

# **Navy League of the United States and Affiliates**

Consolidated Financial Report  
December 31, 2019

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## Independent Auditor's Report

Board of Directors  
Navy League of the United States

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Navy League of the United States and Affiliates (the League), which comprise the consolidated statement of financial position as of December 31, 2019, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the League as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the League's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Emphasis of Matter**

As disclosed in Note 1 to the consolidated financial statements, the League adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* and applied this retrospectively to 2018. Our opinion is not modified with respect to this matter.

*RSM US LLP*

McLean, Virginia  
August 10, 2020

## Navy League of the United States and Affiliates

### Consolidated Statement of Financial Position December 31, 2019 (With Comparative Totals for 2018)

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,719,633	\$ 6,271,503
Receivables, net	1,226,596	1,675,994
Promises to give	1,500	120,650
Prepaid expenses	313,993	205,104
<b>Total current assets</b>	<b>7,261,722</b>	<b>8,273,251</b>
Non-current assets:		
Investments	16,036,183	13,589,900
Cash surrender value of life insurance policy	144,378	135,392
Painting	42,000	42,000
Escrows – taxes, insurance, repairs and other	1,933,260	1,550,855
Deferred rent receivable	5,296,106	5,554,756
Leasing commissions, net of amortization	1,343,255	1,267,271
Property and equipment, net	34,533,718	35,212,474
<b>Total non-current assets</b>	<b>59,328,900</b>	<b>57,352,648</b>
<b>Total assets</b>	<b>\$ 66,590,622</b>	<b>\$ 65,625,899</b>
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,950,842	\$ 1,541,462
Accrued interest payable	255,130	255,130
Line of credit, current portion	1,000	57,905
Deferred revenue, current portion	4,722,232	5,160,415
<b>Total current liabilities</b>	<b>6,929,204</b>	<b>7,014,912</b>
Non-current liabilities:		
Note payable, non-current portion, net of loan costs	59,832,754	59,777,673
Deferred revenue, non-current portion	112,204	103,932
Security deposits	192,025	314,898
Prepaid assessments	183,032	183,032
<b>Total non-current liabilities</b>	<b>60,320,015</b>	<b>60,379,535</b>
<b>Total liabilities</b>	<b>67,249,219</b>	<b>67,394,447</b>
Commitments and contingencies (Notes 6 and 10)		
Net assets (deficit):		
Without donor restrictions	(1,378,476)	(2,444,304)
With donor restrictions	719,879	675,756
<b>Total net assets (deficit)</b>	<b>(658,597)</b>	<b>(1,768,548)</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 66,590,622</b>	<b>\$ 65,625,899</b>

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Consolidated Statement of Activities Year Ended December 31, 2019 (With Comparative Totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Building rental income	\$ 5,696,242	\$ -	\$ 5,696,242	\$ 6,866,644
Sea-Air-Space Exposition	6,106,370	-	6,106,370	6,067,599
Membership dues	1,261,266	-	1,261,266	1,582,950
Expense recoveries from tenants	680,978	-	680,978	694,469
Parking contract income	609,394	-	609,394	684,833
Contributions	429,234	-	429,234	408,462
Publications – Seapower	309,286	-	309,286	429,330
Navy Ball	196,838	-	196,838	178,750
Royalty and other income	206,974	-	206,974	156,742
Assessment income	79,974	-	79,974	123,572
International exposition	750	-	750	12,000
Net assets released from restrictions	-	-	-	-
<b>Total revenue and support</b>	<b>15,577,306</b>	<b>-</b>	<b>15,577,306</b>	<b>17,205,351</b>
Expenses:				
Program services:				
Seapower magazine	865,918	-	865,918	1,001,459
Legislative affairs	271,824	-	271,824	256,678
Events	3,366,202	-	3,366,202	3,907,190
<b>Total program services</b>	<b>4,503,944</b>	<b>-</b>	<b>4,503,944</b>	<b>5,165,327</b>
Support services:				
Membership recruitment	413,693	-	413,693	390,443
Building operations	7,638,811	-	7,638,811	7,759,499
Fundraising	523,876	-	523,876	550,376
Management and general	3,861,550	-	3,861,550	2,480,547
<b>Total support services</b>	<b>12,437,930</b>	<b>-</b>	<b>12,437,930</b>	<b>11,180,865</b>
<b>Total expenses</b>	<b>16,941,874</b>	<b>-</b>	<b>16,941,874</b>	<b>16,346,192</b>
<b>Change in net assets before other changes</b>	<b>(1,364,568)</b>	<b>-</b>	<b>(1,364,568)</b>	<b>859,159</b>
Other changes:				
Investment income (loss), net	2,430,396	44,123	2,474,519	(1,167,998)
<b>Total other changes</b>	<b>2,430,396</b>	<b>44,123</b>	<b>2,474,519</b>	<b>(1,167,998)</b>
<b>Change in net assets</b>	<b>1,065,828</b>	<b>44,123</b>	<b>1,109,951</b>	<b>(308,839)</b>
Net assets (deficit):				
Beginning	(2,444,304)	675,756	(1,768,548)	(1,459,709)
Ending	\$ (1,378,476)	\$ 719,879	\$ (658,597)	\$ (1,768,548)

See notes to consolidated financial statements.

**Navy League of the United States and Affiliates**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019									2018 Total
	Program Services			Supporting Services						
	Seapower Magazine	Legislative Affairs	Events	Membership	Building Operations	Fundraising	Management and General	Total		
Salaries and benefits	\$ 319,977	\$ 153,458	\$ 342,521	\$ 210,855	\$ -	\$ 259,237	\$ 2,348,125	\$ 3,634,173	\$ 2,932,230	
Travel and meetings	2,863	3,217	2,299,987	43	-	6,570	89,677	2,402,357	2,137,576	
Consulting and professional services	135,638	-	206,447	2,000	-	-	167,163	511,248	1,025,150	
Other expenses	1,512	32,025	-	14,158	581,542	16,864	577,804	1,223,905	1,021,878	
Office expenses	206,546	-	43,053	4,724	-	15,370	436,345	706,038	528,685	
Support to USNSCC	-	-	-	-	-	-	448,300	448,300	610,505	
Equipment and software	-	-	-	-	-	-	105,561	105,561	207,571	
Advertising	-	-	118,496	-	-	9,126	8,160	135,782	132,268	
Telecom and web services	21,957	-	-	-	-	16,914	119,315	158,186	82,539	
Subscriptions and membership dues	-	30,016	-	-	-	-	5,436	35,452	22,797	
Interest expense	-	-	-	-	3,059,031	-	-	3,059,031	3,079,285	
Depreciation and amortization	-	-	-	-	1,904,716	-	212,212	2,116,928	2,209,214	
Property taxes	-	-	-	-	978,093	-	-	978,093	973,083	
Condominium operations	-	-	-	-	1,115,429	-	-	1,115,429	1,383,411	
Bad debt expense	-	-	-	-	-	-	311,391	311,391	-	
Allocated costs	177,425	53,108	355,698	181,913	-	199,795	(967,939)	-	-	
<b>Total expenses</b>	<b>\$ 865,918</b>	<b>\$ 271,824</b>	<b>\$ 3,366,202</b>	<b>\$ 413,693</b>	<b>\$ 7,638,811</b>	<b>\$ 523,876</b>	<b>\$ 3,861,550</b>	<b>\$ 16,941,874</b>	<b>\$ 16,346,192</b>	

