

COAST GUARD MUTUAL ASSISTANCE

FINANCIAL REPORT

December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Coast Guard Mutual Assistance
Arlington, Virginia

Opinion

We have audited the accompanying financial statements of Coast Guard Mutual Assistance (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 referred to above present fairly, in all material respects, the financial position of Coast Guard Mutual Assistance 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. 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 Coast Guard Mutual Assistance 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.

Prior Period Financial Statements

The financial statements of Coast Guard Mutual Assistance as of December 31, 2020, were audited by other auditors whose report dated March 22, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Coast Guard Mutual Assistance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Coast Guard Mutual Assistance'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 Coast Guard Mutual Assistance'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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
March 3, 2022

COAST GUARD MUTUAL ASSISTANCE

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,971,867 | \$ 1,454,745 |
| Restricted cash and cash equivalents | 3,332,199 | 14,381,214 |
| Promises to give | 717,363 | 17,240 |
| Other receivables | - | 2,000 |
| Prepaid expenses | 7,024 | - |
| Investments (Notes 4, 5 and 6) | 42,282,865 | 28,768,484 |
| Beneficial interest in perpetual trust (Notes 5 and 6) | 1,426,736 | 1,274,716 |
| Loans receivable, net (Note 7) | 2,842,446 | 3,124,892 |
| Property and equipment, net (Note 8) | 11,907 | 254,994 |
| Security deposit | 8,544 | 8,544 |
| | <u>53,600,951</u> | <u>49,286,829</u> |
| Total assets | <u>\$ 53,600,951</u> | <u>\$ 49,286,829</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | 49,047 | \$ 26,388 |
| Accrued leave | 63,213 | 52,622 |
| Deferred rent | 77,551 | 85,094 |
| | <u>189,811</u> | <u>164,104</u> |
| Total liabilities | <u>189,811</u> | <u>164,104</u> |
| NET ASSETS | | |
| Without donor restrictions | 36,227,630 | 32,791,358 |
| With donor restrictions (Note 9) | 17,183,510 | 16,331,367 |
| | <u>53,411,140</u> | <u>49,122,725</u> |
| Total net assets | <u>\$ 53,600,951</u> | <u>\$ 49,286,829</u> |

The Notes to Financial Statements are an integral part of these statements.

COAST GUARD MUTUAL ASSISTANCE

STATEMENTS OF ACTIVITIES Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------------|-----------------------------|
| ACTIVITIES WITHOUT DONOR RESTRICTIONS | | |
| Revenue, gains and other support: | | |
| Investment income, net | \$ 5,215,157 | \$ 3,298,927 |
| Contributions | 3,633,025 | 2,755,923 |
| Other income | 30,815 | 32,091 |
| Net assets released from restrictions (Note 9) | <u>228,932</u> | <u>665,355</u> |
| Total revenue, gains and other support | <u>9,107,929</u> | <u>6,752,296</u> |
| EXPENSES | | |
| Program expenses: | | |
| Disasters and emergencies | 3,395,275 | 5,670,989 |
| Education | 696,433 | 748,181 |
| Family support | <u>447,064</u> | <u>332,827</u> |
| Total program expenses | <u>4,538,772</u> | <u>6,751,997</u> |
| Supporting services: | | |
| General and administrative | 513,576 | 515,459 |
| Fundraising | <u>619,309</u> | <u>524,880</u> |
| Total supporting services | <u>1,132,885</u> | <u>1,040,339</u> |
| Total expenses | <u>5,671,657</u> | <u>7,792,336</u> |
| Change in net assets without donor restrictions | 3,436,272 | (1,040,040) |
| ACTIVITIES WITH DONOR RESTRICTIONS | | |
| Investment income, net | 363,712 | 155,918 |
| Contributions | 717,363 | 17,241 |
| Net assets released from restrictions (Note 9) | <u>(228,932)</u> | <u>(665,355)</u> |
| Change in net assets with donor restrictions | <u>852,143</u> | <u>(492,196)</u> |
| Change in net assets | 4,288,415 | (1,532,236) |
| Net assets, beginning of year | <u>49,122,725</u> | <u>50,654,961</u> |
| Net assets, end of year | <u><u>\$ 53,411,140</u></u> | <u><u>\$ 49,122,725</u></u> |

The Notes to Financial Statements are an integral part of these statements.

