

THE COAST GUARD FOUNDATION, INC.

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

INDEPENDENT AUDITORS' REPORT



SANSIVERI, KIMBALL & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS ADVISORS



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Coast Guard Foundation, Inc.:

Opinion

We have audited the accompanying financial statements of The Coast Guard Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, 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 The Coast Guard Foundation, Inc. as of December 31, 2023 and 2022, and the results of its operations 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 the Foundation'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 the Foundation'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.

Sansiveri, Kimball + Co., LLP

Providence, Rhode Island
July 11, 2024

THE COAST GUARD FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022		2023	2022
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 1,755,877	\$ 2,142,811	Accounts payable	\$ 476,560	\$ 177,019
Unconditional promises to give, net of allowance for uncollectible pledges	1,239,746	1,678,842	Accrued liabilities	160,786	142,149
Prepaid expenses and other current assets	489,926	381,602	Deferred revenue	383,924	511,845
Total current assets	3,485,549	4,203,255	Current portion of pledge payable	481,745	492,665
			Total current liabilities	1,503,015	1,323,678
INVESTMENTS	18,345,772	16,187,049	PLEDGE PAYABLE, less current portion	1,577,496	1,816,576
UNCONDITIONAL PROMISES TO GIVE, less current portion	1,025,000	95,000	Total liabilities	3,080,511	3,140,254
PROPERTY AND EQUIPMENT - At cost:			NET ASSETS:		
Land and land improvements	175,746	175,746	Net assets without donor restrictions	2,962,448	3,457,671
Building	867,750	859,269	Net assets with donor restrictions	17,304,985	14,406,180
Furniture and equipment	201,881	200,215	Total net assets	20,267,433	17,863,851
Website	73,500	110,500			
Construction in progress	-	74,050			
Total	1,318,877	1,419,780			
Less accumulated depreciation and amortization	827,254	900,979			
Property and equipment, net	491,623	518,801			
TOTAL	\$ 23,347,944	\$ 21,004,105	TOTAL	\$ 23,347,944	\$ 21,004,105

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Contributions of cash and other financial assets	\$ 4,130,634	\$ 4,500,414	\$ 8,631,048	\$ 4,532,292	\$ 3,862,771	\$ 8,395,063
Contributions of nonfinancial assets - gifts in-kind	93,215	132,748	225,963	101,236	2,329,648	2,430,884
Special events revenue, net of costs of direct benefit to donors of \$721,550 in 2023 and \$569,640 in 2022	2,321,219	117,082	2,438,301	2,564,407	113,357	2,677,764
Investment return (loss), net	744,851	1,580,474	2,325,325	(673,810)	(1,642,480)	(2,316,290)
Gift fee income	145,303	(61,880)	83,423	137,339	(56,154)	81,185
Miscellaneous	41,693		41,693	45,401		45,401
Total	7,476,915	6,268,838	13,745,753	6,706,865	4,607,142	11,314,007
Net assets released from restrictions	3,370,033	(3,370,033)	-	4,976,745	(4,976,745)	-
Total support and revenue	10,846,948	2,898,805	13,745,753	11,683,610	(369,603)	11,314,007
EXPENSES:						
Program services	6,686,000		6,686,000	10,240,224		10,240,224
Supporting services:						
Administrative and general	1,233,359		1,233,359	938,574		938,574
Development and fundraising	3,422,812		3,422,812	3,053,058		3,053,058
Total supporting services	4,656,171	-	4,656,171	3,991,632	-	3,991,632
Total program and supporting services expenses	11,342,171	-	11,342,171	14,231,856	-	14,231,856
CHANGE IN NET ASSETS	(495,223)	2,898,805	2,403,582	(2,548,246)	(369,603)	(2,917,849)
NET ASSETS, BEGINNING OF THE YEAR	3,457,671	14,406,180	17,863,851	6,005,917	14,775,783	20,781,700
NET ASSETS, END OF THE YEAR	\$ 2,962,448	\$ 17,304,985	\$ 20,267,433	\$ 3,457,671	\$ 14,406,180	\$ 17,863,851