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Consolidated Statement of Cash Flows Year Ended December 31, 2019 (With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,109,951	\$ (308,839)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(2,174,651)	1,283,007
Unrealized loss on cash surrender value of life insurance policy	(8,986)	16,660
Depreciation and amortization, property and equipment	1,916,784	2,007,018
Bad debt expense	311,391	-
Amortization of leasing commissions	220,653	202,196
Amortization of loan costs	55,081	65,292
Decrease in allowance for doubtful accounts	-	-
Deferred rent receivable	258,650	53,004
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	138,007	196,483
Promises to give	119,150	(106,600)
Prepaid expenses	(108,889)	181,616
Leasing commissions	(296,637)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	154,434	74,597
Deferred revenue	(429,911)	218,019
<b>Net cash provided by operating activities</b>	<b>1,265,027</b>	<b>3,882,453</b>
Cash flows from investing activities:		
Purchase of property and equipment	(983,082)	(908,634)
Purchase of investments	(306,907)	(172,756)
Proceeds from sales/maturities of investments	35,275	161,863
<b>Net cash used in investing activities</b>	<b>(1,254,714)</b>	<b>(919,527)</b>
Cash flows from financing activities:		
Payments on line of credit	(56,905)	(475,000)
(Refund) collection of security deposits, net	(122,873)	8,436
<b>Net cash used in financing activities</b>	<b>(179,778)</b>	<b>(466,564)</b>
<b>Net (decrease) increase in cash and cash equivalents and cash held in escrows - taxes, insurance, repairs and other</b>	<b>(169,465)</b>	<b>2,496,362</b>
Cash and cash equivalents and cash held in escrows - taxes, insurance, repairs and other:		
Beginning	7,822,358	5,325,996
Ending	\$ 7,652,893	\$ 7,822,358
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,005,656	\$ 2,758,863
Supplemental schedule of noncash investing and financing activities:		
Tenant improvements included in accounts payable	\$ 254,946	\$ -

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** The Navy League of the United States (the Navy League) is an educational organization whose primary objective is to be a source of information to the general public, U.S. Congress, defense and other homeland security related organizations concerning the importance of sea power to the nation's national and economic security. The Navy League also provides, through its council network, direct assistance to the men and women of the sea services. Additionally, it sponsors a number of scholarships, public recognition and youth programs that are geared towards support of the sea services. The Navy League's councils are separate, independent organizations around the world that help enhance the Navy League's mission. Finally, the Navy League serves as an advocate for the sea services in various public forums.

The Navy League Building LLC (the LLC) is a limited liability company organized in the State of Delaware. The LLC's primary purpose is to own, operate, lease, sell, manage and/or develop commercial real estate. The Navy League is the sole member of the LLC.

The Navy League Development Corporation (NLDC) is a company organized in the Commonwealth of Virginia. NLDC's primary business purpose is to own, operate, lease and manage parking facilities. The LLC is the sole owner of NLDC.

The Navy League Building Condominium Unit Owners Association (the Association) is an unincorporated association organized in the Commonwealth of Virginia. The Association's primary business is to operate and manage the Navy League Building. The Association is 96% owned by the LLC and NLDC.

A summary of the Navy League's significant accounting policies follows:

**Basis of accounting:** The consolidated financial statements are prepared on the accrual basis of accounting, whereby support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

**Principles of consolidation:** The accompanying consolidated financial statements include the accounts of the Navy League, the LLC, NLDC and the Association (collectively, the League). All significant intercompany transactions have been eliminated in the consolidation.

**Basis of presentation:** The League reports information regarding its financial position and activities according to two classes of net assets: with or without donor restrictions.

**Cash and cash equivalents:** For the purpose of reporting cash flows, the League considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash in checking accounts and money market funds. Money market funds held as a part of the investment portfolio are included with the investments.

**Financial risk:** The League maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The League has not experienced any losses in such accounts. The League believes it is not exposed to any significant credit risk on cash.

The League invests in a professionally managed portfolio that includes mutual funds, corporate bonds and equity securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances reported in the consolidated financial statements.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

**Investments:** Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of the investments, unrealized gains and losses are reported in the consolidated statement of activities as other changes.

**Receivables:** Receivables are carried at original invoice amounts less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The provision for doubtful accounts, based on management's evaluation of the collectability of receivables, was \$17,000 at December 31, 2019.

**Promises to give:** Unconditional promises to give are recorded as receivables and support when received. Management determines the allowance for doubtful promises to give by regularly evaluating individual promises to give and considering the prior history of the donor from past donations. Promises to give are written-off when deemed uncollectible. There was no allowance for doubtful promises at December 31, 2019.

**Deferred rent receivable:** Rental income is reported on a straight-line basis over the lease term, which gives rise to a deferred rent receivable.

**Property and equipment:** The League capitalizes all property and equipment purchased with a cost of \$500 or more. Property and equipment are stated at cost less accumulated depreciation. Depreciation on property and equipment is calculated on a straight-line basis and declining balance methods over the estimated useful lives of the assets.

**Valuation of long-lived assets:** The League reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. Management concluded there were no impairments for the year ended December 31, 2019.

**Capitalized leasing commissions:** The costs associated with obtaining leases for the LLC's building have been capitalized and amortized over the lives of the applicable leases using the straight-line method. The accumulated amortization for lease commissions totaled \$6,131,659 at December 31, 2019.

**Loan costs:** Loan costs are being amortized using the effective interest method over a period of 10 years (the life of the loan). The accumulated amortization for loan costs totaled \$281,482 at December 31, 2019. Unamortized loan costs are reported with notes payable.

