

**COAST GUARD MUTUAL ASSISTANCE**

**FINANCIAL REPORT**

**December 31, 2022 and 2021**

## CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT .....	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows.....	7
Notes to Financial Statements.....	9

## **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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 audits. 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 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 audits.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia  
March 23, 2023

# COAST GUARD MUTUAL ASSISTANCE

## STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,038,249	\$ 2,971,867
Restricted cash and cash equivalents	4,807,184	3,332,199
Promises to give	103,335	717,363
Prepaid expenses	10,331	7,024
	<u>11,959,099</u>	<u>7,028,453</u>
<b>NONCURRENT ASSETS</b>		
Investments (Notes 4 and 6)	32,402,575	42,282,865
Beneficial interest in perpetual trust (Notes 5 and 6)	1,178,755	1,426,736
Loans receivable, net (Note 7)	3,773,238	2,842,446
Property and equipment, net (Note 8)	28,474	11,907
Right-of-use assets - operating lease (Note 9)	384,579	-
Security deposit	8,544	8,544
	<u>37,776,165</u>	<u>46,572,498</u>
<b>Total noncurrent assets</b>		
	<u>\$ 49,735,264</u>	<u>\$ 53,600,951</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 117,640	\$ 49,047
Accrued leave	78,526	63,213
Deferred rent	-	77,551
Current portion of operating lease liability (Note 9)	119,239	-
	<u>315,405</u>	<u>189,811</u>
<b>Total current liabilities</b>		
	<u>315,405</u>	<u>189,811</u>
<b>LONG-TERM LIABILITIES</b>		
Operating lease liability (Note 9)	332,104	-
	<u>332,104</u>	<u>-</u>
<b>Total liabilities</b>		
	<u>647,509</u>	<u>189,811</u>
<b>NET ASSETS</b>		
Without donor restrictions	32,652,174	36,227,630
With donor restrictions (Note 11)	16,435,581	17,183,510
	<u>49,087,755</u>	<u>53,411,140</u>
<b>Total net assets</b>		
	<u>\$ 49,735,264</u>	<u>\$ 53,600,951</u>

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

**COAST GUARD MUTUAL ASSISTANCE**

**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2022 and 2021**

	<b>2022</b>			<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
OPERATING ACTIVITIES						
Investment income, net	\$ (6,024,428)	\$ 24,402	\$ (6,000,026)	\$ 5,215,157	\$ 363,712	\$ 5,578,869
Contributions	5,971,829	407,289	6,379,118	3,633,025	717,363	4,350,388
Other income	56,282	-	56,282	30,815	-	30,815
Net assets released from restrictions (Note 11)	1,179,620	(1,179,620)	-	228,932	(228,932)	-
Total revenue, gains and other support	1,183,303	(747,929)	435,374	9,107,929	852,143	9,960,072
EXPENSES						
Program expenses:						
Disasters and emergencies	2,078,384	-	2,078,384	3,395,275	-	3,395,275
Education	713,499	-	713,499	696,433	-	696,433
Family support	650,244	-	650,244	447,064	-	447,064
Total program expenses	3,442,127	-	3,442,127	4,538,772	-	4,538,772
Supporting services:						
General and administrative	620,673	-	620,673	513,576	-	513,576
Fundraising	695,959	-	695,959	619,309	-	619,309
Total supporting services	1,316,632	-	1,316,632	1,132,885	-	1,132,885
Total expenses	4,758,759	-	4,758,759	5,671,657	-	5,671,657
Change in net assets	(3,575,456)	(747,929)	(4,323,385)	3,436,272	852,143	4,288,415
NET ASSETS						
Beginning of year	36,227,630	17,183,510	53,411,140	32,791,358	16,331,367	49,122,725
End of year	<u>\$ 32,652,174</u>	<u>\$ 16,435,581</u>	<u>\$ 49,087,755</u>	<u>\$ 36,227,630</u>	<u>\$ 17,183,510</u>	<u>\$ 53,411,140</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, 2022**