COAST GUARD MUTUAL ASSISTANCE

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

| | Program Expenses | | | | Supporting Services | | | |
|-------------------------------|--------------------------------------|-------------------|---------------------------|---------------------------------------|---------------------------------------|--------------------|--|---------------------|
| | Disasters and Emergencies | Education | Family Support | Total Program Expenses | General and Administrative | Fundraising | Total Supporting Services | Total |
| Grants | \$ 2,596,292 | \$ 576,794 | \$ 196,719 | \$ 3,369,805 | \$ - | \$ - | \$ - | \$ 3,369,805 |
| Salaries and benefits | 421,758 | 63,153 | 132,150 | 617,061 | 340,016 | 302,236 | 642,252 | 1,259,313 |
| Depreciation | 134,741 | 20,176 | 42,218 | 197,135 | 31,113 | 23,558 | 54,671 | 251,806 |
| Bad debt (net of collections) | 151,196 | 22,640 | 47,374 | 221,210 | - | - | - | 221,210 |
| Printing and mailing | 3,524 | 528 | 1,104 | 5,156 | 12,504 | 148,709 | 161,213 | 166,369 |
| Facilities rental | 44,532 | 6,668 | 13,953 | 65,153 | 35,759 | 31,786 | 67,545 | 132,698 |
| Fees for services | - | - | - | - | 32,740 | 45,943 | 78,683 | 78,683 |
| Information technology | 33,271 | 4,982 | 10,425 | 48,678 | 10,648 | 12,126 | 22,774 | 71,452 |
| Office | 6,022 | 902 | 1,887 | 8,811 | 29,036 | 23,752 | 52,788 | 61,599 |
| Miscellaneous | 3,939 | 590 | 1,234 | 5,763 | 21,760 | 31,199 | 52,959 | 58,722 |
| | <u>\$ 3,395,275</u> | <u>\$ 696,433</u> | <u>\$ 447,064</u> | <u>\$ 4,538,772</u> | <u>\$ 513,576</u> | <u>\$ 619,309</u> | <u>\$ 1,132,885</u> | <u>\$ 5,671,657</u> |

The Notes to Financial Statements are an integral part of these statements.

COAST GUARD MUTUAL ASSISTANCE

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

| | Program Expenses | | | | Supporting Services | | | Total |
|-------------------------------|--------------------------------------|-------------------|---------------------------|---------------------------------------|---------------------------------------|--------------------|--|---------------------|
| | Disasters and Emergencies | Education | Family Support | Total Program Expenses | General and Administrative | Fundraising | Total Supporting Services | |
| Grants | \$ 4,790,807 | \$ 666,253 | \$ 225,044 | \$ 5,682,104 | \$ - | \$ - | \$ - | \$ 5,682,104 |
| Salaries and benefits | 480,959 | 44,768 | 58,896 | 584,623 | 280,621 | 304,006 | 584,627 | 1,169,250 |
| Depreciation | 163,341 | 15,204 | 20,002 | 198,547 | 23,028 | 28,019 | 51,047 | 249,594 |
| Printing and mailing | 20,349 | 1,894 | 2,492 | 24,735 | 19,340 | 94,336 | 113,676 | 138,411 |
| Bad debt (net of collections) | 111,610 | 10,389 | 13,667 | 135,666 | - | - | - | 135,666 |
| Facilities rental | 52,752 | 4,910 | 6,460 | 64,122 | 30,779 | 33,344 | 64,123 | 128,245 |
| Miscellaneous | 8,109 | 755 | 993 | 9,857 | 58,143 | 28,319 | 86,462 | 96,319 |
| Office | 3,742 | 348 | 458 | 4,548 | 56,610 | 17,707 | 74,317 | 78,865 |
| Information technology | 39,320 | 3,660 | 4,815 | 47,795 | 12,293 | 15,476 | 27,769 | 75,564 |
| Fees for services | - | - | - | - | 34,645 | 3,673 | 38,318 | 38,318 |
| | <u>\$ 5,670,989</u> | <u>\$ 748,181</u> | <u>\$ 332,827</u> | <u>\$ 6,751,997</u> | <u>\$ 515,459</u> | <u>\$ 524,880</u> | <u>\$ 1,040,339</u> | <u>\$ 7,792,336</u> |

The Notes to Financial Statements are an integral part of these statements.