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services					Supporting Services		
	Education Support	Morale & Wellness Support	Family Support & Community Building	Public Awareness	Total Program	Administrative and General	Development and Fundraising	Total
Grants to support the U.S. Coast Guard:								
Academy support	\$ 42,633				\$ 42,633			\$ 42,633
Dependent scholarships	691,658				691,658			691,658
Spouse grants	165,000				165,000			165,000
Workforce development	366,879				366,879			366,879
Boater safety	4,101				4,101			4,101
Morale & district support		\$ 1,812,176			1,812,176			1,812,176
Mental resiliency		302,725			302,725			302,725
Emergency relief & tragedy assistance			\$ 273,247		273,247			273,247
Youth enrichment			231,106		231,106			231,106
Salaries and benefits	375,601	465,953	188,528	\$ 474,279	1,504,361	\$ 653,650	\$ 1,143,332	3,301,343
Event production costs					-		255,475	255,475
Direct mail solicitations				441,414	441,414	70,849	1,023,691	1,535,954
Donor cultivation					-		64,271	64,271
Promotional and advertising				381,170	381,170		344,228	725,398
Travel, receptions and meetings	1,104	46,430	408	7,221	55,163	77,712	186,981	319,856
Professional fees				84,655	84,655	201,609	116,913	403,177
Information technology and communication		360	8,144	74,559	83,063	37,354	66,190	186,607
Occupancy	51,610	10,658	7,105	2,782	72,155	35,704	21,315	129,174
Depreciation and amortization	13,393	5,337	5,731	5,711	30,172	8,977	17,058	56,207
Miscellaneous	11,952	14,560	8,427	18,296	53,235	147,504	183,358	384,097
Subtotal	1,723,931	2,658,199	722,696	1,490,087	6,594,913	1,233,359	3,422,812	11,251,084
One time pledge to Coast Guard Museum - Note 6				-	-			-
Public service announcements - Note 9				91,087	91,087			91,087
Total	\$ 1,723,931	\$ 2,658,199	\$ 722,696	\$ 1,581,174	\$ 6,686,000	\$ 1,233,359	\$ 3,422,812	\$ 11,342,171

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services					Supporting Services		Total
	Education Support	Morale & Wellness Support	Family Support & Community Building	Public Awareness	Total Program	Administrative and General	Development and Fundraising	
Grants to support the U.S. Coast Guard:								
Academy support	\$ 164,530				\$ 164,530			\$ 164,530
Dependent scholarships	564,759				564,759			564,759
Spouse grants	131,750				131,750			131,750
Workforce development	287,410				287,410			287,410
Boater safety	5,300				5,300			5,300
Morale & district support		\$ 1,707,788			1,707,788			1,707,788
Mental resiliency		80,684			80,684			80,684
Emergency relief & tragedy assistance			\$ 427,326		427,326			427,326
Youth enrichment			113,482		113,482			113,482
Salaries and benefits	199,507	358,989	209,977	\$ 444,427	1,212,900	\$ 545,938	\$ 934,953	2,693,791
Event production costs					-		387,308	387,308
Direct mail solicitations				327,467	327,467	64,160	919,824	1,311,451
Donor cultivation					-		44,077	44,077
Promotional and advertising				353,542	353,542		249,453	602,995
Travel, receptions and meetings	1,547	49,046	1,047	4,435	56,075	64,519	127,973	248,567
Professional fees				70,230	70,230	132,700	197,677	400,607
Information technology and communication			7,629	28,893	36,522	26,002	50,673	113,197
Occupancy	33,047	5,962	5,774	21,569	66,352	31,506	12,345	110,203
Depreciation and amortization	10,139	3,031	3,031	2,309	18,510	7,892	6,398	32,800
Miscellaneous	2,622	14,009	16,747	40,695	74,073	65,857	122,377	262,307
Subtotal	1,400,611	2,219,509	785,013	1,293,567	5,698,700	938,574	3,053,058	9,690,332
One time pledge to Coast Guard Museum - Note 6			2,309,241		2,309,241			2,309,241
Public service announcements - Note 9				2,232,283	2,232,283			2,232,283
Total	\$ 1,400,611	\$ 2,219,509	\$ 3,094,254	\$ 3,525,850	\$ 10,240,224	\$ 938,574	\$ 3,053,058	\$ 14,231,856

