

Navy League of the United States and Affiliates

Consolidated Financial Report
December 31, 2021

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Independent Auditor's Report

RSM US LLP

Board of Directors
Navy League of the United States

Opinion

We have audited the consolidated financial statements of Navy League of the United States and Affiliates (the League), which comprise the consolidated statements of financial position as of December 31, 2021, 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).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the League as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the League and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the League's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the League's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the League's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived

RSM US LLP

McLean, Virginia
July 18, 2022

Navy League of the United States and Affiliates

Consolidated Statement of Financial Position December 31, 2021 (With Comparative Totals for 2020)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,605,950	\$ 7,055,254
Receivables, net	1,221,100	517,944
Promises to give	25,000	-
Prepaid expenses	341,498	408,499
Total current assets	9,193,548	7,981,697
Non-current assets:		
Investments	18,924,523	17,911,207
Cash surrender value of life insurance policy	143,500	144,378
Painting	42,000	42,000
Escrows—taxes, insurance, repairs and other	6,585,190	2,277,735
Deferred rent receivable	3,928,856	4,871,653
Leasing commissions, net of amortization	1,937,538	2,076,967
Property and equipment, net	32,768,907	34,158,913
Total non-current assets	64,330,514	61,482,853
Total assets	\$ 73,524,062	\$ 69,464,550
Liabilities and Net Assets (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,583,988	\$ 1,909,807
Accrued interest payable	251,501	255,130
Line of credit, current portion	5,400,000	5,400,000
Deferred revenue, current portion	5,612,876	4,911,389
Note payable, current portion, net of loan costs	893,705	745,623
Total current liabilities	13,742,070	13,221,949
Non-current liabilities:		
Note payable, non-current portion, net of loan costs	58,174,665	59,136,089
Deferred revenue, non-current portion	122,233	108,501
Paycheck Protection Program loan	518,790	496,301
Security deposits	380,299	320,621
Prepaid assessments	183,032	183,032
Total non-current liabilities	59,379,019	60,244,544
Total liabilities	73,121,089	73,466,493
Commitments and contingencies (Notes 6, 10 and 13)		
Net assets (deficit):		
Without donor restrictions	(424,459)	(4,785,790)
With donor restrictions	827,432	783,847
Total net assets (deficit)	402,973	(4,001,943)
Total liabilities and net assets (deficit)	\$ 73,524,062	\$ 69,464,550

See notes to consolidated financial statements.

Navy League of the United States and Affiliates

Consolidated Statement of Activities Year Ended December 31, 2021 (With Comparative Totals for 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Building rental income	\$ 6,907,528	\$ -	\$ 6,907,528	\$ 5,303,679
Sea-Air-Space Exposition	6,538,092	-	6,538,092	107,281
Membership dues	1,160,088	-	1,160,088	1,175,589
Gain on early lease termination	1,919,629	-	1,919,629	68,101
Forgiveness of Payroll Protection Program loan	496,301	-	496,301	-
Expense recoveries from tenants	227,875	-	227,875	536,411
Parking contract income	234,797	-	234,797	375,097
Contributions	469,540	25,000	494,540	572,796
Publications—Seapower	447,642	-	447,642	354,834
Royalty and other income	381,222	-	381,222	311,317
Assessment income	75,997	-	75,997	84,799
Net assets released from restrictions	42,035	(42,035)	-	-
Total revenue and support	18,900,746	(17,035)	18,883,711	8,889,904
Expenses:				
Program services:				
Seapower magazine	925,471	-	925,471	875,704
Legislative affairs	280,164	-	280,164	271,547
Events	3,291,256	-	3,291,256	1,372,045
Total program services	4,496,891	-	4,496,891	2,519,296
Support services:				
Membership recruitment	565,970	-	565,970	639,210
Building operations	6,238,715	-	6,238,715	6,437,425
Fundraising	408,216	-	408,216	429,498
Management and general	4,838,247	-	4,838,247	4,096,786
Total support services	12,051,148	-	12,051,148	11,602,919
Total expenses	16,548,039	-	16,548,039	14,122,215
Change in net assets before other changes	2,352,707	(17,035)	2,335,672	(5,232,311)
Other changes:				
Investment income, net	2,008,624	60,620	2,069,244	1,888,965
Total other changes	2,008,624	60,620	2,069,244	1,888,965
Change in net assets	4,361,331	43,585	4,404,916	(3,343,346)
Net assets (deficit):				
Beginning	(4,785,790)	783,847	(4,001,943)	(658,597)
Ending	\$ (424,459)	\$ 827,432	\$ 402,973	\$ (4,001,943)