COAST GUARD MUTUAL ASSISTANCE

STATEMENTS OF CASH FLOWS Years Ended December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|----------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets without donor restrictions | \$ 4,288,415 | \$ (1,532,236) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 251,806 | 249,594 |
| Bad debt | 221,210 | 135,666 |
| Realized and unrealized gains on investments | (4,929,232) | (2,933,758) |
| Realized and unrealized gains on beneficial interest in perpetual trust | (191,216) | (93,458) |
| Change in current assets and liabilities: | | |
| (Increase) decrease in: | | |
| Promises to give | (700,123) | 35,654 |
| Other receivables | 2,000 | (2,000) |
| Prepaid expenses | (7,024) | - |
| Beneficial interest in perpetual trust (received) | 39,196 | 50,000 |
| Loans receivable, net | 61,236 | (213,252) |
| Increase (decrease) in: | | |
| Accounts payable | 22,659 | 14,019 |
| Accrued leave | 10,591 | 11,920 |
| Deferred rent | (7,543) | (4,385) |
| Net cash used by operating activities | <u>(938,025)</u> | <u>(4,282,236)</u> |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (8,719) | - |
| Purchases of investments | (55,092,343) | (878,973) |
| Proceeds from sale of investments | <u>46,507,194</u> | <u>3,016,256</u> |
| Net cash (used) provided by investing activities | <u>(8,593,868)</u> | <u>2,137,283</u> |
| Net decrease in cash and cash equivalents | (9,531,893) | (2,144,953) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | <u>15,835,959</u> | <u>17,980,912</u> |
| End of year | <u>\$ 6,304,066</u> | <u>\$ 15,835,959</u> |
| BALANCE SHEET PRESENTATION OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents | \$ 2,971,867 | \$ 1,454,745 |
| Restricted cash and cash equivalents | <u>3,332,199</u> | <u>14,381,214</u> |
| | <u>\$ 6,304,066</u> | <u>\$ 15,835,959</u> |

The Notes to Financial Statements are an integral part of these statements.

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

1. Organization and Nature of Activities

Coast Guard Mutual Assistance (CGMA) is a nonprofit 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 disaster assistance, education purposes and day-to day family assistance to help fill in gaps in order to live a full life. The organization is headquartered in Arlington, Virginia and has over 160 field offices located at Coast Guard installations throughout the country. CGMA incorporated in Virginia in 1998.

Program services: Program services descriptions 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.

2. Summary of Significant Accounting Policies

Basis of accounting

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:

Classes of net assets

The financial statements report amounts separately by classes of net assets.

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.

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COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

CGMA considers all short-term, highly liquid investments with original maturities of three months or less to be cash and cash equivalents. Cash and cash equivalents also includes amounts that are part of the managed investment accounts.

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of funds earmarked for the loan assistance programs received from a donor in a prior year. The entire balance of \$14,381,214 as of December 31, 2020, was composed of cash and cash equivalents. During 2021, a portion of the funds were invested in fixed income securities and totaled \$9,517,676 at December 31, 2021. The remainder of the balance is reflected as restricted cash on the statement of financial position at December 31, 2021.

Investments

Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to current operations net of related fees. Investments in alternative investments are valued at net asset value (NAV) or its equivalent, based on the applicable percentage ownership of the underlying net assets as of measurement date. In determining fair value of alternative investments, CGMA utilizes valuations provided by the fund managers and the estimated fair values may include securities for which prices are not readily available. Accordingly, the estimated fair values may vary significantly from the values that would have been used had a ready market existed for these investments. The fair value of alternative investments generally represents the amount CGMA would expect to receive if it were to liquidate its investment, excluding any liquidation costs that may apply.

Financial risk

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.

CGMA invests funds in a professionally managed portfolio that contains various securities detailed in Note 4. 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.

Promises to give

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.

(Continued)

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Loans receivable

Loans receivable are reviewed for potential write off when a client has left the Coast Guard and CGMA is unable to collect payments for more than 120 days. CGMA wrote off \$221,210 and \$135,666 of loans receivable in 2021 and 2020, respectively, and included in bad debt (net of collections) on the statement of functional expenses. If a client is experiencing financial hardship or is still out-of-pocket on a disaster loan after insurance claims have been exhausted, 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 \$345,917 and \$211,559 for the years ended December 31, 2021 and 2020, respectively, and included in grants on the statement of functional expenses. See additional information regarding this activity at Note 7.