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,403,582	\$ (2,917,849)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Net realized and unrealized (gains) losses on investments	(1,450,747)	2,958,463
Depreciation and amortization	56,207	32,800
Present value discount on pledge payable	-	(190,759)
Changes in operating assets and liabilities:		
Unconditional promises to give	(490,904)	(816,436)
Prepaid expenses and other current assets	(108,324)	(232,735)
Accounts payable	299,541	(79,829)
Accrued liabilities	18,637	3,240
Deferred revenue	(127,921)	58,840
Pledge payable	(250,000)	2,500,000
Contributions restricted for long-term investment	(1,275,774)	(516,437)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(925,703)	799,298
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of:		
Investments	(2,925,108)	(8,352,022)
Property and equipment	(29,029)	(99,615)
Proceeds from sales of investments	2,217,132	5,988,144
NET CASH USED BY INVESTING ACTIVITIES	(737,005)	(2,463,493)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES -		
Proceeds from contributions restricted for long-term investment	1,275,774	516,437
NET DECREASE IN CASH AND CASH EQUIVALENTS	(386,934)	(1,147,758)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	2,142,811	3,290,569
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$ 1,755,877	\$ 2,142,811

See notes to financial statements.

THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Programs of the Coast Guard Foundation

The Coast Guard Foundation, Inc. (the Foundation) is a national nonprofit organization incorporated in 1986. It traces its roots, however, to 1969, when the Coast Guard Academy Foundation was established to raise funds to enrich programs and morale for the cadets. The mid-1980's were times of declining budgets throughout the Coast Guard, so the founders were determined to expand their support beyond the Academy to include the men, women and families of the entire Service. True to that vision of helping the broadest group possible, today's Foundation has a widely felt and positive impact on the well-being, retention and professionalism of the Coast Guard's workforce and their families. Additionally, the Foundation honors and highlights the accomplishments of the Coast Guard to heighten public awareness of the Service's critical roles in serving and protecting the Nation.

The Foundation focuses on three key impact areas – education and workforce development assistance; morale and wellness; and family resilience, emergency support and community building.

Education and Workforce Development Assistance

Education is essential to a strong future for the Coast Guard community, but the rising costs of school and other barriers make it inaccessible to many. The Coast Guard Foundation steps in to make higher education possible. For children of active duty, retired, or active reserve members, we offer scholarships that reduce the amount needed for student loans, allowing them to focus on their studies and setting them and their families up for stronger futures. For children of Coast Guard members who die in operational, line of duty service, we offer scholarships that cover 100% of the expenses of higher education. This investment gives families relief and honors their heroism. For spouses of Coast Guard members, achieving higher education or professional licensing and certification gives them personal fulfillment and boosts the family's financial stability. We provide professional development opportunities and training programs for Coast Guard members that support their mission and set them up for future success. The Coast Guard Academy is a top-tier educational institution training the future leaders of the Coast Guard. To ensure the Academy is accessible to top students and provides the best education possible, we support recruitment initiatives, leadership development, diversity and inclusion programs, and hands-on classroom and extracurricular experiences.

Morale and Wellness

Prioritizing the morale and wellbeing of the Coast Guard is crucial - not only so they remain always ready for their assignments, but so they can maintain their own physical and mental well-being while at sea or stationed in remote areas. We provide exercise, sports, and outdoor recreation equipment at Coast Guard stations and on board cutters so Coast Guard members have the resources they need to remain physically ready for duty. We fund recreation spaces in Coast Guard communities around the country so members and families have a place to be together, form

See independent auditors' report.

THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

strong support systems, and improve morale. The mental well-being of Coast Guard members is as important as their health - for their duties, the stability of their families, and their future beyond the Coast Guard. We help members maintain resiliency by partnering with Coast Guard leadership and offering morale support where needed. We support healthy marriages through training programs that equip Coast Guard chaplains to counsel and guide members and their spouses toward strong family relationships.

Family Resilience, Emergency Support and Community Building

When the Coast Guard family faces difficult times, the Coast Guard Foundation prioritizes family resilience, so that members, spouses, and children have the support they need to recover. When natural disasters strike, the Foundation offers Coast Guard members immediate relief by assessing member and family needs through our disaster relief and response program. We make sure they receive the resources to bounce back from hurricanes, floods, tornadoes, and other emergencies. We strengthen Coast Guard members' readiness by teaching families how to protect their loved ones and homes during natural disasters through services like our hurricane preparedness seminars. By giving families the tools to weather storms safely, we ensure they remain resilient when disasters strike. When Coast Guard families or units face the unthinkable loss of an active duty member, we are there with immediate financial and morale support. We listen closely to individuals and families—and anticipate their needs—to ensure we provide relevant care in the wake of tragedy. An injured or critically ill Coast Guard member deeply affects family and loved ones. Our tragedy assistance support program ensures that families can focus exclusively on recovery. This dedicated and robust financial support system allows families and fellow service members to be nearby during these difficult times.

