

Navy League of the United States and Affiliates

Consolidated Financial Report
December 31, 2020

Contents

Independent auditor's report	1-2
------------------------------	-----

Financial statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-18

Independent auditor's report on the supplementary information	19
---	----

Supplementary information	
Consolidating schedule of financial position – 2020	20
Consolidating schedule of activities – 2020	21
Navy League of the United States schedule of financial position	22
Navy League of the United States schedule of activities	23
Navy League of the United States schedule of cash flows	24
Navy League Building LLC balance sheet	25
Navy League Building LLC schedule of activities	26
Navy League Building LLC schedule of cash flows	27
Navy League Development Corporation balance sheet	28
Navy League Development Corporation schedule of activities	29
Navy League Development Corporation schedule of cash flows	30
Navy League Building Condominium Unit Owners Association balance sheet	31
Navy League Building Condominium Unit Owners Association schedule of revenue, expenses and changes in fund balance	32
Navy League Building Condominium Unit Owners Association schedule of cash flows	33



RSM US LLP

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, 2020, 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 Navy League of the United States and Affiliates as of December 31, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

McLean, Virginia
September 27, 2021

Navy League of the United States and Affiliates

Consolidated Statement of Financial Position

December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,055,254	\$ 5,719,633
Receivables, net	517,944	1,226,596
Promises to give	-	1,500
Prepaid expenses	408,499	313,993
Total current assets	7,981,697	7,261,722
Non-current assets:		
Investments	17,911,207	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	2,277,735	1,933,260
Deferred rent receivable	4,871,653	5,296,106
Leasing commissions, net of amortization	2,076,967	1,343,255
Property and equipment, net	34,158,913	34,533,718
Total non-current assets	61,482,853	59,328,900
Total assets	\$ 69,464,550	\$ 66,590,622
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,909,807	\$ 1,950,842
Accrued interest payable	255,130	255,130
Line of credit, current portion	5,400,000	1,000
Deferred revenue, current portion	4,911,389	4,722,232
Note payable, current portion, net of loan costs	745,623	-
Total current liabilities	13,221,949	6,929,204
Non-current liabilities:		
Note payable, non-current portion, net of loan costs	59,136,089	59,832,754
Deferred revenue, non-current portion	108,501	112,204
Paycheck Protection Program loan	496,301	-
Security deposits	320,621	192,025
Prepaid assessments	183,032	183,032
Total non-current liabilities	60,244,544	60,320,015
Total liabilities	73,466,493	67,249,219
Commitments and contingencies (Notes 6 and 10)		
Net assets (deficit):		
Without donor restrictions	(4,785,790)	(1,378,476)
With donor restrictions	783,847	719,879
Total net assets (deficit)	(4,001,943)	(658,597)
Total liabilities and net assets (deficit)	\$ 69,464,550	\$ 66,590,622

See notes to consolidated financial statements.

Navy League of the United States and Affiliates

Consolidated Statement of Activities Year Ended December 31, 2020 (With Comparative Totals for 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Building rental income	\$ 5,303,679	\$ -	\$ 5,303,679	\$ 5,696,242
Sea-Air-Space Exposition	107,281	-	107,281	6,106,370
Membership dues	1,175,589	-	1,175,589	1,261,266
Expense recoveries from tenants	604,512	-	604,512	680,978
Parking contract income	375,097	-	375,097	609,394
Contributions	572,796	-	572,796	429,234
Publications – Seapower	354,834	-	354,834	309,286
Navy Ball	-	-	-	196,838
Royalty and other income	311,317	-	311,317	206,974
Assessment income	84,799	-	84,799	79,974
International exposition	-	-	-	750
Total revenue and support	8,889,904	-	8,889,904	15,577,306
Expenses:				
Program services:				
Seapower magazine	774,723	-	774,723	865,918
Legislative affairs	231,155	-	231,155	271,824
Events	1,180,181	-	1,180,181	3,366,202
Total program services	2,186,059	-	2,186,059	4,503,944
Support services:				
Membership recruitment	528,131	-	528,131	413,693
Building operations	7,447,236	-	7,447,236	7,638,811
Fundraising	368,909	-	368,909	523,876
Management and general	3,591,880	-	3,591,880	3,861,550
Total support services	11,936,156	-	11,936,156	12,437,930
Total expenses	14,122,215	-	14,122,215	16,941,874
Change in net assets before other changes	(5,232,311)	-	(5,232,311)	(1,364,568)
Other changes:				
Investment income, net	1,824,997	63,968	1,888,965	2,474,519
Total other changes	1,824,997	63,968	1,888,965	2,474,519
Change in net assets	(3,407,314)	63,968	(3,343,346)	1,109,951
Net assets (deficit):				
Beginning	(1,378,476)	719,879	(658,597)	(1,768,548)
Ending	\$ (4,785,790)	\$ 783,847	\$ (4,001,943)	\$ (658,597)

See notes to consolidated financial statements.

