Perpetual trusts provide for the distribution of the net income of the trusts to CGMA; however, CGMA will never receive the assets of the trusts as they do not own or control the trust's assets. The fair value of CGMA's interest in the trust is valued annually at December 31 with the gain or loss recognized in the statements of activities. The value of the original contribution is classified as a donor restricted net assets. Trust distributions and changes in fair value are recognized in the statements of activities.

In 2019 and 2018, CGMA received distributions of \$50,000 from the trust. For the years ended December 31, 2019 and 2018, CGMA recognized net gains (loss) of \$197,261 and (\$80,727), respectively, for the change in fair value of its interest.

Note 4. Fair Value Measurements

In accordance with U.S. GAAP, CGMA uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Coast Guard Mutual Assistance, Inc.

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

| 2019 | Total | Level 1 | Level 2 | Level 3 |
|--|----------------------|----------------------|---------------------|---------------------|
| Investments: | | | | |
| Investments, fair value: | | | | |
| Equities | \$ 18,233,158 | \$ 18,233,158 | \$ - | \$ - |
| Fixed income securities | 6,257,319 | - | 6,257,319 | - |
| Mutual funds – fixed income | 3,440,796 | 3,440,796 | - | - |
| Mutual funds – real estate investment trusts | 40,736 | 40,736 | - | - |
| Investments, cost: | 27,972,009 | 21,714,690 | 6,257,319 | - |
| Money market funds | 15,412,833 | - | - | - |
| | 43,384,842 | 21,714,690 | 6,257,319 | - |
| Beneficial interest in perpetual trust | 1,231,258 | - | - | 1,231,258 |
| | <u>\$ 44,616,100</u> | <u>\$ 21,714,690</u> | <u>\$ 6,257,319</u> | <u>\$ 1,231,258</u> |
| 2018 | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | |
| Investments, fair value: | | | | |
| Equities | \$ 13,598,498 | \$ 13,598,498 | \$ - | \$ - |
| Fixed income securities | 5,966,959 | - | 5,966,959 | - |
| Mutual funds – fixed income | 2,942,132 | 2,942,132 | - | - |
| Mutual funds – real estate investment trusts | 37,470 | 37,470 | - | - |
| Investments, cost: | 22,545,059 | 16,578,100 | 5,966,959 | - |
| Money market funds | 1,166,460 | - | - | - |
| | 23,711,519 | 16,578,100 | 5,966,959 | - |
| Beneficial interest in perpetual trust | 1,083,997 | - | - | 1,083,997 |
| | <u>\$ 24,795,516</u> | <u>\$ 16,578,100</u> | <u>\$ 5,966,959</u> | <u>\$ 1,083,997</u> |

Level 3 investments are reconciled as follows for the years ended December 31:

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Beneficial interest in perpetual trust, beginning of year | \$ 1,083,997 | \$ 1,214,724 |
| Distributions | (50,000) | (50,000) |
| Investment return, net | 197,261 | (80,727) |
| Beneficial interest in perpetual trust, end of year | <u>\$ 1,231,258</u> | <u>\$ 1,083,997</u> |

There is no market in which a beneficial interest in a charitable trust trades. Therefore, no observable exit price exists for the beneficial interest. The fair values using Level 3 inputs are determined based on the present value of the estimated future cash receipts or disbursements related to the trust.

Coast Guard Mutual Assistance, Inc.

Notes to Financial Statements

Note 5. Loans Receivable

At December 31, 2019 and 2018, CGMA had uncollateralized loans receivable totaling \$3,207,306 and \$3,966,462, respectively, all to present or former members of the Coast Guard family. CGMA loans bear no interest. Some of the loans are converted into grants and if it becomes apparent that the individual is in financial need. Loans outstanding at December 31, 2019 and 2018, are shown net of an allowance for doubtful accounts of \$160,000 and \$200,000, respectively. The allowance is calculated based on prior history of loan repayments. Loans are reviewed monthly to determine if any are past due or delinquent.