A sense of community is powerful for members and families, as Coast Guard deployments can be remote and isolating. The Coast Guard Foundation creates and celebrates communal bonds so that our heroes always feel supported. We fund community spaces that serve as gathering places for Coast Guard families to meet and connect with each other while stationed far away from loved ones. Members and families can also spend time together at these spaces when members are off duty. For small duty stations that are remote and lack resources, we step in to offer support that brings the community together and boosts morale.

Public Awareness

The Coast Guard Foundation serves as a goodwill ambassador for the United States Coast Guard by making the public aware of the benefits of a strong Coast Guard.

We celebrate Coast Guard members through our tribute events, golf tournaments, and our Run to Remember, a worldwide movement where thousands of individuals participate in road races, memorial walks, and other types of fitness events.

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THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

In order to ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts are classified into two classes of net assets as follows:

- *Net assets without donor restrictions* – funds for which management and the Board of Directors of the Foundation retain full control to use in achieving any organizational purpose. These funds may include net assets without donor restrictions subject to self-imposed limits by action of the Board of Directors of the Foundation whereby designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.
- *Net assets with donor restrictions* – funds restricted by outside sources which may only be utilized in accordance with purposes established by the donor of such funds. When a donor restriction expires, such as when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as assets released from restriction. Certain donor restricted net assets have been restricted by donors to be maintained in perpetuity and only the income is to be utilized by the Foundation. Income may be utilized for net assets with or without donor restrictions as established by the donor of such funds.

Cash Equivalents

Cash equivalents include money market funds that have not been restricted by donors for long-term purposes.

Promises to Give

Promises to give received by the Foundation from donors are recognized as revenue in accordance with Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Unconditional promises to give are recognized as revenue in the period the promise is made. Conditional promises to give are recognized as revenue only when the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Material unconditional promises to give that are expected to be collected in a period beyond one year are recorded at net realizable value, discounted for the present value of estimated future cash flows. The discounts on those amounts are computed using the Foundation's internal investment rate of return applicable to the year of the gift and are included in contribution revenue. As of December 31, 2023 and 2022, a discount for the present value was not considered necessary.

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THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The Foundation did not incur bad debt expense during the years ended December 31, 2023 and 2022.

Investments

Investments are reported at fair value. Investment income is reported net of management fees.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of the donation.

Property and equipment are depreciated and amortized using the straight-line method over the respective estimated useful lives of the assets.

As of December 31, 2022, construction in progress represented website development costs not yet placed in service. Amortization of such asset commenced once the respective asset was placed in service.

Deferred Revenue

Deferred revenue includes amounts collected in advance related to conditional promises to give and special event sponsorships. Conditional promises to give will be recognized as revenue when the donor conditions are met. Special event sponsorships collected in advance will be recognized as revenue in the subsequent year, which is when such special events will take place. As of December 31, 2023, deferred revenue includes special event sponsorships collected in advance of approximately \$384,000. As of December 31, 2022, deferred revenue includes conditional promises to give of approximately \$280,000 and special event sponsorships collected in advance of approximately \$232,000.

Pledge Payable

Unconditional promises made by the Foundation are expensed in the period they are made or unconditionally promised. Material unconditional promises made that are to be paid in a period beyond one year are discounted for the present value of estimated future cash flows. The discounts on those amounts are computed using the Foundation's internal investment rate of return applicable to the year of the gift and are included in expenses.

Revenue Recognition

The Foundation recognizes revenue from exchange transactions in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Revenue is measured based on consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Foundation recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

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THE COAST GUARD FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

The Foundation recorded the following exchange transaction revenue in its statements of activities and changes in net assets for the years ending December 31, 2023 and 2022.

Special Events Revenue

The Foundation conducts special events to raise contributions to support its activities. The participants attending these events are offered something of value (such as a meal and/or entertainment) for a sum that exceeds the costs of the benefits provided to the participants. The difference between the amount paid by the participants and the fair value of the benefits received by the participants is considered a contribution and recognized in accordance with ASC Topic 958. The amount paid by the participants related to the benefits received is subject to the revenue recognition guidance of ASC Topic 606 and is valued using the cost incurred by the Foundation to provide such benefits. Special event fees collected by the Foundation in advance of the event are initially recognized as liabilities (deferred revenue) and recognized as special events revenue upon the occurrence of the event. Factors that affect the timing of revenues and cash flows relate primarily to the dates on which the special events are held.