Navy League of the United States and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2020 (With Comparative Totals for 2019)

	2020								2019 Total
	Program Services				Supporting Services				
	Seapower Magazine	Legislative Affairs	Events	Membership	Building Operations	Fundraising	Management and General	Total	
Salaries and benefits	\$ 309,910	\$ 124,488	\$ 374,178	\$ 251,369	\$ -	\$ 197,534	\$ 2,681,658	\$ 3,939,137	\$ 3,634,173
Travel and meetings	19	55	151,860	-	-	4,792	60,903	217,629	2,402,357
Consulting and professional services	124,236	-	313,490	2,000	-	3,360	146,476	589,562	511,248
Other expenses	332	2,593	-	4,728	681,862	4,732	833,829	1,528,076	1,223,905
Office expenses	156,171	1,549	-	26,117	-	438	204,585	388,860	706,038
Support to USNSCC	-	-	-	-	-	-	-	-	448,300
Equipment and software	-	-	-	-	-	-	132,758	132,758	105,561
Advertising	-	-	66,269	147	-	4,911	4,126	75,453	135,782
Telecom and web services	10,346	-	-	147	-	14,287	193,399	218,179	158,186
Subscriptions and membership dues	-	24,567	-	-	-	55	6,699	31,321	35,452
Interest expense	-	-	-	-	3,061,138	-	-	3,061,138	3,059,031
Depreciation and amortization	-	-	-	-	1,935,357	-	235,866	2,171,223	2,116,928
Property taxes	-	-	-	-	947,363	-	-	947,363	978,093
Condominium operations	-	-	-	-	821,516	-	-	821,516	1,115,429
Bad debt expense	-	-	-	-	-	-	-	-	311,391
Allocated costs	173,709	77,903	274,384	243,623	-	138,800	(908,419)	-	-
Total expenses	\$ 774,723	\$ 231,155	\$ 1,180,181	\$ 528,131	\$ 7,447,236	\$ 368,909	\$ 3,591,880	\$ 14,122,215	\$ 16,941,874

See notes to consolidated financial statements.

Navy League of the United States and Affiliates

Consolidated Statement of Cash Flows

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets (deficit)	\$ (3,343,346)	\$ 1,109,951
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(1,680,194)	(2,174,651)
Unrealized loss on cash surrender value of life insurance policy	-	(8,986)
Depreciation and amortization, property and equipment	1,944,095	1,916,784
Bad debt expense	-	311,391
Amortization of leasing commissions	227,128	220,653
Amortization of loan costs	48,958	55,081
Deferred rent receivable	424,453	258,650
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	708,652	138,007
Promises to give	1,500	119,150
Prepaid expenses	(94,506)	(108,889)
Leasing commissions	(960,840)	(296,637)
Increase (decrease) in:		
Accounts payable and accrued expenses	(41,035)	154,434
Deferred revenue	185,454	(429,911)
Net cash (used in) provided by operating activities	(2,579,681)	1,265,027
Cash flows from investing activities:		
Purchase of property and equipment	(1,743,697)	(983,082)
Sale of property and equipment	174,407	-
Purchase of investments	(260,398)	(306,907)
Proceeds from sales/maturities of investments	65,568	35,275
Net cash used in investing activities	(1,764,120)	(1,254,714)
Cash flows from financing activities:		
Proceeds (payments) on line of credit	5,399,000	(56,905)
Proceeds from Paycheck Protection Program Loan	496,301	-
Collection (refund) of security deposits, net	128,596	(122,873)
Net cash provided by (used in) financing activities	6,023,897	(179,778)
Net increase (decrease) in cash and cash equivalents and cash held in escrows – taxes, insurance, repairs and other	1,680,096	(169,465)
Cash and cash equivalents and cash held in escrows – taxes, insurance, repairs and other:		
Beginning	7,652,893	7,822,358
Ending	\$ 9,332,989	\$ 7,652,893
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,063,571	\$ 3,005,656
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

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:

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.

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

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.

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.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

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

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.

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, 2020.

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, 2020.

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, 2020.

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 \$6,361,769 at December 31, 2020.