**Escrow accounts:** As part of the mortgage note, the League is required to deposit monthly an estimate of costs for future payments for real estate taxes, insurance, capital repairs and replacements, tenant improvements and leasing commissions. These amounts that are included in escrows – taxes, insurance, repairs and other totaled \$1,933,260 at December 31, 2019.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

**Life members:** The Navy League's Operations Manual requires distribution of: (1) a one-time rebate to councils upon initial membership of a life member, (2) a one-time distribution to the general operation fund to cover the first year processing and service, (3) a one-time contribution into the life member escrow investment fund (which is included within investments in the consolidated statement of financial position) and (4) the balance of the proceeds is invested in the life member investment fund. The council associated with the life member receives an annual pro-rata distribution over the period of the life membership from the escrow investment fund. This escrow distribution is delineated in the Navy League's Operations Manual as a portion of life member dues (ages 76 and above: \$147.50/life member) (ages 56-75: \$247.50/life member) (ages 55 and below: \$297.50/life member) invested into an escrow account and subsequently distributed to councils in good standing with life members over the period of the life membership. The accrued annual distribution was \$56,136 for the year ended December 31, 2019.

**Revenue and support:** Rental income from the building's leases is recognized on a straight-line basis over the life of the lease. Expense recoveries from tenants are recognized the year the related expenses are incurred.

Publications revenue is recognized on publications at a point in time when they are published and distributed.

Sea-Air-Space Exposition, international exposition, and Navy Ball revenue are recognized in the year the events occur and recognized over time. Amounts received in advance are recorded as deferred revenue.

The Navy League has various types of memberships available to its members. Revenue for annual memberships is recognized beginning on the member start date at a 1/12 interval for the next 12 months for members whose dues have been received. Revenue from two- and three-year memberships is recognized on a straight-line basis over the membership period beginning in the year received. Membership dues at each type include various benefits available to the members and satisfied over time of the membership period. The benefits are considered substantially the same and as such one performance obligation. Revenue from life memberships is recognized on a straight-line basis over a 10-year period beginning in the year received. Benefits are available to the members to utilize for the rest of their lives which is estimated as a 10-year time frame and therefore revenue recognized over time as benefits are provided.

Parking income is recognized as services are utilized or monthly per contracted terms. Prices are fixed for the contracts and revenue recognized over time.

There are limited economic factors that would affect the nature, amount and timing of cash flows or uncertainty or revenue recognition. The Navy League did not have any impairment or credit losses on any receivables arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components or variable considerations in pricing.

Unconditional contributions received are recorded as net assets with or without donor restrictions, depending on the existence (or nature of) any donor restrictions.

**Net assets:** In the accompanying consolidated financial statements, net assets have been classified based on donor-imposed restrictions. The classes of net assets and the description of transactions that result in changes therein are as follows:

**Net assets without donor restrictions:** Represents funds available at the Board and management's discretion to fund the League's general operations.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

**Net assets with donor restrictions:** Represents net assets resulting from contributions whose use is limited by the donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by the League's actions pursuant to those stipulations. Certain donor restricted net assets include contributions restricted by the donor to be held in perpetuity and include the unappropriated earnings on those funds.

**Functional allocation of expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salary and benefit costs are allocated based on estimates of time and effort. Occupancy, depreciation and amortization costs are allocated based on head count and estimates of time and effort.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Prior year information:** The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the League's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Reclassification:** Certain items in the December 31, 2018, summarized comparative information have been reclassified to comply with the current year presentation. These reclassifications had no effect on the previously reported change in net assets or net assets (deficit).

**Income taxes:** The Navy League is exempt from federal income tax, except on income from unrelated business activities, under Section 501(c)(3) of the Internal Revenue Code (IRC). The Navy League has been determined by the Internal Revenue Service (IRS) not to be a private foundation under Section 509(a)(1) of the IRC.

The LLC is a single member limited liability company for federal and state income tax purposes and, as such, it is treated as a disregarded entity for income tax reporting purposes. Consequently, income tax attributes flow through to the Navy League. There was no income tax expense reported for the year ended December 31, 2019. The LLC's net operating losses totaled approximately \$16.1 million at December 31, 2019 and will begin to expire in 2022. The LLC has recorded a full valuation allowance against these potential deferred tax assets based upon consideration of all available evidence as it is expected that the benefit will not be fully realized. As a result, the LLC's statements reflect no deferred tax assets on a net basis as of December 31, 2019.

NLDC is a C corporation and files income tax returns in the U.S. federal jurisdiction and the Commonwealth of Virginia. There was no income tax expense reported for the year ended December 31, 2019.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

The Association was classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2019. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. The Association qualifies as a tax-exempt homeowners' association under Section 528 of the IRC. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxable. The Association had no net unrelated business income for the year ended December 31, 2019.

The League follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The League may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated all entities' tax positions and concluded that all the entities had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, all entities are no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2016.

**Adopted accounting pronouncements:** In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, including updates in 2016 and 2015, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The League adopted the standard in 2019 on a modified retrospective basis. Based on the League's review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under ASU 2014-09. The adoption of this guidance had no impact on the consolidated financial statements of financial position or activities but resulted in enhanced disclosures.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the consolidated statement of cash flows. The League as adopted the ASU during the year ended December 31, 2019, and retrospectively applied this ASU to all periods presented. The adoption of this ASU resulted in a restatement of cash and cash equivalents and cash held in escrows – taxes, insurance, repairs and other in the consolidated statements of cash flows as of January 1, 2017 in the amount of \$1,287,904.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*. This new standard will clarify the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transaction should be accounted for as contributions (nonreciprocal transactions) within the scope, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The League adopted the ASU during the year ended December 31, 2019, on a modified prospective basis, for transactions in which it serves as both the resource recipient and resource provider. The adoption of this guidance had no impact on the consolidated financial statements of financial position or activities.

**Recent accounting pronouncement:** In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. Changes to the lessor accounting model include:

(a) synchronizing key aspects of the model with the new revenue recognition guidance, such as basing whether a lease is similar to a sale on whether control of the underlying asset has transferred to the lessee and (b) prospectively eliminating the specialized accounting for leveraged leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective on January 1, 2022, with early adoption permitted. The League is in the process of evaluating the impact of this new guidance.