Contributed Nonfinancial Assets

The Foundation receives various forms of contributed nonfinancial assets including consumer goods, other property and services. It is the Foundation's policy to utilize consumer goods for its programs. The Foundation has a policy to either utilize or monetize donations of other property depending on its suitability for the Foundation's programs.

The Foundation recognized contributed nonfinancial assets within revenue, including airtime for public service announcements, consumer goods to be donated to the U.S. Coast Guard and other services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed consumer goods to be donated to the U.S. Coast Guard were donated for and utilized in the Morale & Wellness Support program. In valuing the consumer goods, the Foundation estimated the fair value on the basis of estimates of retail value that would be received for selling similar products in the United States.

Contributed television public service announcement airtime was donated for and utilized in the Public Awareness program. The fair value of the public service announcements was obtained from the donor and based on the cost that would have been incurred by the Foundation if it were required to purchase the airtime.

Advertising and other contributed services were donated for and utilized in the Public Awareness program. The fair value of the advertising and other contributed services was obtained from the donor and based on the cost that would have been incurred by the Foundation if it were required to purchase such services.

In addition, many individuals volunteer their time to the Foundation's program services and other activities. The value of these services has not been recognized in the accompanying financial

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THE COAST GUARD FOUNDATION, INC.

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statements, as it does not create or enhance nonfinancial assets or require specialized skills, which if not provided by donation, would have to be purchased by the Foundation.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated or implied time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Allocation of Functional Expenses

The costs of providing program services and supporting activities have been summarized on a functional basis. The Foundation incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting activities (i.e. development and fundraising and administrative and general activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount or estimates of time and effort incurred by personnel.

Tax-Exempt Status

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Section 512(a)(1) of the Code is subject to Federal income tax.

Management does not believe there are any material uncertain tax positions requiring disclosure or recognition. For the years ended December 31, 2023 and 2022, there were no tax related interest or penalties recorded or included in the accompanying financial statements.

Significant Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain amounts reported in the 2022 financial statements have been reclassified to conform with the 2023 presentation.

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THE COAST GUARD FOUNDATION, INC.

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Subsequent Events

Management has evaluated subsequent events through July 11, 2024, which is the date the financial statements were available to be issued.

2. AVAILABILITY AND LIQUIDITY OF FINANCIAL ASSETS

The Foundation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,755,877	\$ 2,142,811
Unconditional promises to give, net	2,264,746	1,773,842
Investments	18,345,772	16,187,049
Total financial assets	<u>22,366,395</u>	<u>20,103,702</u>
Include amount available to be appropriated from endowment and used for general expenditures	<u>955,039</u>	<u>582,632</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	17,304,985	14,406,180
Endowment funds designated by the Board of Directors	4,836,552	3,187,560
	<u>22,141,537</u>	<u>17,593,740</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,179,897</u>	<u>\$ 3,092,594</u>

The Foundation is substantially supported by contributions which include amounts with donor restrictions for use in a particular manner or in a future period. The Foundation must maintain sufficient resources to meet those responsibilities to its donors thus financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the amounts designated by the Board of Directors for endowment are subject to the Board of Directors' discretion and may be made available, if necessary. The Foundation also maintains a revolving line-of-credit agreement with a bank which provides for maximum available borrowings of \$750,000 as disclosed in Note 7.

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3. UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2023 and 2022, unconditional promises to give consist of the following:

	2023	2022
Receivable due in less than one year	\$ 1,262,896	\$ 1,701,992
Less allowance for uncollectible pledges	23,150	23,150
Net receivable due in less than one year	1,239,746	1,678,842
Receivable due in one to five years	1,025,000	95,000
Total net unconditional promises to give	\$ 2,264,746	\$ 1,773,842

As of December 31, 2023 and 2022, \$1,673,701 and \$1,319,972, respectively, of the Foundation's receivables were permanently restricted to be invested in perpetuity.