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 \$330,440 at December 31, 2020. Unamortized loan costs are reported with notes payable.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

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

Paycheck Protection Program loan: The League received proceeds from the Paycheck Protection Program (PPP) during the year ended December 31, 2020. The League has elected ASC 470 – Debt Accounting treatment for the PPP loan. As a result, the proceeds from the PPP loan are recoded as liability on the accompanying consolidated statement of financial position until forgiveness is obtained. The League intends to record a write-off of the outstanding loan payable balance and record revenue when the League is notified the loan is forgiven.

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 \$2,277,735 at December 31, 2020.

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 \$59,800 for the year ended December 31, 2020.

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.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

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

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.

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 consolidated 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, 2019, from which the summarized information was derived.

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, 2020. The LLC's net operating losses totaled approximately \$19.5 million at December 31, 2020, 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, 2020.

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, 2020.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

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, 2020. 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, 2020.

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 consolidated 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 consolidated 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 consolidated 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 2017.

Recent accounting pronouncement: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

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

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. This ASU only applies to contracts, hedging relationships, and other transactions that reference London InterBank Offered Rate (LIBOR) or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. This ASU is effective for all entities as of March 12, 2020, through December 31, 2022. The League may elect to apply the amendments for contract modifications by Topic or Industry Subtopic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic, the amendments in this ASU must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. The League is currently evaluating the impact of this new standard on its consolidated financial statements.

Subsequent events: The League evaluated subsequent events through September 27, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2. Receivables

Receivables consist of the following at December 31, 2020:

Sea-Air-Space Exposition	\$	297,955
Seapower advertising		81,299
Parking income receivable		38,272
Due from Foundation to the League		12,295
Tenant rent receivable		104,935
Assessment dues		188
		<hr/>
		534,944
Allowance for doubtful accounts		17,000
		<hr/>
	\$	<u>517,944</u>

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

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

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, 2020:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 2,105,298	\$ -	\$ -	\$ 2,105,298
Equity securities:				
U.S. large cap	6,652,224	-	-	6,652,224
U.S. mid cap	520,407	-	-	520,407
U.S. small cap	857,500	-	-	857,500
Europe, Asia and Far East (EAFE)	2,376,805	-	-	2,376,805
Foreign equities	1,175,838	-	-	1,175,838
Emerging market	1,395,920	-	-	1,395,920
Global equities	297,860	-	-	297,860
	<u>13,276,554</u>	<u>-</u>	<u>-</u>	<u>13,276,554</u>
Fixed income:				
Corporate bonds	-	895,064	-	895,064
Real estate and infrastructure fund	18,702	-	-	18,702
Total investments	<u>\$ 15,400,554</u>	<u>\$ 895,064</u>	<u>\$ -</u>	<u>16,295,618</u>
Cash and cash equivalents				
in investment portfolios				<u>1,615,589</u>
Total cash and investments				<u>\$ 17,911,207</u>
in investment portfolios				<u>\$ 17,911,207</u>

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, 2020, net investment income consists of the following:

Realized/unrealized gain on investments	\$ 1,680,194
Interest and dividend income	279,453
Investment expense	(70,682)
	<u>\$ 1,888,965</u>

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment, primarily held for lease (see Note 7), consists of the following at December 31, 2020:

Asset category:	Estimated Lives (Years)	Cost	Accumulated Depreciation and Amortization	Net
Land	–	\$ 4,102,268	\$ -	\$ 4,102,268
Land improvements	15	994,532	944,388	50,144
Building	39	37,824,712	14,483,149	23,341,563
Tenant improvements	5-10	18,427,179	11,838,091	6,589,088
Building information systems and software	3-5	4,130,254	4,130,254	-
Computer equipment, furniture and fixture	5-7	1,045,273	969,423	75,850
		<u>\$ 66,524,218</u>	<u>\$ 32,365,305</u>	<u>\$ 34,158,913</u>

Depreciation and amortization expense was \$1,944,095 for the year ended December 31, 2020.

Note 5. Deferred Revenue

Deferred revenue consists of the following at December 31, 2020:

Sea-Air-Space Exposition	\$ 4,378,696
Membership dues	603,690
Other	37,504
	<u>\$ 5,019,890</u>

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, 2020, was \$5,400,000. The line bears interest at a variable rate per annum equal to the adjusted LIBOR plus 0.90% or a variable rate per annum equal to the offer rate loan. The rate in effect ranged from 1.08% to 2.71% for the year ended December 31, 2020. 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 January 31, 2022.