	<b>Program Expenses</b>				<b>Supporting Services</b>			
	<b>Disasters and Emergencies</b>	<b>Education</b>	<b>Family Support</b>	<b>Total Program Expenses</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total</b>
Grants	\$ 1,539,284	\$ 614,052	\$ 300,248	\$ 2,453,584	\$ -	\$ -	\$ -	\$ 2,453,584
Salaries and benefits	391,555	72,230	254,205	717,990	395,630	351,672	747,302	1,465,292
Printing and mailing	3,236	597	2,101	5,934	32,581	174,258	206,839	212,773
Miscellaneous	9,039	1,667	5,868	16,574	43,678	72,885	116,563	133,137
Facilities rental	34,527	6,369	22,416	63,312	34,755	30,893	65,648	128,960
Fees for services	15,352	2,832	9,967	28,151	54,667	27,218	81,885	110,036
Information technology	32,990	6,086	21,418	60,494	16,260	17,479	33,739	94,233
Bad debt (net of collections)	39,635	7,311	25,732	72,678	-	-	-	72,678
Office	7,080	1,306	4,597	12,983	40,304	19,222	59,526	72,509
Depreciation	5,686	1,049	3,692	10,427	2,798	2,332	5,130	15,557
	<u>\$ 2,078,384</u>	<u>\$ 713,499</u>	<u>\$ 650,244</u>	<u>\$ 3,442,127</u>	<u>\$ 620,673</u>	<u>\$ 695,959</u>	<u>\$ 1,316,632</u>	<u>\$ 4,758,759</u>

(Continued)

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**

	<b>Program Expenses</b>				<b>Supporting Services</b>			
	<b>Disasters and Emergencies</b>	<b>Education</b>	<b>Family Support</b>	<b>Total Program Expenses</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total</b>
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 CASH FLOWS Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,323,385)	\$ 4,288,415
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	15,557	251,806
Bad debt	72,678	221,210
Realized and unrealized losses (gains) on investments	6,376,721	(4,929,232)
Realized and unrealized losses (gains) on beneficial interest in perpetual trust	208,785	(191,216)
Change in current assets and liabilities:		
Decrease (increase) in:		
Promises to give	614,028	(700,123)
Other receivables	-	2,000
Prepaid expenses	(3,307)	(7,024)
Beneficial interest in perpetual trust (received)	39,196	39,196
Loans receivable, net	(1,003,470)	61,236
Increase (decrease) in:		
Accounts payable	68,593	22,659
Accrued leave	15,313	10,591
Deferred rent	(77,551)	(7,543)
Operating lease liability	66,764	-
Net cash provided (used) by operating activities	<u>2,069,922</u>	<u>(938,025)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(32,124)	(8,719)
Purchases of investments	(43,004,519)	(55,092,343)
Proceeds from sale of investments	46,508,088	46,507,194
Net cash provided (used) by investing activities	<u>3,471,445</u>	<u>(8,593,868)</u>
Net increase (decrease) in cash and cash equivalents	5,541,367	(9,531,893)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	6,304,066	15,835,959
End of year	<u>\$ 11,845,433</u>	<u>\$ 6,304,066</u>
<b>BALANCE SHEET PRESENTATION OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 7,038,249	\$ 2,971,867
Restricted cash and cash equivalents	4,807,184	3,332,199
	<u>\$ 11,845,433</u>	<u>\$ 6,304,066</u>

(Continued)

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

**COAST GUARD MUTUAL ASSISTANCE**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Adoption of FASB ASC 842		
Right-of-use asset - operating lease	\$ 488,097	\$ -
Deferred rent liability applied	77,551	-
Lease liability incurred	<u>(565,648)</u>	<u>-</u>
Cash paid to acquire right-of-use asset	<u>\$ -</u>	<u>\$ -</u>

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

## COAST GUARD MUTUAL ASSISTANCE

### NOTES TO FINANCIAL STATEMENTS December 31, 2022 and 2021

#### 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.

(Continued)

## COAST GUARD MUTUAL ASSISTANCE

### NOTES TO FINANCIAL STATEMENTS December 31, 2022 and 2021

#### 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. During 2022 and 2021, respectively, a portion of the funds were invested in fixed income securities and totaled \$7,644,438 and \$9,517,676 at December 31, 2022 and 2021. The remainder of the balance is reflected as restricted cash on the statement of financial position at December 31, 2022 and 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, 2022 and 2021

#### 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 \$72,678 and \$221,210 of loans receivable in 2022 and 2021, 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 \$80,746 and \$345,917 for the years ended December 31, 2022 and 2021, 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 was being allocated on a straight-line basis over the term of the lease as a reduction to rent expense and was included in facilities rental on the statement of functional expenses. The balance in deferred rent was closed into the beginning balance upon the adoption of FASB ASC 842 (discussed in detail later in this footnote).