Program expenses do not include \$10,608,092 and \$4,015,706, respectively, in interest-free loans made by CGMA during the years ended December 31, 2019 and 2018, and revenues do not include \$11,829,021 and \$3,351,172, respectively, in repayments on loans received during the same periods. In accordance with U.S. GAAP, loans made and repayments of loans affect the calculation of the loan balance on the statements of financial position and are not shown as income or expenses.

Note 6. Liquidity

CGMA invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. The following provides a summary of financial assets available for general expenditures at December 31, 2019 and 2018:

| | 2019 | 2018 |
|--|---------------|---------------|
| Cash and cash equivalents | \$ 2,510,560 | \$ 1,626,331 |
| Investments | 43,384,842 | 23,711,519 |
| Beneficial interest in perpetual trust | 1,231,258 | 1,083,997 |
| Promises to give | 52,894 | 741,911 |
| Loans receivable, net | 3,047,306 | 3,766,462 |
| Accrued dividends and interest | 57,519 | 60,958 |
| Subtotal financial assets | 50,284,379 | 30,991,178 |
| Amounts not available within one year: | | |
| Net assets with donor restrictions | (16,823,563) | (2,156,574) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 33,460,816 | \$ 28,834,604 |

Note 7. Property and Equipment

Property and equipment consists of the following at December 31:

| | 2019 | 2018 |
|-----------------------------------|------------|------------|
| Furniture, fixtures and equipment | \$ 28,889 | \$ 19,068 |
| Computer software | 1,216,512 | 1,216,512 |
| | 1,245,401 | 1,235,580 |
| Less accumulated depreciation | (740,813) | (491,221) |
| Net property and equipment | \$ 504,588 | \$ 744,359 |

Coast Guard Mutual Assistance, Inc.

Notes to Financial Statements

Note 8. Net Assets With Donor Restrictions

Net assets with donor restriction consisted of the following at December 31:

| | 2019 | 2018 |
|--|----------------------|---------------------|
| Emergency assistance | \$ 15,500,000 | \$ 500,000 |
| Beneficial interest in perpetual trust | 1,231,258 | 869,272 |
| Pledges | 52,894 | 741,911 |
| Charles Samuel Rose estate | 39,411 | 45,391 |
| | <u>\$ 16,823,563</u> | <u>\$ 2,156,574</u> |

Note 9. Retirement Plan

CGMA provides a salary deferral arrangement which is qualified under Section 403(b) of the Internal Revenue Code. All employees are eligible to participate in the plan. CGMA matches 100% of employee contributions up to 5% of the employee's annual compensation. CGMA matching contributions for the years ended December 31, 2019 and 2018, were \$34,510 and \$21,343, respectively.

Note 10. Commitment

In September of 2015, CGMA entered in to a lease for office space for a term of 10 years and 9 months. No rent payments are due for the first nine months of the lease. Under the terms of the lease agreement, monthly payments of \$8,544 began in August 2016 and escalate 2.75% annually. CGMA recognizes rent expense on a straight-line basis. The difference in the amount of rent paid and the amount of rent expense recognized in the financial statements is recorded as deferred rent on the statements of financial position and totaled \$89,479 and \$90,793 at December 31, 2019 and 2018, respectively.

At December 31, 2019, CGMA was obligated under terms of non-cancelable leases for the following minimum lease payments:

| | |
|---------------------------|-------------------|
| Years ending December 31: | |
| 2020 | \$ 114,803 |
| 2021 | 117,960 |
| 2022 | 121,204 |
| 2023 | 124,537 |
| 2024 | 127,961 |
| Thereafter | 209,926 |
| | <u>\$ 816,391</u> |

Note 11. Line of Credit

In January 2019, CGMA obtained a \$15,000,000 line of credit from Bank of America. As described in the terms of the line of credit agreement, certain assets of CGMA have been identified as collateral. There were no drawdowns on the line of credit during the year ended December 31, 2019.

Notes to Financial Statements

Note 12. Subsequent Events

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which CGMA operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to CGMA. The continued spread of COVID-19 could adversely impact CGMA's operations and may have a material adverse effect on the financial condition of CGMA.