Notes payable: The LLC has a loan with a bank. The amount borrowed from the bank loan was \$60,000,000. At December 31, 2020, 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, 2020 was \$3,061,138.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 6. Debt (Continued)

Notes payable as of December 31, 2020, consists of the following:

Principal amount	\$ 60,000,000
Less unamortized loan costs	<u>(118,288)</u>
	<u>\$ 59,881,712</u>

Future maturities on the notes payable at December 31, 2020, are due as follows:

Years ending December 31:	
2021	\$ 785,732
2022	893,705
2023	939,490
2024	979,470
2025	56,401,603
	<u>\$ 60,000,000</u>

Paycheck Protection Program loan: In April 2020, the Navy League received a loan in the amount of \$496,301, pursuant to the PPP under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The PPP loan has a two-year term and bears interest at a rate of 0.98% per annum. Monthly principle and interest payments are deferred six months after the date of disbursement. The PPP loan may be prepaid at any time with no prepayment penalties. The CARES Act provides that the PPP loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. The League intends to use the proceeds from the PPP loan for qualifying expense and to apply for full forgiveness of the PPP loan in accordance with the terms of the CARES Act. The Navy League determined it qualified for the program based on the criteria established by the Small Business Administration before applying and the Navy League intends to meet the PPP's eligibility criteria for the forgiveness.

Note 7. Leasing Arrangements as Lessor

The LLC leases space in a building it owns to several tenants. The leases expire through December 2032. Rental income under these leases, exclusive of the Navy League lease, was \$5,303,679 for the year ended December 31, 2020.

The minimum rental receipts as of December 31, 2020, to be received in future years are as follows:

Years ending December 31:	
2022	\$ 5,859,342
2023	7,223,207
2024	7,408,339
2025	7,549,593
2026	7,289,334
Thereafter	16,857,954
	<u>\$ 52,187,769</u>

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

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 \$126,855 for the year ended December 31, 2020.

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, 2020, certain employees spent a portion of their time on Foundation activities. The Navy League provided \$30,000 in management services, of which \$1,048 was donated to the Foundation. The Navy League incurred additional costs for the Foundation that are payable to the League at December 31, 2020, in the amount of \$12,295.

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. 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.

Note 11. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions for the year ended December 31, 2020, by type of donor restriction/purpose, are as follows:

	Balance December 31, 2019	Additions	Expense/ Restriction Accomplished	Balance December 31, 2020
Purpose-restricted:				
America Strength	\$ 134,129	\$ 16,857	\$ -	\$ 150,986
Safety awards fund	74,480	7,933	-	82,413
Advocacy	11,364	-	-	11,364
Handclasp	11,105	21	-	11,126
STEM	7,310	-	-	7,310
Endowments:				
Awards and youth programs	378,132	35,383	-	413,515
Oceanic education	69,059	3,774	-	72,833
Time-restricted:				
President's Circle	33,300	-	-	33,300
Donor cultivation	1,000	-	-	1,000
	<u>\$ 719,879</u>	<u>\$ 63,968</u>	<u>\$ -</u>	<u>\$ 783,847</u>

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 11. Net Assets With Donor Restrictions (Continued)

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.

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, 2020:

Awards and youth programs	\$ 413,515
Oceanic education	72,833
	<u>\$ 486,348</u>

Changes in the endowment during 2020, are as follows:

Endowment net assets, beginning of year	\$ 447,191
Investment income, net	39,157
Endowment net assets, end of year	<u>\$ 486,348</u>

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

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

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	\$ 7,055,254
Receivables, net	517,944
Investments	17,911,207
Cash surrender value of life insurance policy	144,378
Escrows – taxes, insurance, repairs and other	<u>2,277,735</u>
Total financial assets available	<u>27,906,518</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	(2,277,735)
Net assets with donor restrictions	<u>(783,847)</u>
	<u>(3,205,960)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 31,112,478</u>

The League has various sources of liquidity at its disposal, including cash and cash equivalents, investments and a line of credit. The League assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations.

Note 13. COVID-19

Subsequent to the coronavirus outbreak in 2020 in North America, there has been substantial volatility in financial markets and the economy. The coronavirus and actions to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets, including the geographical areas in which the League operates.

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.

Management is continually monitoring the impact of COVID-19 and will adjust activities should there be a significant impact in future periods.

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, 2020, and have issued our report thereon, dated September 27, 2021, 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, 2019, was previously audited by us and, in our report dated August 10, 2020, we stated the 2019 information was fairly stated in all material respects in relation to the 2018 financial statements as a whole.