See notes to consolidated financial statements.

Navy League of the United States and Affiliates

Consolidated Statement of Functional Expenses Year Ended December 31, 2021 (With Comparative Totals for 2020)

	2021								2020 Total
	Program Services				Supporting Services				
	Seapower Magazine	Legislative Affairs	Events	Membership	Building Operations	Fundraising	Management and General	Total	
Salaries and benefits	\$ 308,323	\$ 150,115	\$ 404,212	\$ 271,650	\$ -	\$ 215,807	\$ 2,263,553	\$ 3,613,660	\$ 3,939,137
Travel and meetings	-	-	1,800,906	-	-	3,261	43,723	1,847,890	217,629
Consulting and professional services	219,843	-	287,797	-	-	-	252,886	760,526	589,562
Other expenses	867	18,217	46,297	28,744	718,974	22,435	1,667,625	2,503,159	1,528,076
Office expenses	172,667	-	5,052	-	-	2,122	183,922	363,763	388,860
Support to USNSCC	-	-	-	-	-	-	448,300	448,300	-
Equipment and software	-	-	-	-	-	-	144,911	144,911	132,758
Advertising	-	-	72,103	-	-	1,837	7,393	81,333	75,453
Telecom and web services	412	-	-	-	-	15,986	153,162	169,560	218,179
Subscriptions and membership dues	-	25,080	-	-	-	57	7,787	32,924	31,321
Interest expense	-	-	-	-	3,020,908	-	-	3,020,908	3,061,138
Depreciation and amortization	-	-	-	-	1,957,398	-	-	1,957,398	2,171,223
Property taxes	-	-	-	-	953,537	-	-	953,537	947,363
Condominium operations	-	-	-	-	650,170	-	-	650,170	821,516
Occupancy	84,982	31,868	350,550	74,359	(1,062,272)	42,491	478,022	-	-
Allocated costs	138,377	54,884	324,339	191,217	-	104,220	(813,037)	-	-
Total expenses	\$ 925,471	\$ 280,164	\$ 3,291,256	\$ 565,970	\$ 6,238,715	\$ 408,216	\$ 4,838,247	\$ 16,548,039	\$ 14,122,215

See notes to consolidated financial statements.

Navy League of the United States and Affiliates

Consolidated Statement of Cash Flows Year Ended December 31, 2021 (With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets (deficit)	\$ 4,404,916	\$ (3,343,346)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gain on investments	(1,809,234)	(1,680,194)
Unrealized loss on cash surrender value of life insurance policy	878	-
Gain on early lease termination	(1,919,629)	-
Forgiveness of Payroll Protection Program loan	(496,301)	-
Depreciation and amortization, property and equipment	1,974,265	1,944,095
Amortization of leasing commissions	223,377	227,128
Amortization of loan costs	40,109	48,958
Deferred rent receivable	(1,189,914)	424,453
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(703,156)	708,652
Promises to give	(25,000)	1,500
Prepaid expenses	67,001	(94,506)
Leasing commissions	(83,948)	(960,840)
Increase (decrease) in:		
Accounts payable and accrued expenses	(325,819)	(41,035)
Deferred revenue	715,219	185,454
Net cash provided by (used in) operating activities	872,764	(2,579,681)
Cash flows from investing activities:		
Purchase of property and equipment	(582,518)	(1,743,697)
Sale of property and equipment	(1,741)	174,407
Cash collected from early lease termination	4,052,340	-
Purchase of investments	(553,666)	(260,398)
Proceeds from sales/maturities of investments	1,349,584	65,568
Net cash provided by (used in) investing activities	4,263,999	(1,764,120)
Cash flows from financing activities:		
Proceeds (payments) on line of credit	(857,080)	5,399,000
Proceeds from Paycheck Protection Program Loan	518,790	496,301
Collection of security deposits, net	59,678	128,596
Net cash (used in) provided by financing activities	(278,612)	6,023,897
Net increase in cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other	4,858,151	1,680,096
Cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other:		
Beginning	9,332,989	7,652,893
Ending	\$ 14,191,140	\$ 9,332,989
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,040,954	\$ 3,063,571
Supplemental schedule of noncash financing activities:		
Forgiveness of Payroll Protection Program loan	\$ 496,301	\$ -