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 over the estimated useful lives as follows:

| | |
|------------------------|-------------|
| Furniture and fixtures | 3 - 7 years |
| Computer software | 5 years |

Deferred rent

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 and included in facilities rental on the statement of functional expenses.

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 salaries and benefits, facilities rental, printing and mailing, information technology, office, depreciation, and miscellaneous. The costs are allocated among program services and supporting services activities based on employee effort and direct expenditures.

(Continued)

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

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 statements of financial position 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 statements 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.

Income taxes

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

Advertising costs

Advertising costs are expensed as incurred and were \$2,130 and \$6,417 for 2021 and 2020, respectively, and are included in printing and mailing on the statements of functional expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from these estimates and assumptions.

Reclassifications

Certain reclassifications have been made to the balances from the 2020 financial statements to conform to the 2021 financial statement presentation. Total net assets and the change in net assets are unchanged due to these reclassifications.

Subsequent events

In preparing these financial statements, CGMA has evaluated events and transactions for potential recognition or disclosure through March 3, 2022, the date the financial statements were available to be issued.

(Continued)

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

3. Liquidity and Availability of Resources

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 without donor or other restrictions limiting their use, within one year of the balance sheet date, comprising the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,971,867 | \$ 1,454,745 |
| Promises to give - all current | <u>717,363</u> | <u>17,240</u> |
| | <u>\$ 3,689,230</u> | <u>\$ 1,471,985</u> |

As part of CGMA's liquidity management, CGMA has invested cash in equity, debt and hedge investments. Some of these funds could be utilized if additional funds were needed to cover general expenditures. Of the total investments balance of \$42,282,865 at December 31, 2021, CGMA has a total of \$32,765,189 that can be used as needed to fund operations. The remaining \$9,517,676 is earmarked to be utilized to fund loans offered as assistance. CGMA had a total of \$28,768,498 at December 31, 2020, that could be used as needed to fund operations. There was no balance earmarked to be utilized to fund loans offered as assistance at December 31, 2020. Further, restricted cash and cash equivalents of \$3,332,199 and \$14,381,214 at December 31, 2021 and 2020, respectively, are earmarked for the loan assistance programs, which is in line and will support CGMA's mission and thus, its operations.

4. Investments

Investments consisted of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|----------------------|----------------------|
| Equities: | | |
| U.S. Large Cap | \$ 19,986,195 | \$ 13,961,946 |
| U.S. Mid Cap | 4,965,361 | 3,602,380 |
| U.S. Small Cap | 3,203,051 | 2,058,398 |
| International developed | 1,433,885 | 836,149 |
| Emerging markets | 820,346 | 544,887 |
| Fixed income securities: | | |
| Investment grade taxable | 9,564,893 | 7,011,874 |
| Investment grade tax exempt | 19,056 | 384,958 |
| International developed bonds | 1,568,036 | 367,892 |
| Hedge funds | <u>722,042</u> | <u>-</u> |
| | <u>\$ 42,282,865</u> | <u>\$ 28,768,484</u> |

(Continued)

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

5. 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 2021 and 2020, CGMA received distributions of \$39,196 and \$50,000, respectively, from the trust. CGMA recognized net gains of \$191,216 and \$93,458, at December 31, 2021 and 2020, respectively, for the change in fair value of its interest, and included in investment income, net with donor restrictions on the statements of activities.

6. 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Equities securities: Valued at the closing price reported on the active market on which the equity securities are traded.

Fixed income securities: Valued by a computerized pricing service or, for less actively traded issues, by utilizing a yield-based matrix system to arrive at an estimated fair value at year end.

Hedge fund securities: Valued using methods requiring varying degrees of judgment which takes into account, among other things, the cost of the securities, prices of recent placements and recent financial performance of the underlying investees.