**Subsequent events:** The League evaluated subsequent events through August 10, 2020, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Receivables

Receivables consist of the following at December 31, 2019:

Sea-Air-Space Exposition	\$ 1,040,785
Seapower advertising	37,032
Parking income receivable	41,679
Due from Foundation to the League	3,633
Tenant rent receivable	107,080
Assessment dues	2,703
Other	10,684
	<hr/>
	1,243,596
Allowance for doubtful accounts	17,000
	<hr/>
	<u>\$ 1,226,596</u>

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

#### Note 3. Investments and Fair Value Measurements

Fair value is defined as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities

**Level 2:** Observable market based inputs or unobservable inputs corroborated by market data

**Level 3:** Unobservable inputs that are not corroborated by market data

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The League's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2019:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 2,309,676	\$ -	\$ -	\$ 2,309,676
Equity securities:				
U.S. large cap	5,265,132	-	-	5,265,132
U.S. mid cap	1,348,806	-	-	1,348,806
U.S. small cap	725,448	-	-	725,448
Europe, Asia and Far East (EAFE)	2,283,961	-	-	2,283,961
Foreign equities	444,695	-	-	444,695
Emerging market	928,256	-	-	928,256
Global equities	164,377	-	-	164,377
	<u>11,160,675</u>	<u>-</u>	<u>-</u>	<u>11,160,675</u>
Fixed income:				
Corporate bonds	-	871,170	-	871,170
Real estate and infrastructure fund	19,256	-	-	19,256
Total investments	<u>\$ 13,489,607</u>	<u>\$ 871,170</u>	<u>\$ -</u>	<u>14,360,777</u>
Cash and cash equivalents in investment portfolios				<u>1,675,406</u>
Total cash and investments in investment portfolios				<u>\$ 16,036,183</u>

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 3. Investments and Fair Value Measurements (Continued)

Equity securities and mutual funds are classified as Level 1 instruments as there are quoted market prices in active markets for identical assets. The corporate bonds receive interest income based on their stated interest rates and are classified as Level 2 instruments, as there are no quoted market prices in active markets for identical assets. The value is determined using models and other valuation methodologies, which are corroborated by market data.

For the year ended December 31, 2019, net investment income consists of the following:

Realized/unrealized gain on investments	\$ 2,174,651
Interest and dividend income	345,921
Investment expense	(46,053)
	<u>\$ 2,474,519</u>

#### Note 4. Property and Equipment

Property and equipment, primarily held for lease (see Note 7), consists of the following at December 31, 2019:

Asset category:	Estimated Lives	Cost	Accumulated Depreciation and Amortization	Net
Land	-	\$ 4,102,268	\$ -	\$ 4,102,268
Land improvements	15 years	994,532	894,244	100,288
Building	39 years	37,988,415	13,496,354	24,492,061
Tenant improvements	5-10 years	16,751,704	10,952,626	5,799,078
Building information systems and software	3-5 years	4,130,254	4,130,254	-
Computer equipment, furniture and fixture	5-7 years	987,754	947,731	40,023
		<u>\$ 64,954,927</u>	<u>\$ 30,421,209</u>	<u>\$ 34,533,718</u>

Depreciation and amortization expense was \$1,916,784 for the year ended December 31, 2019.

#### Note 5. Deferred Revenue

Deferred revenue consists of the following at December 31, 2019:

Sea-Air-Space Exposition	\$ 4,207,900
Membership dues	590,385
Other	36,151
	<u>\$ 4,834,436</u>

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 6. Debt

**Line of credit:** The Navy League has a line of credit with a bank. The total amount available under the line is \$5,400,000. The amount due under the line at December 31, 2019, was \$1,000. The line bears interest at a fixed rate per annum equal to the adjusted London InterBank Offered Rate (LIBOR) plus 0.90% or a fixed rate per annum equal to the offer rate loan. The rate in effect ranged from 2.71% to 2.84% for the year ended December 31, 2019. The investment accounts held at this bank are held as collateral for this loan and are subject to certain loan-to-value covenants as determined by the bank from time to time. The line of credit expires on October 31, 2020.

**Notes payable:** The LLC has a loan with a bank. The amount borrowed from the bank loan was \$60,000,000. At December 31, 2019, the loan bears interest at 4.938% and interest only is due monthly until January 2021 at which time monthly payments of principal and interest are payable in the amount of \$319,823. The principal of the loan matures on December 1, 2025. Certain real estate of the LLC, including the building, equipment, escrows and future rental receipts on leases are pledged as collateral for the loan. The loan is subject to certain debt covenants as determined by the bank from time to time.

Total interest expense incurred on all debt during the year ended December 31, 2019, was \$3,060,737.

Notes payable as of December 31, 2019, consists of the following:

Principal amount	\$ 60,000,000
Less unamortized loan costs	(167,246)
	<u>\$ 59,832,754</u>

Future maturities on the notes payable at December 31, 2019, are due as follows:

Years ending December 31:	
2020	\$ -
2021	785,732
2022	893,705
2023	939,490
2024	979,470
Thereafter	56,401,603
	<u>\$ 60,000,000</u>

#### Note 7. Leasing Arrangements as Lessor

The LLC leases space in a building it owns to several tenants. The leases expire through October 2032. Rental income under these leases, exclusive of the Navy League lease, was \$5,696,242 for the year ended December 31, 2019.

On January 28, 2020, the LLC executed a new 12-year lease with a tenant to expire in October 2032. The LLC will provide up to \$2,548,890 of tenant improvement allowance.

The future minimum rent to be received for these leases is included in the schedule below and includes the newly executed lease in January 2020.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 7. Leasing Arrangements as Lessor (Continued)

The minimum rental receipts as of December 31, 2019, to be received in future years are as follows:

Years ending December 31:	
2020	\$ 5,922,644
2021	6,227,470
2022	7,296,182
2023	7,483,141
2024	7,626,221
Thereafter	24,014,178
	<u>\$ 58,569,836</u>

#### Note 8. Retirement Plan

The Navy League maintains a 403(b) defined contribution plan (DC Plan) and a tax deferred annuity plan (TOA Plan) for employees meeting eligibility requirements as defined in the plans. The TOA Plan permits voluntary employee contributions; the DC Plan provides for a fully-vested, non-elective employer contribution of various percentages of eligible employee compensation for the plan year. Employer contributions to the DC Plan were \$86,833 for the year ended December 31, 2019.

#### Note 9. Related Parties

The Navy League is related to the Navy League Foundation (the Foundation) through common Board membership. During the year ended December 31, 2019, certain employees spent a portion of their time on Foundation activities. The Navy League provided \$30,000 in management services, of which \$1,032 was donated to the Foundation. The Navy League incurred additional costs for the Foundation that are payable to the League at December 31, 2019, in the amount of \$3,633.

The Navy League is also related to the U.S. Naval Sea Cadet Corps (USNSCC) through common Board membership and shared facilities. A portion of USNSCC's funding is provided through a grant from the Navy League. During the year ended December 31, 2019, the Navy League contributed \$448,300 directly to USNSCC. The Navy League provides office space and other indirect support, valued at \$153,149, free of charge to USNSCC. USNSCC also purchases equipment and services from the Navy League.