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 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 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, 2021.

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, 2021.

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 \$1,500 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, 2021.

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 \$6,585,145 at December 31, 2021.

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 \$370,549 at December 31, 2021. 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 years ended December 31, 2021 and 2020. The League has elected Accounting Standards Codification (ASC) 470—Debt Accounting treatment for the PPP loans. As a result, the proceeds from the PPP loans 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 when each 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 \$6,585,190 at December 31, 2021.

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 \$68,053 for the year ended December 31, 2021.

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 in conformity with generally accepted accounting principles in the United States of America 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 revenues 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, 2020, 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, 2021. The LLC's net operating losses totaled approximately \$15 million at December 31, 2021, 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, 2021.

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, 2021.

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, 2021. 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, 2021.

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 2018.

Reclassifications: Certain 2020 amounts previously reported have been reclassified to be consistent with the 2021 presentation. The reclassifications had no effect on the previously reported changed in net assets or net assets.

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. The League is in the process of evaluating the impact of this new guidance.

Subsequent events: The League evaluated subsequent events through July 18, 2022, which is the date the consolidated financial statements were available to be issued.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 2. Receivables

Receivables consist of the following at December 31, 2021:

Sea-Air-Space Exposition	\$ 1,084,867
Seapower advertising	107,796
Parking income receivable	26,987
Due from Foundation to the League	1,944
Tenant receivable	16,506
	<hr/>
	1,238,100
Allowance for doubtful accounts	17,000
	<hr/>
	<u>\$ 1,221,100</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

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.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2021:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 2,847,268	\$ -	\$ -	\$ 2,847,268
Equity securities:				
U.S. large cap	7,776,506	-	-	7,776,506
U.S. mid cap	1,054,402	-	-	1,054,402
U.S. small cap	29,329	-	-	29,329
Europe, Asia and Far East (EAFE)	1,927,161	-	-	1,927,161
Foreign equities	1,920,305	-	-	1,920,305
Emerging market	1,373,110	-	-	1,373,110
Global equities	12,032	-	-	12,032
	<u>14,092,845</u>	<u>-</u>	<u>-</u>	<u>14,092,845</u>
Fixed income:				
Real estate and infrastructure fund	26,670	-	-	26,670
Total investments	<u>\$ 16,966,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>16,966,783</u>
Cash and cash equivalents				
in investment portfolios				<u>1,957,740</u>
Total cash and investments				<u>\$ 18,924,523</u>

Equity securities and mutual funds are classified as Level 1 instruments as there are quoted market prices in active markets for identical assets.

For the year ended December 31, 2021, net investment income consists of the following:

Realized/unrealized gain on investments	\$ 1,809,234
Interest and dividend income	349,690
Investment expense	(89,680)
	<u>\$ 2,069,244</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, 2021:

Asset category:	Estimated Lives (Years)	Cost	Accumulated Depreciation and Amortization	Net
Land	-	\$ 4,102,268	\$ -	\$ 4,102,268
Land improvements	15	994,532	994,532	-
Building	39	37,847,099	15,470,877	22,376,222
Tenant improvements	5-10	18,988,945	12,748,714	6,240,231
Building information systems and software	3-5	4,130,254	4,130,254	-
Computer equipment, furniture and fixture	5-7	1,045,273	995,087	50,186
		\$ 67,108,371	\$ 34,339,464	\$ 32,768,907

Depreciation and amortization expense was \$1,974,265 for the year ended December 31, 2021, of which \$16,867 is included in allocated costs on the consolidated statement of functional expenses.