4. INVESTMENTS

As of December 31, 2023 and 2022, the Foundation's investments consisted of the following:

	2023	2022
Subject to the endowment spending policy:		
Mutual funds	\$ 17,393,329	\$ 14,581,632
Money market funds	4,669	-
Private equity fund	494,232	274,322
Total subject to the endowment spending policy	17,892,230	14,855,954
Not subject to the endowment spending policy:		
Mutual funds	453,459	428,142
Money market funds	83	81
Certificates of deposits	-	300,108
Government securities	-	602,764
Total restricted for specific purpose	453,542	1,331,095
Total investments	\$ 18,345,772	\$ 16,187,049

The Foundation invests excess cash not yet ready to be spent in money market funds, mutual funds, certificates of deposits and government securities. Investment in a private equity fund includes commitments which are described in Note 13. As of December 31, 2023 and 2022,

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\$8,207,011 and \$6,923,533 of the Foundation's investments were permanently restricted for investment in perpetuity.

Investment income and gains and losses are allocated to individual donor funds based upon the balance of each fund in relation to the total of investments within the portfolio.

5. FAIR VALUE MEASUREMENTS

Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, U.S. GAAP established a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices, other than quoted prices within Level 1, including:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs which are used when little or no market activity is available at the measurement date. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Foundation utilizes valuation methodologies that maximize the use of observable inputs to the extent possible.

The following is a description of the valuation methodologies used for assets measured at fair value. The application of the existing fair value methodologies was not changed during the year ended 2023.

Money market funds and mutual funds - valued using quoted prices in active markets.

Certificates of deposits and government securities - valued at the closing price reported in the market in which they are traded.

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Private equity fund - represents the fair value of the Foundation's ownership interest in a limited partnership (referred to as the Partnership) using the net asset value per share practical expedient which is a reasonable estimate of fair value. Fair value is determined by the General Partner. The Partnership invests in various limited liability companies. The General Partner's determination of fair value is based upon the best available information provided by the limited partnerships and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the Partnership's proportionate share of the partner's capital in the various limited liability companies as reported by their general partners. Accordingly, the fund maintains separate capital accounts for each partner and credits to these accounts each partner's capital contributions, distributions, and allocable share of profits and losses of the fund. Capital contributions to the fund are made pro rata in proportion to each partner's committed capital. The partners will receive distributable proceeds, as defined in the partnership agreement, pro rata in proportion to their respective capital contributions subject to the priority allocations defined in the partnership agreement.

The methodologies used to determine fair value may produce fair value calculations that may not have been indicative of net realizable values or reflective of future fair values. Furthermore, although management believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Investments carried at fair value at December 31, 2023 and 2022 are as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Measured at Net Asset Value	Total
2023					
Investments	\$ 17,851,540	\$ -	\$ -	\$ 494,232	\$ 18,345,772
2022					
Investments	\$ 15,912,727	\$ -	\$ -	\$ 274,322	\$ 16,187,049

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Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 2023 and 2022.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>2023</u>				
Private equity fund	\$ 494,232	\$ 523,393	(a)	(a)
<u>2022</u>				
Private equity fund	\$ 274,322	\$ 725,168	(a)	(a)

(a) Distributable proceeds shall be distributed within ninety days after receipt by the partnership, or if distribution within such ninety day period is not practicable, as soon as practicable thereafter, in each case as determined by the General Partner in its reasonable discretion.

6. PLEDGE PAYABLE

Pledge payable represents the remaining balance of a \$2,500,000 pledge to the National Coast Guard Museum Association, Inc. Such pledge was recognized as an expense in 2022 which was the year the commitment was made. The pledge will be paid over ten years with annual installments of \$250,000. The payment scheduled to be paid in December 2023 was paid in January 2024.

As of December 31, 2023, future minimum pledge payments are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 500,000
2025	250,000
2026	250,000
2027	250,000
2028	250,000
2029 and thereafter	750,000
Total	2,250,000
Less present value discount	190,759
Total pledge payable	\$ 2,059,241

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7. NOTE PAYABLE - BANK

Note payable - bank consists of a revolving line-of-credit agreement with a bank. The note provides for maximum available borrowings of \$750,000. The note is due on demand and is not subject to a formal maturity date. The note is secured by unconditional promises to give and equipment. Payments of interest only are due monthly and are calculated at 0.50% above the bank's prime rate, which was 8.50% at December 31, 2023. In no event will the interest rate be less than 3.25%. There were no outstanding borrowings on the line-of-credit as of December 31, 2023 and 2022.

8. NET ASSETS

Net Assets Without Donor Restrictions

As of December 31, 2023 and 2022, net assets without donor restrictions include amounts which function as part of the endowment. See Note 10 for disclosures related to the endowment.