(Continued)

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

6. Fair Value Measurements (Continued)

The following sets forth by level, within the fair value hierarchy, CGMA's assets and liabilities at fair value at December 31:

| Assets at Fair Value as of December 31, 2021 | | | | | |
|--|----------------------|----------------------|----------------------|-------------------|---------------------|
| | Total | Level 1 | Level 2 | Level 3 | NAV |
| Equities: | | | | | |
| U.S. Large Cap | \$ 19,986,195 | \$ 19,986,195 | \$ - | \$ - | \$ - |
| U.S Mid Cap | 4,965,361 | 4,965,361 | - | - | - |
| U.S Small Cap | 3,203,051 | 3,203,051 | - | - | - |
| International developed | 1,433,885 | 1,433,885 | - | - | - |
| Emerging markets | 820,346 | 820,346 | - | - | - |
| Fixed income securities: | | | | | |
| Investment grade taxable | 9,564,893 | - | 9,564,893 | - | - |
| International developed bonds | 1,568,036 | - | 1,568,036 | - | - |
| Investment grade tax exempt | 19,056 | - | 19,056 | - | - |
| Hedge funds | 722,042 | - | - | 722,042 | - |
| | 42,282,865 | 30,408,838 | 11,151,985 | 722,042 | - |
| Beneficial interest in perpetual trust | 1,426,736 | - | - | - | 1,426,736 |
| | <u>\$ 43,709,601</u> | <u>\$ 30,408,838</u> | <u>\$ 11,151,985</u> | <u>\$ 722,042</u> | <u>\$ 1,426,736</u> |

| Assets at Fair Value as of December 31, 2020 | | | | | |
|--|----------------------|----------------------|---------------------|-------------|---------------------|
| | Total | Level 1 | Level 2 | Level 3 | NAV |
| Equities: | | | | | |
| U.S. Large Cap | \$ 13,961,946 | \$ 13,961,946 | \$ - | \$ - | \$ - |
| U.S Mid Cap | 3,602,380 | 3,602,380 | - | - | - |
| U.S Small Cap | 2,058,398 | 2,058,398 | - | - | - |
| International developed | 836,149 | 836,149 | - | - | - |
| Emerging markets | 544,887 | 544,887 | - | - | - |
| Fixed income securities: | | | | | |
| Investment grade taxable | 7,011,874 | - | 7,011,874 | - | - |
| International developed bonds | 384,958 | - | 384,958 | - | - |
| Global high yield taxable | 367,892 | - | 367,892 | - | - |
| | 28,768,484 | 21,003,760 | 7,764,724 | - | - |
| Beneficial interest in perpetual trust | 1,274,716 | - | - | - | 1,274,716 |
| | <u>\$ 30,043,200</u> | <u>\$ 21,003,760</u> | <u>\$ 7,764,724</u> | <u>\$ -</u> | <u>\$ 1,274,716</u> |

(Continued)

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

6. Fair Value Measurements (Continued)

Investments recorded at NAV consist of an investment in the Dorothy M Thayer Memorial Trust (the Fund), which is an alternative investment. The Fund is not publicly traded; CGMA therefore values its investment in the Fund at the NAV as reported by the Fund manager (the Trustee), multiplied by the number of units held. The NAV of the Fund is based on the fair value of the underlying securities held by the Fund. The investment manager, Wells Fargo, reserves the right to adjust the reported NAV if it is deemed to be not reflective of fair value. Because of the inherent uncertainty in the valuations of these investments, their estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the difference could be material. As permitted by U.S. GAAP, CGMA uses the NAV as a practical expedient to determine the fair value of this private investment vehicle.

7. Loans Receivable

At December 31, 2021 and 2020, CGMA had uncollateralized loans receivable of \$3,002,446 and \$3,284,892, 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 if it becomes apparent that the individual is in financial need. Loans outstanding at December 31, 2021 and 2020, are shown net of an allowance for doubtful accounts of \$160,000. The allowance is calculated based on prior history of loan repayments. Loans are reviewed monthly to determine if any are past due or delinquent.

At December 31, 2021 and 2020, program expenses do not include \$3,572,453 and \$3,497,401, respectively, in interest-free loans made by CGMA respectively, and revenues do not include \$3,287,772 and \$3,072,590, respectively, in repayments on loans received during the same periods. In accordance with generally accepted accounting principles, 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 on the statements of activities.