Note 5. Deferred Revenue

Deferred revenue consists of the following at December 31, 2021:

Sea-Air-Space Exposition	\$ 5,083,610
Membership dues	610,945
Other	40,554
	\$ 5,735,109

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, 2021, was \$5,400,000. The line bears interest at a variable rate per annum equal to the adjusted SOFR (secured overnight financing rate) plus 1.00%. The rate in effect ranged from 1.01% to 1.05% for the year ended December 31, 2021. 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, 2023.

Notes payable: The LLC has a loan with a bank. The amount borrowed from the bank loan was \$60,000,000. At December 31, 2021, 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, 2021, was \$3,020,908.

Navy League of the United States and Affiliates

Notes to Consolidated Financial Statements

Note 6. Debt (Continued)

Notes payable as of December 31, 2021, consists of the following:

Principal amount	\$ 59,146,549
Less unamortized loan costs	(78,179)
	<u>\$ 59,068,370</u>

Future maturities on the notes payable at December 31, 2021, are due as follows:

Years ending December 31:	
2022	\$ 893,705
2023	939,490
2024	979,470
2025	56,333,884
	<u>\$ 59,146,549</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 had a two-year term and bears interest at a rate of 0.98% per annum. Monthly principal and interest payments were deferred six months after the date of disbursement. 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 loan was forgiven on June 23, 2021, and as such the liability written off to revenue.

In March 2021, the League applied for and received a second PPP loan for \$518,790. This PPP loan has a five-year term and bears interest at a rate of 0.98% per annum. Monthly principal and interest payments are deferred 10 months after the date of disbursement. 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. The second loan was forgiven on January 19, 2022.

Note 7. Leasing Arrangements as Lessor

The LLC leases space in a building it owns to several tenants. The leases expire through November 2033. Rental income under these leases, exclusive of the Navy League lease, was \$6,907,528 for the year ended December 31, 2021.

The minimum rental receipts as of December 31, 2021, to be received in future years are as follows:

Years ending December 31:	
2022	\$ 4,069,213
2023	4,949,914
2024	4,738,793
2025	4,460,555
2026	2,246,528
Thereafter	13,522,088
	<u>\$ 33,987,091</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 \$146,011 for the year ended December 31, 2021.

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, 2021, certain employees spent a portion of their time on Foundation activities. The Navy League provided \$30,000 in management services, of which \$14,597 was donated to the Foundation. The Navy League incurred additional costs for the Foundation that are payable to the League at December 31, 2021, in the amount of \$1,944.

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 \$197,596, 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, 2021, by type of donor restriction/purpose, are as follows:

	Balance December 31, 2020	Additions	Expense/ Restriction Accomplished	Balance December 31, 2021
Purpose-restricted:				
America Strength	\$ 150,986	\$ 11,068	\$ -	\$ 162,054
Safety awards fund	82,413	4,707	-	87,120
Advocacy	11,364	-	-	11,364
Handclasp	11,126	47	-	11,173
STEM	7,310	425	(7,735)	-
Endowments:				
Awards and youth programs	413,515	37,728	-	451,243
Oceanic education	72,833	6,645	-	79,478
Time-restricted:				
President's Circle	33,300	-	(33,300)	-
Donor cultivation	1,000	-	(1,000)	-
Podcast room—promise to give	-	25,000	-	25,000
	<u>\$ 783,847</u>	<u>\$ 85,620</u>	<u>\$ (42,035)</u>	<u>\$ 827,432</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, 2021:

Awards and youth programs	\$ 451,243
Oceanic education	79,478
	<u>\$ 530,721</u>

Changes in the endowment during 2021, are as follows:

Endowment net assets, beginning of year	\$ 486,348
Investment income, net	44,373
Endowment net assets, end of year	<u>\$ 530,721</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	\$ 7,605,950
Receivables, net	1,221,100
Investments	18,924,523
Cash surrender value of life insurance policy	143,500
Escrows—taxes, insurance, repairs and other	6,585,190
Total financial assets available	<u>34,480,263</u>
Less those available for general expenditure within one year due to contractual or imposed restrictions:	
Cash surrender value of life insurance policy	(143,500)
Escrows—taxes, insurance, repairs and other	(6,585,190)
Net assets with donor restrictions	<u>(827,432)</u>
	<u>(7,556,122)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 42,036,385</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 (COVID-19) 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.