##### 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, 2022 and 2021

#### 2. Summary of Significant Accounting Policies (Continued)

##### Adoption of FASB ASC 842

Effective January 1, 2022, CGMA adopted FASB ASC 842, *Leases*. CGMA determines if an arrangement contains a lease at inception based on whether CGMA has the right to control the asset during the contract period and other facts and circumstances. CGMA elected the package of practical expedients permitted under the transition guidance with the new standard, which among other things, allowed it to carry forward the historical lease classification. CGMA also elected to use the risk-free rate in lieu of determining an incremental borrowing rate, as the discount rate in CGMA's lease cannot be readily determined. As such, CGMA determined their risk free rate using the monthly U.S. Treasury securities yield as of January 1, 2022, and applying the rate to all leases.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use asset, net of prepaid lease payments and lease incentives, of \$488,097 and operating lease liability of \$565,648 as of January 1, 2022. Results for periods beginning prior to January 1, 2022, continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on CGMA's results of operations, cash flows, or debt covenants. See Note 9.

##### Recent accounting pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statements of revenues, expenses, and changes in members' capital as the amounts expected to be collected change. This ASU, along with several related amendments to the guidance, will be effective for CGMA for fiscal years beginning after December 15, 2022. An entity will apply the amendments in this update through a modified retrospective approach. CGMA is currently evaluating the impact of adopting ASU 2016-13 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 \$7,877 and \$2,130 for 2022 and 2021, 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.

(Continued)

## COAST GUARD MUTUAL ASSISTANCE

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 2. Summary of Significant Accounting Policies (Continued)

##### Subsequent events

In preparing these financial statements, CGMA has evaluated events and transactions for potential recognition or disclosure through March 23, 2023, the date the financial statements were available to be issued.

#### 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,038,249	\$ 2,971,867
Promises to give - all current	<u>103,335</u>	<u>717,363</u>
	<u>\$ 7,141,584</u>	<u>\$ 3,689,230</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 \$32,402,575 and \$42,282,865 at December 31, 2022 and 2021, respectively, CGMA has a total of \$24,758,137 and \$32,765,189 that can be used as needed to fund operations. The remaining \$7,644,438 and \$9,517,676 is earmarked to be utilized to fund loans offered as assistance. Further, restricted cash and cash equivalents of \$4,807,184 and \$3,332,199 at December 31, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Equities:		
U.S. Large Cap	\$ 12,140,880	\$ 19,986,195
U.S. Mid Cap	3,259,629	4,965,361
U.S. Small Cap	3,633,121	3,203,051
International developed	471,517	1,433,885
Emerging markets	-	820,346
Fixed income securities:		
Investment grade taxable	9,712,920	9,564,893
Investment grade tax exempt	14,336	19,056
International developed bonds	2,021,709	1,568,036
Hedge funds	-	722,042
Commodities	<u>1,148,463</u>	<u>-</u>
	<u>\$ 32,402,575</u>	<u>\$ 42,282,865</u>

(Continued)

## COAST GUARD MUTUAL ASSISTANCE

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 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 2022 and 2021, CGMA received distributions of \$39,196 from the trust. CGMA recognized net loss of (\$208,785) and gains of \$191,216, at December 31, 2022 and 2021, 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, 2022 and 2021.

*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.

*Commodities:* Valued at the closing price reported on the active market on which the commodity securities are traded.

(Continued)



# COAST GUARD MUTUAL ASSISTANCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

### 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, 2022					
	Total	Level 1	Level 2	Level 3	NAV
Equities:					
U.S. Large Cap	\$ 12,140,880	\$ 12,140,880	\$ -	\$ -	\$ -
U.S Mid Cap	3,259,629	3,259,629	-	-	-
U.S Small Cap	3,633,121	3,633,121	-	-	-
International developed	471,517	471,517	-	-	-
Fixed income securities:					
Investment grade taxable	9,712,920	-	9,712,920	-	-
International developed bonds	2,021,709	-	2,021,709	-	-
Investment grade tax exempt	14,336	-	14,336	-	-
Commodities	1,148,463	-	1,148,463	-	-
	32,402,575	19,505,147	12,897,428	-	-
Beneficial interest in perpetual trust	1,178,755	-	-	-	1,178,755
	<u>\$ 33,581,330</u>	<u>\$ 19,505,147</u>	<u>\$ 12,897,428</u>	<u>\$ -</u>	<u>\$ 1,178,755</u>

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>

(Continued)

## COAST GUARD MUTUAL ASSISTANCE

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 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.