#### Note 10. Commitments

The Navy League has contracted with various hotels for space for its conventions. In the event that the Navy League cancels or reduces its contracted room nights, the Navy League may be liable, in future years, for attrition fees for all rooms that the hotel will not be able to resell.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 11. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions for the year ended December 31, 2019, by type of donor restriction/purpose, are as follows:

	Balance December 31, 2018	Additions	Expense/ Restriction Accomplished	Balance December 31, 2019
Purpose-restricted:				
America Strength	\$ 116,813	\$ 17,316	\$ -	\$ 134,129
Safety awards fund	66,407	8,073	-	74,480
Advocacy	11,364	-	-	11,364
Handclasp	11,014	91	-	11,105
STEM	7,310	-	-	7,310
Endowments:				
Awards and youth programs	364,163	13,969	-	378,132
Oceanic education	64,385	4,674	-	69,059
Time-restricted:				
President's Circle	33,300	-	-	33,300
Donor cultivation	1,000	-	-	1,000
	<u>\$ 675,756</u>	<u>\$ 44,123</u>	<u>\$ -</u>	<u>\$ 719,879</u>

The Navy League has interpreted the Virginia-enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as net assets with donor restrictions that are permanent in nature: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment remains in the restricted endowment until those amounts are appropriated for expenditure by the League in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Navy League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The purposes of the League's endowment funds
- The duration and preservation of the funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other available financial resources
- Investment policies

**Return objective and risk parameters:** The Navy League's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support its programs. The Navy League is primarily invested in publicly traded mutual funds, equities, money market funds and corporate bonds.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 11. Net Assets With Donor Restrictions (Continued)

**Spending policies:** The earnings from these endowments are available in support of programs of the Navy League. The Navy League may appropriate the entire balance of the annual earnings to be available for the programs listed below.

The Navy League's endowment funds consist of the following at December 31, 2019:

Awards and youth programs	\$ 378,132
Oceanic education	69,059
	<u>\$ 447,191</u>

Changes in the endowment during 2019 are as follows:

Endowment net assets, beginning of year	\$ 428,548
Investment income, net	18,643
Endowment net assets, end of year	<u>\$ 447,191</u>

The activity for the restricted endowment funds is classified within the awards and youth programs category and oceanic education category.

#### Note 12. Liquidity and Availability of Financial Assets

The League regularly monitors liquidity to meet its annual operating needs and other contractual commitments. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 5,719,633
Receivables, net	1,226,596
Promises to give	1,500
Investments	16,036,183
Cash surrender value of life insurance policy	144,378
Escrows – taxes, insurance, repairs and other	1,933,260
Total financial assets available	<u>25,061,550</u>
Less those available for general expenditure within one year due to contractual or imposed restrictions:	
Cash surrender value of life insurance policy	(144,378)
Escrows – taxes, insurance, repairs and other	(1,933,260)
Net assets with donor restrictions	<u>(719,879)</u>
	<u>(2,797,517)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 27,859,067</u>

The League has various sources of liquidity at its disposal, including cash and cash equivalents, investments and a line of credit of \$5,400,000 less amount advanced of \$1,000 at December 31, 2019. The League assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations.

## **Navy League of the United States and Affiliates**

### **Notes to Consolidated Financial Statements**

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#### **Note 13. Subsequent Events**

In January 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and in March 2020, declared COVID-19 a pandemic. The impact of COVID-19 could negatively impact the League’s activities. Management is continually monitoring the impact of COVID-19 and will adjust activities should there be a significant impact on the economy.

Due to COVID-19, the Navy League cancelled their 2020 Sea-Air-Space event. Vendors who prepaid fees as of December 31, 2019 were provided the option to receive a refund or defer their funds to the 2021 event. As of report date, the vendors electing to receive refunds totaled approximately \$2,070,000.

In April 2020, the Navy League received a \$496,301 loan through the Paycheck Protection Program from the Small Business Administration which is expected to be forgiven.

## Independent Auditor's Report on the Supplementary Information

Board of Directors  
Navy League of the United States

We have audited the consolidated financial statements of Navy League of the United States and Affiliates as of and for the year ended December 31, 2019, and have issued our report thereon, dated August 10, 2020, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating and other supplementary information is presented for purposes of additional analysis rather than to present the financial position, results of activities and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating and other supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The summarized comparative information for the year ended December 31, 2018, was previously audited by us and, in our report dated July 29, 2019, we stated the 2018 information was fairly stated in all material respects in relation to the 2018 financial statements as a whole.