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



RSM US LLP

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, 2021, and have issued our report thereon, dated July 18, 2022, 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 information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the 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 information has been subjected to the auditing procedures applied in the audits 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, 2020, was previously audited by us and, in our report dated September 27, 2021, we stated the 2020 information was fairly stated in all material respects in relation to the 2019 financial statements as a whole.

RSM US LLP

McLean, Virginia
July 18, 2022

Navy League of the United States and Affiliates

Consolidating Schedule of Financial Position December 31, 2021

	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	\$ 6,314,918	\$ 1,176,002	\$ 36,016	\$ 79,014	\$ -	\$ 7,605,950
Receivables, net	1,331,314	1,548,813	26,987	134,749	(1,820,763)	1,221,100
Promises to give, net	25,000	-	-	-	-	25,000
Prepaid expenses	262,038	297	-	79,163	-	341,498
Total current assets	7,933,270	2,725,112	63,003	292,926	(1,820,763)	9,193,548
Non-current assets:						
Investments	22,905,527	9,126,904	-	-	(13,107,908)	18,924,523
Cash surrender value of life insurance policy	143,500	-	-	-	-	143,500
Painting	42,000	-	-	-	-	42,000
Escrows—taxes, insurance, repairs and other	-	6,585,190	-	-	-	6,585,190
Deferred rent receivable	-	5,098,052	-	-	(1,169,196)	3,928,856
Leasing commissions, net of amortization	-	1,937,538	-	-	-	1,937,538
Property and equipment, net	48,941	28,092,907	4,566,706	60,353	-	32,768,907
Total non-current assets	23,139,968	50,840,591	4,566,706	60,353	(14,277,104)	64,330,514
Total assets	\$ 31,073,238	\$ 53,565,703	\$ 4,629,709	\$ 353,279	\$ (16,097,867)	\$ 73,524,062
Liabilities and Net Assets (Deficit)						
Current liabilities:						
Accounts payable and accrued expenses	\$ 856,703	\$ 609,457	\$ 1,768,344	\$ 170,247	\$ (1,820,763)	\$ 1,583,988
Accrued interest payable	-	251,501	-	-	-	251,501
Line of credit, current portion	5,400,000	-	-	-	-	5,400,000
Deferred revenue, current portion	5,612,876	-	-	-	-	5,612,876
Note payable, current portion	-	893,705	-	-	-	893,705
Total current liabilities	11,869,579	1,754,663	1,768,344	170,247	(1,820,763)	13,742,070
Non-current liabilities:						
Note payable, non-current portion	-	58,174,665	-	-	-	58,174,665
Deferred revenue, non-current portion	122,233	-	-	-	-	122,233
Deferred rent liability	1,169,196	-	-	-	(1,169,196)	-
Paycheck Protection Program loan	518,790	-	-	-	-	518,790
Security deposits	-	380,299	-	-	-	380,299
Prepaid assessments	-	-	-	183,032	-	183,032
Total non-current liabilities	1,810,219	58,554,964	-	183,032	(1,169,196)	59,379,019
Total liabilities	13,679,798	60,309,627	1,768,344	353,279	(2,989,959)	73,121,089
Net assets (deficit):						
Without donor restrictions	16,566,008	(6,743,924)	2,861,365	-	(13,107,908)	(424,459)
With donor restrictions	827,432	-	-	-	-	827,432
Total net assets (deficit)	17,393,440	(6,743,924)	2,861,365	-	(13,107,908)	402,973
Total liabilities and net assets (deficit)	\$ 31,073,238	\$ 53,565,703	\$ 4,629,709	\$ 353,279	\$ (16,097,867)	\$ 73,524,062