RSM US LLP

McLean, Virginia
September 27, 2021

Navy League of the United States and Affiliates

Consolidating Schedule of Financial Position December 31, 2020

	Navy League of the United States	Navy League Building LLC	Navy League Development Corporation	Navy League Building Condo Unit Owners Association	Eliminations	Consolidated Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 5,179,375	\$ 1,407,688	\$ 186,270	\$ 281,921	\$ -	\$ 7,055,254
Receivables, net	441,365	1,425,707	38,272	602,812	(1,990,212)	517,944
Prepaid expenses	341,564	299	-	66,636	-	408,499
Total current assets	5,962,304	2,833,694	224,542	951,369	(1,990,212)	7,981,697
Non-current assets:						
Investments	20,992,595	10,026,520	-	-	(13,107,908)	17,911,207
Cash surrender value of life insurance policy	144,378	-	-	-	-	144,378
Painting	42,000	-	-	-	-	42,000
Escrows – taxes, insurance, repairs and other	-	2,277,735	-	-	-	2,277,735
Deferred rent receivable	-	6,005,520	-	-	(1,133,867)	4,871,653
Leasing commissions, net of amortization	-	2,076,967	-	-	-	2,076,967
Property and equipment, net	74,672	29,244,516	4,769,841	69,884	-	34,158,913
Total non-current assets	21,253,645	49,631,258	4,769,841	69,884	(14,241,775)	61,482,853
Total assets	\$ 27,215,949	\$ 52,464,952	\$ 4,994,383	\$ 1,021,253	\$ (16,231,987)	\$ 69,464,550
Liabilities and Net Assets (Deficit)						
Current liabilities:						
Accounts payable and accrued expenses	\$ 804,813	\$ 1,166,934	\$ 1,090,051	\$ 838,221	\$ (1,990,212)	\$ 1,909,807
Accrued interest payable	-	255,130	-	-	-	255,130
Line of credit, current portion	5,400,000	-	-	-	-	5,400,000
Deferred revenue, current portion	4,911,389	-	-	-	-	4,911,389
Note payable, current portion	-	745,623	-	-	-	745,623
Total current liabilities	11,116,202	2,167,687	1,090,051	838,221	(1,990,212)	13,221,949
Non-current liabilities:						
Note payable, non-current portion	-	59,136,089	-	-	-	59,136,089
Deferred revenue, non-current portion	108,501	-	-	-	-	108,501
Deferred rent liability	1,133,867	-	-	-	(1,133,867)	-
Paycheck Protection Program loan	496,301	-	-	-	-	496,301
Security deposits	-	320,621	-	-	-	320,621
Prepaid assessments	-	-	-	183,032	-	183,032
Total non-current liabilities	1,738,669	59,456,710	-	183,032	(1,133,867)	60,244,544
Total liabilities	12,854,871	61,624,397	1,090,051	1,021,253	(3,124,079)	73,466,493
Net assets (deficit):						
Without donor restrictions	13,577,231	(9,159,445)	3,904,332	-	(13,107,908)	(4,785,790)
With donor restrictions	783,847	-	-	-	-	783,847
Total net assets (deficit)	14,361,078	(9,159,445)	3,904,332	-	(13,107,908)	(4,001,943)
Total liabilities and net assets (deficit)	\$ 27,215,949	\$ 52,464,952	\$ 4,994,383	\$ 1,021,253	\$ (16,231,987)	\$ 69,464,550