*RSM US LLP*

McLean, Virginia  
August 10, 2020

## Navy League of the United States and Affiliates

### Consolidating Schedule of Financial Position December 31, 2019

	Navy League of the United States	Navy League Building LLC	Navy League Development Corporation	Navy League Building Condo Unit Owners Association	Eliminations	Consolidated Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 2,171,307	\$ 3,130,092	\$ 401,787	\$ 16,447	\$ -	\$ 5,719,633
Receivables, net	1,193,142	1,175,416	715,993	778,216	(2,636,171)	1,226,596
Promises to give, net	1,500	-	-	-	-	1,500
Prepaid expenses	236,118	280	-	77,595	-	313,993
<b>Total current assets</b>	<b>3,602,067</b>	<b>4,305,788</b>	<b>1,117,780</b>	<b>872,258</b>	<b>(2,636,171)</b>	<b>7,261,722</b>
Non-current assets:						
Investments	19,339,625	9,804,466	-	-	(13,107,908)	16,036,183
Cash surrender value of life insurance policy	144,378	-	-	-	-	144,378
Painting	42,000	-	-	-	-	42,000
Escrows – taxes, insurance, repairs and other	-	1,933,260	-	-	-	1,933,260
Deferred rent receivable	-	6,377,052	-	-	(1,080,946)	5,296,106
Leasing commissions, net of amortization	-	1,343,255	-	-	-	1,343,255
Property and equipment, net	38,845	29,431,206	4,972,975	90,692	-	34,533,718
<b>Total non-current assets</b>	<b>19,564,848</b>	<b>48,889,239</b>	<b>4,972,975</b>	<b>90,692</b>	<b>(14,188,854)</b>	<b>59,328,900</b>
<b>Total assets</b>	<b>\$ 23,166,915</b>	<b>\$ 53,195,027</b>	<b>\$ 6,090,755</b>	<b>\$ 962,950</b>	<b>\$ (16,825,025)</b>	<b>\$ 66,590,622</b>
<b>Liabilities and Net Assets (Deficit)</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 968,730	\$ 1,429,152	\$ 1,409,213	\$ 779,918	\$ (2,636,171)	\$ 1,950,842
Accrued interest payable	-	255,130	-	-	-	255,130
Line of credit, current portion	1,000	-	-	-	-	1,000
Deferred revenue, current portion	4,722,232	-	-	-	-	4,722,232
<b>Total current liabilities</b>	<b>5,691,962</b>	<b>1,684,282</b>	<b>1,409,213</b>	<b>779,918</b>	<b>(2,636,171)</b>	<b>6,929,204</b>
Non-current liabilities:						
Note payable, non-current portion	-	59,832,754	-	-	-	59,832,754
Deferred revenue, non-current portion	112,204	-	-	-	-	112,204
Deferred rent liability	1,080,946	-	-	-	(1,080,946)	-
Security deposits	-	192,025	-	-	-	192,025
Prepaid assessments	-	-	-	183,032	-	183,032
<b>Total non-current liabilities</b>	<b>1,193,150</b>	<b>60,024,779</b>	<b>-</b>	<b>183,032</b>	<b>(1,080,946)</b>	<b>60,320,015</b>
<b>Total liabilities</b>	<b>6,885,112</b>	<b>61,709,061</b>	<b>1,409,213</b>	<b>962,950</b>	<b>(3,717,117)</b>	<b>67,249,219</b>
Net assets (deficit):						
Without donor restrictions	15,561,924	(8,514,034)	4,681,542	-	(13,107,908)	(1,378,476)
With donor restrictions	719,879	-	-	-	-	719,879
<b>Total net assets (deficit)</b>	<b>16,281,803</b>	<b>(8,514,034)</b>	<b>4,681,542</b>	<b>-</b>	<b>(13,107,908)</b>	<b>(658,597)</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 23,166,915</b>	<b>\$ 53,195,027</b>	<b>\$ 6,090,755</b>	<b>\$ 962,950</b>	<b>\$ (16,825,025)</b>	<b>\$ 66,590,622</b>

## Navy League of the United States and Affiliates

### Consolidating Schedule of Activities Year Ended December 31, 2019

	Navy League of the United States	Navy League Building LLC	Navy League Development Corporation	Navy League Building Condo Unit Owners Association	Eliminations	Consolidated Total
<b>Revenue and support:</b>						
Building rental income	\$ -	\$ 6,561,535	\$ -	\$ -	\$ (865,293)	\$ 5,696,242
Sea-Air-Space Exposition	6,106,370	-	-	-	-	6,106,370
Membership dues	1,261,266	-	-	-	-	1,261,266
Expense recoveries from tenants	-	680,978	-	-	-	680,978
Parking contract income	-	-	609,394	-	-	609,394
Contributions	429,234	-	-	-	-	429,234
Publications – Seapower	309,286	-	-	-	-	309,286
Navy Ball	196,838	-	-	-	-	196,838
Royalty and other income	161,783	-	-	45,191	-	206,974
Assessment income	-	-	-	1,931,745	(1,851,771)	79,974
International exposition	750	-	-	-	-	750
Navy League Building LLC asset management fee	289,125	-	-	-	(289,125)	-
<b>Total revenue and support</b>	<b>8,754,652</b>	<b>7,242,513</b>	<b>609,394</b>	<b>1,976,936</b>	<b>(3,006,189)</b>	<b>15,577,306</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Seapower magazine	964,610	-	-	-	(98,692)	865,918
Legislative affairs	301,910	-	-	-	(30,086)	271,824
Events	3,738,778	-	-	-	(372,576)	3,366,202
<b>Total program services</b>	<b>5,005,298</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(501,354)</b>	<b>4,503,944</b>
<b>Support services:</b>						
Membership recruitment	456,630	-	-	-	(42,937)	413,693
Building operations	-	7,802,771	-	1,976,936	(2,140,896)	7,638,811
Fundraising	581,859	-	-	-	(57,983)	523,876
Management and general	2,606,343	-	1,518,226	-	(263,019)	3,861,550
<b>Total support services</b>	<b>3,644,832</b>	<b>7,802,771</b>	<b>1,518,226</b>	<b>1,976,936</b>	<b>(2,504,835)</b>	<b>12,437,930</b>
<b>Total expenses</b>	<b>8,650,130</b>	<b>7,802,771</b>	<b>1,518,226</b>	<b>1,976,936</b>	<b>(3,006,189)</b>	<b>16,941,874</b>
<b>Change in net assets before other changes</b>	<b>104,522</b>	<b>(560,258)</b>	<b>(908,832)</b>	<b>-</b>	<b>-</b>	<b>(1,364,568)</b>
<b>Other changes:</b>						
Investment income, net	2,205,503	269,016	-	-	-	2,474,519
<b>Change in net assets</b>	<b>2,310,025</b>	<b>(291,242)</b>	<b>(908,832)</b>	<b>-</b>	<b>-</b>	<b>1,109,951</b>
<b>Net assets (deficit):</b>						
Beginning	13,971,778	(8,222,792)	5,590,374	-	(13,107,908)	(1,768,548)
Ending	\$ 16,281,803	\$ (8,514,034)	\$ 4,681,542	\$ -	\$ (13,107,908)	\$ (658,597)

Navy League of the United States

Schedule of Financial Position  
December 31, 2019  
(With Comparative Totals for 2018)

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,171,307	\$ 2,026,918
Receivables, net	1,193,142	1,600,638
Promises to give	1,500	120,650
Prepaid expenses	236,118	118,810
<b>Total current assets</b>	<b>3,602,067</b>	<b>3,867,016</b>
Non-current assets:		
Investments	19,339,625	17,156,367
Cash surrender value of life insurance policy	144,378	135,392
Painting	42,000	42,000
Property and equipment, net	38,845	58,990
<b>Total non-current assets</b>	<b>19,564,848</b>	<b>17,392,749</b>
<b>Total assets</b>	<b>\$ 23,166,915</b>	<b>\$ 21,259,765</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 968,730	\$ 954,924
Line of credit	1,000	57,905
Deferred revenue, current portion	4,722,232	5,160,415
<b>Total current liabilities</b>	<b>5,691,962</b>	<b>6,173,244</b>
Non-current liabilities:		
Deferred revenue, non-current portion	112,204	103,932
Deferred rent liability	1,080,946	1,010,811
<b>Total non-current liabilities</b>	<b>1,193,150</b>	<b>1,114,743</b>
<b>Total liabilities</b>	<b>6,885,112</b>	<b>7,287,987</b>
Net assets:		
Without donor restrictions	15,561,924	13,277,411
With donor restrictions	719,879	694,367
<b>Total net assets</b>	<b>16,281,803</b>	<b>13,971,778</b>
<b>Total liabilities and net assets</b>	<b>\$ 23,166,915</b>	<b>\$ 21,259,765</b>