The following tables present a reconciliation of the beginning and ending balances of the fair value measurements within CMGA using significant unobservable inputs (Level 3):

	<b>Hedge Funds</b>	
	<b>2022</b>	<b>2021</b>
Balance, January 1,	\$ 722,042	\$ -
Purchase	-	735,058
Unrealized gain (loss)	13,015	(13,016)
Proceeds from sale	(695,742)	-
Realized loss on sale	(39,315)	-
	<u>-</u>	<u>-</u>
Balance, December 31,	<u>\$ -</u>	<u>\$ 722,042</u>

#### 7. Loans Receivable

At December 31, 2022 and 2021, CGMA had uncollateralized loans receivable of \$3,933,238 and \$3,002,446, 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, 2022 and 2021, 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, 2022 and 2021, program expenses do not include \$4,703,805 and \$3,572,453, respectively, in interest-free loans made by CGMA respectively, and revenues do not include \$3,619,589 and \$3,287,772, 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.

(Continued)

# COAST GUARD MUTUAL ASSISTANCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

### 7. Loans Receivable (Continued)

The summarized activity for loans receivable was as follows:

	<u>2022</u>	<u>2021</u>
Loan receivable, beginning balance	\$ 3,002,446	\$ 3,284,892
New loans issued	4,703,805	3,572,453
Loans written off (Note 2)	(72,678)	(221,210)
Loans converted to grants (Note 2)	(80,746)	(345,917)
Payments received on loans	<u>(3,619,589)</u>	<u>(3,287,772)</u>
Loans receivable, ending balance	<u>\$ 3,933,238</u>	<u>\$ 3,002,446</u>

### 8. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 38,151	\$ 37,608
Computer software	<u>1,244,556</u>	<u>1,216,512</u>
	1,282,707	1,254,120
Accumulated depreciation and amortization	<u>(1,254,233)</u>	<u>(1,242,213)</u>
	<u>\$ 28,474</u>	<u>\$ 11,907</u>

### 9. Leases - Lessee

CGMA leases its office space under an operating lease with a 10 year and nine month term. The lease includes a renewal option, which can extend the lease term for 5 years. The exercise of this renewal option is at the sole discretion of CGMA, and only lease options that CGMA believes are reasonable certain to exercise are included in the measurement of the lease assets and liabilities. The lease agreement does not include any material residual value guarantee or restrictive covenants.

The components of operating lease expenses are included in facilities rental on the statements of functional expenses for the years ended December 31, 2022 and 2021, was \$110,417.

The weighted average lease term and discount rate at December 31, 2022, are as follows:

Weighted average remaining lease term	3.58 years
Weighted average discount interest rate	1.37%

(Continued)

# COAST GUARD MUTUAL ASSISTANCE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

### 9. Leases - Lessee (Continued)

The maturities of operating lease liabilities as of December 31, 2022, were as follows:

<u>Year Ending</u> <u>December 31,</u>	
2023	\$ 124,537
2024	127,961
2025	131,480
2026	<u>78,446</u>
Total lease payments	462,424
Less: Interest	<u>(11,081)</u>
Total lease liability	<u>\$ 451,343</u>

### 10. 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, borrowings bared interest at the Bloomberg one month short-term yield (BSBY) rate plus .75%. Interest is payable monthly. The interest rate at December 31, 2022 and 2021 was 5.11% and 0.83%, 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 \$30,440,560 and \$34,558,782 at December 31, 2022 and 2021, respectively. There were no drawdowns on the line of credit during the years ended December 31, 2022 and 2021. There is no stated maturity date on this line of credit.

### 11. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Emergency assistance	\$ 15,000,000	\$ 15,000,000
Beneficial interest in perpetual trust	1,178,755	1,426,736
Promises to give	103,335	717,363
Symposium	50,000	-
Randolph	44,081	-
WAG	30,000	-
Charles Samuel Rose estate	<u>29,410</u>	<u>39,411</u>
	<u>\$ 16,435,581</u>	<u>\$ 17,183,510</u>

(Continued)

## COAST GUARD MUTUAL ASSISTANCE

### NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

#### 11. Net Assets with Donor Restrictions (Continued)

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

	<u>2022</u>	<u>2021</u>
Promises to give	\$ 717,363	17,240
Emergency assistance	233,186	\$ 172,496
Hurricane	154,875	-
Beneficial interest in perpetual trust	39,196	39,196
Education	25,000	-
Charles Samuel Rose Estate	<u>10,000</u>	<u>-</u>
	<u>\$ 1,179,620</u>	<u>\$ 228,932</u>

#### 12. 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 \$43,326 and \$42,809 for the years ended December 31, 2022 and 2021, respectively, and are included in salaries and benefits on the statements of functional expenses.