The summarized activity for loans receivable was as follows:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|---------------------|---------------------|
| Loan receivable, beginning balance | \$ 3,284,892 | \$ 3,207,306 |
| New loans issued | 3,572,453 | 3,497,401 |
| Loans written off (Note 2) | (221,210) | (135,666) |
| Loans converted to grants (Note 2) | (345,917) | (211,559) |
| Payments received on loans | <u>(3,287,772)</u> | <u>(3,072,590)</u> |
| Loans receivable, ending balance | <u>\$ 3,002,446</u> | <u>\$ 3,284,892</u> |

(Continued)

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

8. Property and Equipment

Property and equipment consisted of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|-------------------|
| Furniture and fixtures | \$ 37,608 | \$ 28,889 |
| Computer software | <u>1,216,512</u> | <u>1,216,512</u> |
| | 1,254,120 | 1,245,401 |
| Accumulated depreciation and amortization | <u>(1,242,213)</u> | <u>(990,407)</u> |
| | <u>\$ 11,907</u> | <u>\$ 254,994</u> |

9. Net Assets with Donor Restrictions

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

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Emergency assistance | \$ 15,000,000 | \$ 15,000,000 |
| Beneficial interest in perpetual trust | 1,426,736 | 1,274,716 |
| Charles Samuel Rose estate | 39,411 | 39,411 |
| Promises to give | <u>717,363</u> | <u>17,240</u> |
| | <u>\$ 17,183,510</u> | <u>\$ 16,331,367</u> |

Net assets released from restriction consisted of the following at December 31:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Emergency assistance | \$ 172,496 | \$ 562,461 |
| Beneficial interest in perpetual trust | 39,196 | 50,000 |
| Promises to give | <u>17,240</u> | <u>52,894</u> |
| | <u>\$ 228,932</u> | <u>\$ 665,355</u> |

10. 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 were \$42,809 and \$41,454 for the years ended December 31, 2021 and 2020, respectively, and are included in salaries and benefits on the statements of functional expenses.

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COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

11. Commitment

In September of 2015, CGMA entered in to a lease for office space for a term of 10 years and nine 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 were \$77,551 and \$85,094 at December 31, 2021 and 2020, respectively. Total rent expense was \$110,417 and \$110,678 for 2021 and 2020, respectively, and included in facilities rental on the statements of functional expenses.

At December 31, 2021, CGMA was obligated under terms of non-cancelable leases for the following minimum lease payments:

Year Ending
December 31,

| | |
|------|-------------------|
| 2022 | \$ 121,204 |
| 2023 | 124,537 |
| 2024 | 127,961 |
| 2025 | 131,480 |
| 2026 | <u>78,446</u> |
| | <u>\$ 583,628</u> |

12. Line of Credit

In January 2019, CGMA obtained a \$15,000,000 line of credit from Bank of America. Borrowings bared interest at the LIBOR Daily Floating Rate plus .75% until November 1, 2021. As of November 1, 2021, borrowing bared interest at the Bloomberg one month short-term yield (BSBY) rate plus .75%. Interest is payable monthly. The interest rate at December 31, 2021 and 2020 was 0.83% and 0.81%, respectively. As described in the terms of the line of credit agreement, certain investment accounts of CGMA have been identified as collateral. The total balance of the collateralized investments was \$34,558,782 and \$29,252,315 at December 31, 2021 and 2020, respectively. There were no drawdowns on the line of credit during the years ended December 31, 2021 and 2020. There is no stated maturity date on this line of credit.

(Continued)

COAST GUARD MUTUAL ASSISTANCE

NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

13. Subsequent Event

Subsequent to year-end, CGMA was made aware that they had been named as a beneficiary in a trust and IRA account for one individual and another trust for an individual, both of whom had passed toward the end of 2021. For the first trust, the preliminary value provided by the Trustee at December 31, 2021, was \$3,189,210. However, the trust amount has not been finalized, and therefore, has not been recorded as revenue as the amount of the eventual distribution to CGMA was not determinable as of the date of the audit report. CGMA was notified on February 15, 2022, that they are entitled to the residual value of the trust, which was valued at \$3,027,468 at January 31, 2022. However, the residual amount remains undetermined. CGMA was also named the sole beneficiary to this individual's IRA account. The total value at December 31, 2021, was \$547,195. This total is reflected as revenue in 2021 and included in contributions with donor restrictions on the statements of activities. For the second trust, CGMA only received a notice that they had been named as a beneficiary, and no additional information has been provided for CGMA to determine and record the related revenue, as such, no activity or balances are reflected in the financial statements related to this trust.

14. COVID-19 Uncertainty

The COVID-19 coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on CGMA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the CGMA's financial condition or results of operations is uncertain.