Navy League of the United States and Affiliates

Consolidating Schedule of Activities Year Ended December 31, 2020

	Navy League of the United States	Navy League Building LLC	Navy League Development Corporation	Navy League Building Condo Unit Owners Association	Eliminations	Consolidated Total
Revenue and support:						
Building rental income	\$ -	\$ 6,180,483	\$ -	\$ -	\$ (876,804)	\$ 5,303,679
Sea-Air-Space Exposition	107,281	-	-	-	-	107,281
Membership dues	1,175,589	-	-	-	-	1,175,589
Expense recoveries from tenants	-	604,512	-	-	-	604,512
Parking contract income	-	-	375,097	-	-	375,097
Contributions	572,796	-	-	-	-	572,796
Publications – Seapower	354,834	-	-	-	-	354,834
Royalty and other income	93,043	-	218,274	-	-	311,317
Assessment income	-	-	-	2,049,233	(1,964,434)	84,799
Navy League Building LLC asset management fee	290,205	-	-	-	(290,205)	-
Total revenue and support	2,593,748	6,784,995	593,371	2,049,233	(3,131,443)	8,889,904
Expenses:						
Program services:						
Seapower magazine	911,855	-	-	-	(137,132)	774,723
Legislative affairs	269,997	-	-	-	(38,842)	231,155
Events	1,381,408	-	-	-	(201,227)	1,180,181
Total program services	2,563,260	-	-	-	(377,201)	2,186,059
Support services:						
Membership recruitment	613,094	-	-	-	(84,963)	528,131
Building operations	-	7,652,642	-	2,049,233	(2,254,639)	7,447,236
Fundraising	431,688	-	-	-	(62,779)	368,909
Management and general	2,573,160	-	1,370,581	-	(351,861)	3,591,880
Total support services	3,617,942	7,652,642	1,370,581	2,049,233	(2,754,242)	11,936,156
Total expenses	6,181,202	7,652,642	1,370,581	2,049,233	(3,131,443)	14,122,215
Change in net assets before other changes	(3,587,454)	(867,647)	(777,210)	-	-	(5,232,311)
Other changes:						
Investment income, net	1,666,729	222,236	-	-	-	1,888,965
Change in net assets	(1,920,725)	(645,411)	(777,210)	-	-	(3,343,346)
Net assets (deficit):						
Beginning	16,281,803	(8,514,034)	4,681,542	-	(13,107,908)	(658,597)
Ending	\$ 14,361,078	\$ (9,159,445)	\$ 3,904,332	\$ -	\$ (13,107,908)	\$ (4,001,943)

Navy League of the United States

**Schedule of Financial Position
December 31, 2020
(With Comparative Totals for 2019)**

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,179,375	\$ 2,171,307
Receivables, net	441,365	1,193,142
Promises to give	-	1,500
Prepaid expenses	341,564	236,118
Total current assets	5,962,304	3,602,067
Non-current assets:		
Investments	20,992,595	19,339,625
Cash surrender value of life insurance policy	144,378	144,378
Painting	42,000	42,000
Property and equipment, net	74,672	38,845
Total non-current assets	21,253,645	19,564,848
Total assets	\$ 27,215,949	\$ 23,166,915
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 804,813	\$ 968,730
Line of credit	5,400,000	1,000
Deferred revenue, current portion	4,911,389	4,722,232
Total current liabilities	11,116,202	5,691,962
Non-current liabilities:		
Deferred revenue, non-current portion	108,501	112,204
Deferred rent liability	1,133,867	1,080,946
Paycheck Protection Program Loan	496,301	-
Total non-current liabilities	1,738,669	1,193,150
Total liabilities	12,854,871	6,885,112
Net assets:		
Without donor restrictions	13,577,231	15,561,924
With donor restrictions	783,847	719,879
Total net assets	14,361,078	16,281,803
Total liabilities and net assets	\$ 27,215,949	\$ 23,166,915

Navy League of the United States

Schedule of Activities

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Revenue and support:		
Sea-Air-Space Exposition	\$ 107,281	\$ 6,106,370
Membership dues	1,175,589	1,261,266
Contributions	572,796	429,234
Publications – Seapower	354,834	309,286
Navy Ball	-	196,838
International exposition	-	750
Navy League Building LLC asset management fee	290,205	289,125
Royalty and other income	93,043	161,783
Total revenue and support	2,593,748	8,754,652
Expenses:		
Program services:		
Seapower magazine	911,855	964,610
Legislative affairs	269,997	301,910
Events	1,381,408	3,738,778
Total program services	2,563,260	5,005,298
Support services:		
Membership recruitment	613,094	456,630
Fundraising	431,688	581,859
Management and general	2,573,160	2,606,343
Total support services	3,617,942	3,644,832
Total expenses	6,181,202	8,650,130
Change in net assets before other changes	(3,587,454)	104,522
Other changes:		
Investment income, net	1,666,729	2,205,503
Total other changes	1,666,729	2,205,503
Change in net assets	(1,920,725)	2,310,025
Net assets:		
Beginning	16,281,803	13,971,778
Ending	\$ 14,361,078	\$ 16,281,803