Net Assets With Donor Restrictions

As of December 31, 2023 and 2022, the Foundation has net assets with donor restrictions available for the following purposes:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Education support	\$ 4,781,165	\$ 3,371,311
Morale and wellness support	891,357	669,760
Family support and community building	1,324,231	1,590,987
Accelerated growth plan	427,519	530,616
Subtotal	<u>7,424,272</u>	<u>6,162,674</u>
Investment in perpetuity:		
Education support	6,317,380	6,299,264
Morale and wellness support	3,073,572	1,454,481
Full mission support	489,761	489,761
Subtotal	<u>9,880,713</u>	<u>8,243,506</u>
Total net assets with donor restrictions	<u>\$ 17,304,985</u>	<u>\$ 14,406,180</u>

As of December 31, 2023 and 2022, net assets available for expenditure for a specified purpose includes \$4,848,667 and \$3,705,348, respectively, which is subject to the Foundation's endowment spending policy.

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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, the passage of time or by occurrence of events specified by donors. The amounts released during the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Education support	\$ 952,762	\$ 904,966
Morale and wellness support	1,321,165	1,091,092
Family support and community building	503,853	540,808
Accelerated growth plan	<u>592,253</u>	<u>207,596</u>
Total	<u>\$ 3,370,033</u>	<u>\$ 2,744,462</u>

9. GIFTS IN-KIND

The Foundation receives various gifts in-kind which are recognized using the accounting policy described in Note 1. For the years ended December 31, 2023 and 2022, gifts in-kind consisted of the following and were utilized in the year in which they were received.

	<u>2023</u>	<u>2022</u>
Without donor restrictions -		
Advertising and other services	\$ 93,215	\$ 101,236
With donor restrictions:		
Air time for public service announcements	-	2,232,283
Consumer goods	132,748	97,365
Total	<u>132,748</u>	<u>2,329,648</u>
Total gifts in-kind	<u>\$ 225,963</u>	<u>\$ 2,329,648</u>

Prior to 2023, the Foundation participated in a public service announcement (PSA) program which provided free airtime broadcasted on participating television stations. The Foundation incurred additional public awareness costs related to this free airtime due to the cost of developing and creating the PSA content including contracting with a PSA marketing firm. Beginning in mid-2022, the Foundation has shifted its spending from producing and marketing for the PSA program to digital advertising which is a more direct means of reaching donors and prospective donors. As a result, the Foundation no longer participates in the PSA program.

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10. ENDOWMENT

The Foundation's endowment includes both donor-restricted endowment funds and funds without donor restrictions designated by the Board of Directors to provide income for Foundation purposes. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation is subject to the Massachusetts Uniform Prudent Management Institutional Funds Act (MA UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Foundation has interpreted MA UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be a fund with deficiency if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted MA UPMIFA to permit spending from funds with deficiencies in accordance with the prudent measures required under the law.

Additionally, in accordance with MA UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policy of the Foundation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the organization to retain as a fund of perpetual duration. As of December 31, 2023, there were no deficiencies due to the losses from investment holdings. As of December 31, 2022, there was approximately \$144,000 of deficiencies due to the losses from investment holdings.

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Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested with a goal of capital enhancement and preservation over time, both in nominal and real terms while minimizing volatility through diversification and a sound asset allocation policy.

The long-term goal of the endowment fund is a total return target of 6% to 8%, net of inflation and expenses, compounded annually. Total returns include investment income plus realized and unrealized gains and losses on endowment fund assets. Actual returns in any given year may vary from this goal.

The investment manager operates within specific guidelines that are determined by the investment committee and described in the investment policy statement. Such statement is periodically reviewed and updated. Investment performance for each asset class is measured against an appropriate index. It is expected that the equity holdings will outperform their respective relevant benchmark over a normal market cycle of three to five years.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Distributions of assets for any calendar year shall not exceed any of the following guidelines:

- An amount not to exceed 5% of the three year average market value of the endowment funds as of December 31st of the previous years. The Foundation understands that a period of depressed investment values, absent new endowment gifts, will result in decreased distributions.
- In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 2% to 3% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.
- The Foundation has a policy that permits spending from funds with deficiency depending on the degree to which the fund is deficient, unless otherwise precluded by donor intent or relevant laws and regulations.