**Navy League of the United States**

**Schedule of Activities**

**Year Ended December 31, 2019**

**(With Comparative Totals for 2018)**

	<b>2019</b>	<b>2018</b>
Revenue and support:		
Sea-Air-Space Exposition	\$ 6,106,370	\$ 6,067,599
Membership dues	1,261,266	1,582,950
Contributions	429,234	408,462
Publications – Seapower	309,286	429,330
Navy Ball	196,838	178,750
International exposition	750	12,000
Navy League Building LLC asset management fee	289,125	295,438
Royalty and other income	161,783	127,411
<b>Total revenue and support</b>	<b>8,754,652</b>	<b>9,101,940</b>
Expenses:		
Program services:		
Seapower magazine	964,610	1,115,948
Legislative affairs	301,910	286,022
Events	3,738,778	4,289,778
<b>Total program services</b>	<b>5,005,298</b>	<b>5,691,748</b>
Support services:		
Membership recruitment	456,630	435,079
Fundraising	581,859	613,296
Management and general	2,606,343	1,973,819
<b>Total support services</b>	<b>3,644,832</b>	<b>3,022,194</b>
<b>Total expenses</b>	<b>8,650,130</b>	<b>8,713,942</b>
<b>Change in net assets before other changes</b>	<b>104,522</b>	<b>387,998</b>
Other changes:		
Investment income (loss), net	2,205,503	(1,071,026)
<b>Total other changes</b>	<b>2,205,503</b>	<b>(1,071,026)</b>
<b>Change in net assets</b>	<b>2,310,025</b>	<b>(683,028)</b>
Net assets:		
Beginning	13,971,778	14,654,806
Ending	\$ 16,281,803	\$ 13,971,778

**Navy League of the United States**

**Schedule of Cash Flows  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,310,025	\$ (683,028)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,217	28,430
Unrealized/realized (gain) loss on investments	(1,954,517)	1,283,007
Unrealized (gain) loss on cash surrender value of life insurance policy	(8,986)	16,660
Deferred rent liability	70,135	87,105
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	407,496	77,274
Promises to give	119,150	(106,600)
Prepaid expenses	(117,308)	161,427
Increase in:		
Accounts payable and accrued expenses	13,806	119,706
Deferred revenue	(429,911)	218,019
<b>Net cash provided by operating activities</b>	<b>431,107</b>	<b>1,202,000</b>
Cash flows from investing activities:		
Purchase of property and equipment	(1,072)	(6,658)
Purchase of investments	(264,016)	(172,756)
Proceeds from sales/maturities of investments	35,275	65,104
<b>Net cash used in investing activities</b>	<b>(229,813)</b>	<b>(114,310)</b>
Cash flows from financing activities:		
Payments on line of credit	(56,905)	(475,000)
<b>Net cash used in financing activities</b>	<b>(56,905)</b>	<b>(475,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>144,389</b>	<b>612,690</b>
Cash and cash equivalents:		
Beginning	2,026,918	1,414,228
Ending	\$ 2,171,307	\$ 2,026,918
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,706	\$ 10,043

**Navy League Building LLC**

**Balance Sheet**

**December 31, 2019**

**(With Comparative Totals for 2018)**

	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents – operating	\$ 2,984,178	\$ 3,598,507
Cash and cash equivalents – restricted for security deposits	145,914	267,354
Accounts receivable, net	1,175,416	275,330
Prepaid expenses	280	282
<b>Total current assets</b>	<b>4,305,788</b>	<b>4,141,473</b>
Non-current assets:		
Escrows – taxes, insurance, repairs and other	1,933,260	1,550,855
Investments	2,307,729	2,044,704
Deferred rent receivable	6,377,052	6,565,567
Leasing commissions, net of amortization	1,343,255	1,267,271
Investment in Navy League Development Corp.	7,496,737	7,496,737
Property and equipment, net	29,431,206	29,840,611
<b>Total non-current assets</b>	<b>48,889,239</b>	<b>48,765,745</b>
<b>Total assets</b>	<b>\$ 53,195,027</b>	<b>\$ 52,907,218</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,429,152	\$ 782,309
Accrued interest payable	255,130	255,130
<b>Total current liabilities</b>	<b>1,684,282</b>	<b>1,037,439</b>
Non-current liabilities:		
Security deposits	192,025	314,898
Note payable, non-current portion, net of loan costs	59,832,754	59,777,673
<b>Total liabilities</b>	<b>61,709,061</b>	<b>61,130,010</b>
Net assets (deficit):		
Without donor restrictions	(8,514,034)	(8,222,792)
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 53,195,027</b>	<b>\$ 52,907,218</b>

**Navy League Building LLC**

**Schedule of Activities  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
Revenue:		
Building rental income earned	\$ 6,561,535	\$ 7,770,234
Expense recoveries from tenants	680,978	694,469
<b>Total revenue</b>	<b>7,242,513</b>	<b>8,464,703</b>
Expenses:		
Interest	3,059,031	3,069,242
Depreciation and amortization	1,904,716	1,972,184
Condominium association dues	967,998	1,525,946
Property taxes	978,093	973,083
Other operating expenses	581,542	361,579
Bad debt	311,391	-
<b>Total expenses</b>	<b>7,802,771</b>	<b>7,902,034</b>
<b>Change in net assets before other changes</b>	<b>(560,258)</b>	<b>562,669</b>
Other changes:		
Investment income (loss), net	269,016	(96,972)
<b>Total other changes</b>	<b>269,016</b>	<b>(96,972)</b>
<b>Change in net assets</b>	<b>(291,242)</b>	<b>465,697</b>
Net assets (deficit):		
Beginning	(8,222,792)	(8,688,489)
Ending	<b>\$ (8,514,034)</b>	<b>\$ (8,222,792)</b>