Navy League of the United States

Schedule of Cash Flows

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (1,920,725)	\$ 2,310,025
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	21,692	21,217
Unrealized/realized gain on investments	(1,488,017)	(1,954,517)
Unrealized gain on cash surrender value of life insurance policy	-	(8,986)
Deferred rent liability	52,921	70,135
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	751,777	407,496
Promises to give	1,500	119,150
Prepaid expenses	(105,446)	(117,308)
Increase (decrease) in:		
Accounts payable and accrued expenses	(163,917)	13,806
Deferred revenue	185,454	(429,911)
Net cash (used in) provided by operating activities	(2,664,761)	431,107
Cash flows from investing activities:		
Purchase of property and equipment	(62,239)	(1,072)
Sale of property and equipment	4,720	-
Purchase of investments	(230,521)	(264,016)
Proceeds from sales/maturities of investments	65,568	35,275
Net cash used in investing activities	(222,472)	(229,813)
Cash flows from financing activities:		
Proceeds (payments) on line of credit	5,399,000	(56,905)
Proceeds from Paycheck Protection Program Loan	496,301	-
Net cash provided by (used in) financing activities	5,895,301	(56,905)
Net increase in cash and cash equivalents	3,008,068	144,389
Cash and cash equivalents:		
Beginning	2,171,307	2,026,918
Ending	\$ 5,179,375	\$ 2,171,307
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 51,391	\$ 1,706

Navy League Building LLC

Balance Sheet

December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents – operating	\$ 1,054,086	\$ 2,984,178
Cash and cash equivalents – restricted for security deposits	353,602	145,914
Receivables, net	1,425,707	1,175,416
Prepaid expenses	299	280
Total current assets	2,833,694	4,305,788
Non-current assets:		
Escrows – taxes, insurance, repairs and other	2,277,735	1,933,260
Investments	2,529,783	2,307,729
Deferred rent receivable	6,005,520	6,377,052
Leasing commissions, net of amortization	2,076,967	1,343,255
Investment in Navy League Development Corp.	7,496,737	7,496,737
Property and equipment, net	29,244,516	29,431,206
Total non-current assets	49,631,258	48,889,239
Total assets	\$ 52,464,952	\$ 53,195,027
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,166,934	\$ 1,429,152
Accrued interest payable	255,130	255,130
Note payable, current portion, net of loan costs	745,623	-
Total current liabilities	2,167,687	1,684,282
Non-current liabilities:		
Security deposits	320,621	192,025
Note payable, non-current portion, net of loan costs	59,136,089	59,832,754
Total liabilities	61,624,397	61,709,061
Net assets (deficit):		
Without donor restrictions	(9,159,445)	(8,514,034)
Total liabilities and net assets (deficit)	\$ 52,464,952	\$ 53,195,027

Navy League Building LLC

Schedule of Activities

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Revenue:		
Building rental income	\$ 6,180,483	\$ 6,561,535
Expense recoveries from tenants	604,512	680,978
Total revenue	6,784,995	7,242,513
Expenses:		
Building Operations:		
Interest	3,061,138	3,059,031
Depreciation and amortization	1,935,357	1,904,716
Condominium association dues	1,026,922	967,998
Property taxes	947,363	978,093
Other operating expenses	681,862	581,542
Bad debt	-	311,391
Total expenses	7,652,642	7,802,771
Change in net assets before other changes	(867,647)	(560,258)
Other changes:		
Investment income, net	222,236	269,016
Total other changes	222,236	269,016
Change in net assets	(645,411)	(291,242)
Net assets (deficit):		
Beginning	(8,514,034)	(8,222,792)
Ending	\$ (9,159,445)	\$ (8,514,034)

Navy League Building LLC

Schedule of Cash Flows
Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (645,411)	\$ (291,242)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,708,229	1,683,355
Unrealized/realized gain on investments	(192,177)	(220,134)
Bad debt expense	-	311,391
Amortization of leasing commissions	227,128	220,653
Amortization of loan costs	48,958	55,081
Deferred rent receivable	371,532	188,515
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(250,291)	(1,211,477)
Prepaid expenses	(19)	2
Leasing commission	(960,840)	(296,637)
(Increase) decrease in:		
Accounts payable and accrued expenses	(262,218)	391,897
Net cash provided by operating activities	44,891	831,404
Cash flows from investing activities:		
Purchases of property and equipment	(1,691,226)	(1,019,004)
Sale of property and equipment	169,687	-
Purchase of investments	(29,877)	(42,891)
Net cash used in investing activities	(1,551,416)	(1,061,895)
Cash flows from financing activities:		
Collection (refund) of security deposits, net	128,596	(122,873)
Net cash provided by (used in) financing activities	128,596	(122,873)
Net (decrease) increase in cash and cash equivalents and cash held in escrows – taxes, insurance, repairs and other	(1,377,929)	(353,364)
Cash and cash equivalents and cash held in escrows – taxes, insurance, repairs and other		
Beginning	5,063,352	5,416,716
Ending	\$ 3,685,423	\$ 5,063,352
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,012,180	\$ 3,003,950
Supplemental schedule of noncash investing and financing activities:		
Tenant improvements included in accrued expenses	\$ -	\$ 254,946