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- In no case will any donor-imposed restriction on any funds in the endowment be compromised. The policy does not apply to, and therefore does not limit the specific use of, restricted funds as specified by the donor.

Board Designated Endowment Funds

As of December 31, 2023 and 2022, the endowment included board designated endowment funds of \$4,836,552 and \$3,187,560, respectively. The board has provided that such funds are to be appropriated for expenditure using the same spending policy that applies to donor designated funds.

Changes in Endowment Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ 4,234,957	\$ 12,117,039	\$ 16,351,996
Investment return, net	(679,848)	(1,641,192)	(2,321,040)
Contributions received and invested	188,725	646,941	835,666
Appropriation for expenditure in accordance with spending policy	483,239	(493,907)	(10,668)
Endowment net assets, December 31, 2022	4,227,073	10,628,881	14,855,954
Investment return, net	655,298	1,580,468	2,235,766
Contributions received and invested	-	1,718,831	1,718,831
Appropriation for expenditure in accordance with spending policy	(45,819)	(880,206)	(926,025)
Earnings added to corpus in accordance with donor stipulation	-	7,704	7,704
Endowment net assets, December 31, 2023	\$ 4,836,552	\$ 13,055,678	\$ 17,892,230

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11. SPECIAL EVENTS

The Foundation holds a number of special events in order to generate awareness and raise funds. For the years ended December 31, 2023 and 2022, special events revenue, net consisted of the following:

	2023	2022
Gross receipts generated by special events:		
Benefits received by participants	\$ 721,550	\$ 569,640
Contribution revenue	2,438,301	2,677,764
Total gross receipts	<u>3,159,851</u>	<u>3,247,404</u>
Less direct expenses incurred by:		
Program services	(727,832)	(585,849)
Development and fundraising (includes facility, entertainment and other costs)	<u>(1,198,336)</u>	<u>(1,251,610)</u>
Special events revenue, net	<u>\$ 1,233,683</u>	<u>\$ 1,409,945</u>

12. EMPLOYEE BENEFIT PLAN

The Foundation has a defined contribution retirement plan covering substantially all employees. Such plan qualifies under Section 403(b) of the Internal Revenue Code. Under the plan, the Foundation will make a matching contribution for each eligible participant up to a maximum of 4% of each participant's eligible compensation. For the years ended December 31, 2023 and 2022, the Foundation's contributions to the plan amounted to approximately \$93,300 and \$83,800, respectively.

13. COMMITMENT

Private Equity Fund

A private equity investment is generally made through a limited partnership. Under the terms of the agreement with the private equity fund, the Foundation is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. The private equity fund has a limited existence (dissolution is scheduled for November 10, 2033) and provides for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The Foundation cannot anticipate such changes because they are based on unforeseen events, but should they occur they may result in less liquidity or return from the investment than originally anticipated. As a result, the timing and amount of

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future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The amount of the unfunded commitment associated with the private equity investment as of December 31, 2023 was \$523,393.

14. ALLOCATION OF JOINT COSTS

The Foundation conducted activities that included appeals for contributions and in connection incurred joint costs. These activities included the publication of press releases and public announcements, newsletters and the annual report. For the years ended December 31, 2023 and 2022, the approximate allocation of joint costs are as follows:

	2023	2022
Program services	\$ 424,310	\$ 255,810
Support services:		
Administrative and general	20,920	13,280
Development and fundraising	406,070	217,780
Total approximate joint costs	<u>\$ 851,300</u>	<u>\$ 486,870</u>

15. RISKS AND UNCERTAINTIES

Concentrations of Credit, Market and Interest Rate Risks

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, investments and unconditional promises to give. Investments are also exposed to other risks such as market and interest rate risks.

Cash and cash equivalents subject the Foundation to credit risk in that, from time to time, cash deposits exceed the insurance coverage. As of December 31, 2023, the Foundation had cash deposits of approximately \$454,900 at one financial institution in excess of the insurance limit. Management considers such circumstances to be normal business risks.

As of December 31, 2023, investments consisted of a diversified portfolio of mutual funds, money market accounts, certificates of deposits, government securities, and a private equity fund. Management believes the diversity of the portfolio minimizes the risk of loss.

As of December 31, 2023, the Foundation had unconditional promises to give from two donors representing approximately 44% and 23% of total unconditional promises to give. The Foundation believes such amounts are fully collectible. Further, the Foundation does not have a history of significant bad debt write-offs.

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