**Navy League Building LLC**

**Schedule of Cash Flows  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (291,242)	\$ 465,697
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization, property and equipment	1,683,355	1,769,988
Unrealized/realized gain on investments	(220,134)	-
Bad debt expense	311,391	-
Amortization of leasing commissions	220,653	202,196
Amortization of loan costs	55,081	65,292
Deferred rent receivable	188,515	192,319
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(1,211,477)	45,331
Prepaid expenses	2	14,868
Leasing commission	(296,637)	-
Increase in:		
Accounts payable and accrued expenses	391,897	(276,846)
<b>Net cash provided by operating activities</b>	<b>831,404</b>	<b>2,478,845</b>
Cash flows from investing activities:		
Purchases of property and equipment	(1,019,004)	(764,451)
Sale of investments	-	96,759
Purchase of investments	(42,891)	-
<b>Net cash used in investing activities</b>	<b>(1,061,895)</b>	<b>(667,692)</b>
Cash flows from financing activities:		
(Refund) collection of security deposits, net	(122,873)	8,436
<b>Net cash (used in) provided by financing activities</b>	<b>(122,873)</b>	<b>8,436</b>
<b>Net (decrease) increase in cash and cash equivalents and cash held in escrows - taxes, insurance, repairs and other</b>	<b>(353,364)</b>	<b>1,819,589</b>
Cash and cash equivalents and cash held in escrows - taxes, insurance, repairs and other		
Beginning	5,416,716	3,597,127
Ending	\$ 5,063,352	\$ 5,416,716
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,003,950	\$ 3,003,950

**Navy League Development Corporation**

**Balance Sheet**

**December 31, 2019**

**(With Comparative Totals for 2018)**

	<b>2019</b>	2018
<b>Assets</b>		
Current assets:		
Cash – operating	\$ 401,787	\$ 326,853
Receivables, net	715,993	682,782
<b>Total current assets</b>	<b>1,117,780</b>	1,009,635
Non-current assets:		
Property and equipment, net	4,972,975	5,087,353
<b>Total assets</b>	<b>\$ 6,090,755</b>	\$ 6,096,988
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,409,213	\$ 506,614
Net assets:		
Unrestricted	4,681,542	5,590,374
<b>Total liabilities and net assets</b>	<b>\$ 6,090,755</b>	\$ 6,096,988

**Navy League Development Corporation**

**Schedule of Activities  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	<b>2019</b>	2018
Revenue:		
Parking contract income	<b>\$ 609,394</b>	\$ 684,833
<b>Total revenue</b>	<b>609,394</b>	684,833
Expenses:		
Condominium association dues	<b>883,774</b>	330,647
Depreciation	<b>200,736</b>	197,379
Maintenance, insurance and other costs	<b>139,427</b>	190,253
Miscellaneous	<b>218,274</b>	-
Salaries and benefits for parking attendants	<b>58,015</b>	40,062
Management fees	<b>18,000</b>	18,000
<b>Total expenses</b>	<b>1,518,226</b>	776,341
<b>Change in net assets</b>	<b>(908,832)</b>	(91,508)
Net assets:		
Beginning	<b>5,590,374</b>	5,681,882
Ending	<b>\$ 4,681,542</b>	\$ 5,590,374

**Navy League Development Corporation**

**Schedule of Cash Flows  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (908,832)	\$ (91,508)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	200,736	197,379
Changes in assets and liabilities:		
Decrease in:		
Receivables	(33,211)	1,895
Increase in:		
Accounts payable and accrued expenses	902,599	(91,165)
<b>Net cash provided by operating activities</b>	<b>161,292</b>	<b>16,601</b>
Cash flows from Investing activities:		
Purchases of property and equipment	(86,358)	-
<b>Net cash used in investing activities</b>	<b>(86,358)</b>	<b>-</b>
<b>Net increase in cash</b>	<b>74,934</b>	<b>16,601</b>
Cash:		
Beginning	326,853	310,252
Ending	<b>\$ 401,787</b>	<b>\$ 326,853</b>

**Navy League Building Condominium Unit Owners Association**

**Balance Sheet  
December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
<b>Assets</b>		
Current assets:		
Cash – operating	\$ 16,447	\$ 51,871
Receivables	778,216	702,501
Prepaid expenses	77,595	86,012
<b>Total current assets</b>	<b>872,258</b>	<b>840,384</b>
Non-current assets:		
Property and equipment	90,692	92,400
<b>Total assets</b>	<b>\$ 962,950</b>	<b>\$ 932,784</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 779,918	\$ 749,752
	779,918	749,752
Non-current liability:		
Replacement reserve liability	183,032	183,032
Fund balance	-	-
<b>Total liabilities and net assets</b>	<b>\$ 962,950</b>	<b>\$ 932,784</b>

**Navy League Building Condominium Unit Owners Association**

**Schedule of Revenue, Expenses and Changes in Fund Balance  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
Revenue:		
Assessment income	\$ 1,931,745	\$ 1,980,165
Other income	45,191	29,331
<b>Total revenue</b>	<b>1,976,936</b>	<b>2,009,496</b>
Expenses:		
Salaries and benefits	419,433	393,207
Utilities	436,324	429,194
Janitorial	274,289	303,388
HVAC supplies and repairs	106,122	155,918
Security	190,117	224,222
Other supplies and maintenance	177,909	164,878
Insurance	122,952	115,688
Office rent, telephone and other administrative costs	98,407	80,297
Management fees	45,781	54,041
Plumbing repairs and supplies	26,501	22,868
Electrical repairs and maintenance	7,636	14,253
Landscaping and ground maintenance	22,480	33,038
Depreciation	11,476	11,221
Other	37,509	7,283
<b>Total expenses</b>	<b>1,976,936</b>	<b>2,009,496</b>
<b>Excess of revenue over expenses</b>	<b>-</b>	<b>-</b>
Fund balance:		
Beginning	-	-
Ending	\$ -	\$ -

**Navy League Building Condominium Unit Owners Association**

**Schedule of Cash Flows  
Year Ended December 31, 2019  
(With Comparative Totals for 2018)**

	2019	2018
Cash flows from operating activities:		
Excess of revenue over expenses	\$ -	\$ -
Adjustments to reconcile excess of revenue over expenses to net cash (used in) provided by operating activities:		
Depreciation expense	11,476	11,221
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(75,715)	31,026
Prepaid expenses	8,417	5,321
Increase in:		
Accounts payable and accrued expenses	30,166	137,439
<b>Net cash (used in) provided by operating activities</b>	<b>(25,656)</b>	<b>185,007</b>
Cash flows from Investing activities:		
Purchases of property and equipment	(9,768)	(137,525)
<b>Net cash used in investing activities</b>	<b>(9,768)</b>	<b>(137,525)</b>
<b>Net (decrease) increase in cash</b>	<b>(35,424)</b>	<b>47,482</b>
Cash:		
Beginning	51,871	4,389
Ending	<b>\$ 16,447</b>	<b>\$ 51,871</b>