Navy League Development Corporation

Balance Sheet

December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Assets		
Current assets:		
Cash – operating	\$ 186,270	\$ 401,787
Receivables, net	38,272	715,993
Total current assets	224,542	1,117,780
Non-current assets:		
Property and equipment, net	4,769,841	4,972,975
Total assets	\$ 4,994,383	\$ 6,090,755
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,090,051	\$ 1,409,213
Net assets:		
Unrestricted	3,904,332	4,681,542
Total liabilities and net assets	\$ 4,994,383	\$ 6,090,755

Navy League Development Corporation

Schedule of Activities

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Revenue:		
Parking contract income	\$ 375,097	\$ 609,394
Other income	218,274	-
Total revenue	593,371	609,394
Expenses:		
Building Operations:		
Condominium association dues	937,612	883,774
Depreciation	203,134	200,736
Maintenance, insurance and other costs	129,309	139,427
Miscellaneous	-	218,274
Salaries and benefits for parking attendants	82,526	58,015
Management fees	18,000	18,000
Total expenses	1,370,581	1,518,226
Change in net assets	(777,210)	(908,832)
Net assets:		
Beginning	4,681,542	5,590,374
Ending	\$ 3,904,332	\$ 4,681,542

Navy League Development Corporation

Schedule of Cash Flows

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (777,210)	\$ (908,832)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	203,134	200,736
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	677,721	(33,211)
Increase (decrease) in:		
Accounts payable and accrued expenses	(319,162)	902,599
Net cash provided by operating activities	(215,517)	161,292
Cash flows from Investing activities:		
Purchases of property and equipment	-	(86,358)
Net cash used in investing activities	-	(86,358)
Net (decrease) increase in cash	(215,517)	74,934
Cash:		
Beginning	401,787	326,853
Ending	\$ 186,270	\$ 401,787

Navy League Building Condominium Unit Owners Association

Balance Sheet

December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Assets		
Current assets:		
Cash – operating	\$ 281,921	\$ 16,447
Receivables, net	602,812	778,216
Prepaid expenses	66,636	77,595
Total current assets	951,369	872,258
Non-current assets:		
Property and equipment	69,884	90,692
Total assets	\$ 1,021,253	\$ 962,950
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 838,221	\$ 779,918
	838,221	779,918
Non-current liability:		
Replacement reserve liability	183,032	183,032
Fund balance	-	-
Total liabilities and net assets	\$ 1,021,253	\$ 962,950

Navy League Building Condominium Unit Owners Association

**Schedule of Revenue, Expenses and Changes in Fund Balance
Year Ended December 31, 2020
(With Comparative Totals for 2019)**

	2020	2019
Revenue:		
Assessment income	\$ 2,049,233	\$ 1,931,745
Other income	-	45,191
Total revenue	2,049,233	1,976,936
Expenses:		
Building Operations:		
Salaries and benefits	466,016	419,433
Utilities	409,817	436,324
Janitorial	263,119	274,289
HVAC supplies and repairs	162,397	106,122
Security	109,317	190,117
Other supplies and maintenance	197,913	177,909
Insurance	126,502	122,952
Office rent, telephone and other administrative costs	69,388	98,407
Management fees	100,598	45,781
Plumbing repairs and supplies	53,139	26,501
Electrical repairs and maintenance	3,887	7,636
Landscaping and ground maintenance	6,502	22,480
Depreciation	11,040	11,476
Other	69,598	37,509
Total expenses	2,049,233	1,976,936
Excess of revenue over expenses	-	-
Fund balance:		
Beginning	-	-
Ending	\$ -	\$ -

Navy League Building Condominium Unit Owners Association

Schedule of Cash Flows

Year Ended December 31, 2020

(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Excess of revenue over expenses	\$ -	\$ -
Adjustments to reconcile excess of revenue over expenses to net cash provided by (used in) operating activities:		
Depreciation expense	11,040	11,476
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	175,404	(75,715)
Prepaid expenses	10,959	8,417
Increase (decrease) in:		
Accounts payable and accrued expenses	58,303	30,166
Prepaid Assessments	-	30,166
Net cash provided by (used in) operating activities	255,706	(25,656)
Cash flows from Investing activities:		
Purchases of property and equipment	-	(9,768)
Sale of property and equipment	9,768	-
Net cash provided by (used in) investing activities	9,768	(9,768)
Net increase (decrease) in cash	265,474	(35,424)
Cash:		
Beginning	16,447	51,871
Ending	\$ 281,921	\$ 16,447