Navy League of the United States and Affiliates

Consolidating Schedule of Activities Year Ended December 31, 2021

	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	\$ -	\$ 7,718,220	\$ -	\$ -	\$ (810,692)	\$ 6,907,528
Sea-Air-Space Exposition	6,538,092	-	-	-	-	6,538,092
Membership dues	1,160,088	-	-	-	-	1,160,088
Gain on early lease termination	-	1,919,629	-	-	-	1,919,629
Forgiveness of Payroll Protection Program loan	496,301	-	-	-	-	496,301
Expense recoveries from tenants	-	194,888	-	32,987	-	227,875
Parking contract income	-	-	234,797	-	-	234,797
Contributions	494,540	-	-	-	-	494,540
Publications—Seapower	447,642	-	-	-	-	447,642
Royalty and other income	381,222	-	-	-	-	381,222
Assessment income	-	-	-	1,836,519	(1,760,522)	75,997
Navy League Building LLC asset management fee	379,140	-	-	-	(379,140)	-
Total revenue and support	9,897,025	9,832,737	234,797	1,869,506	(2,950,354)	18,883,711
Expenses:						
Program services:						
Seapower magazine	1,014,242	-	-	-	(88,771)	925,471
Legislative affairs	305,620	-	-	-	(25,456)	280,164
Events	3,595,509	-	-	-	(304,253)	3,291,256
Total program services	4,915,371	-	-	-	(418,480)	4,496,891
Support services:						
Membership recruitment	615,018	-	-	-	(49,048)	565,970
Building operations	-	7,571,143	-	1,869,506	(3,201,934)	6,238,715
Fundraising	446,156	-	-	-	(37,940)	408,216
Management and general	2,803,435	-	1,277,764	-	757,048	4,838,247
Total support services	3,864,609	7,571,143	1,277,764	1,869,506	(2,531,874)	12,051,148
Total expenses	8,779,980	7,571,143	1,277,764	1,869,506	(2,950,354)	16,548,039
Change in net assets before other changes	1,117,045	2,261,594	(1,042,967)	-	-	2,335,672
Other changes:						
Investment income, net	1,915,317	153,927	-	-	-	2,069,244
Change in net assets	3,032,362	2,415,521	(1,042,967)	-	-	4,404,916
Net assets (deficit):						
Beginning	14,361,078	(9,159,445)	3,904,332	-	(13,107,908)	(4,001,943)
Ending	\$ 17,393,440	\$ (6,743,924)	\$ 2,861,365	\$ -	\$ (13,107,908)	\$ 402,973

Navy League of the United States

Schedule of Financial Position
December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,314,918	\$ 5,179,375
Receivables, net	1,331,314	441,365
Promises to give	25,000	-
Prepaid expenses	262,038	341,564
Total current assets	7,933,270	5,962,304
Non-current assets:		
Investments	22,905,527	20,992,595
Cash surrender value of life insurance policy	143,500	144,378
Painting	42,000	42,000
Property and equipment, net	48,941	74,672
Total non-current assets	23,139,968	21,253,645
Total assets	\$ 31,073,238	\$ 27,215,949
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 856,703	\$ 804,813
Line of credit	5,400,000	5,400,000
Deferred revenue, current portion	5,612,876	4,911,389
Total current liabilities	11,869,579	11,116,202
Non-current liabilities:		
Deferred revenue, non-current portion	122,233	108,501
Deferred rent liability	1,169,196	1,133,867
Paycheck Protection Program Loan	518,790	496,301
Total non-current liabilities	1,810,219	1,738,669
Total liabilities	13,679,798	12,854,871
Net assets:		
Without donor restrictions	16,566,008	13,577,231
With donor restrictions	827,432	783,847
Total net assets	17,393,440	14,361,078
Total liabilities and net assets	\$ 31,073,238	\$ 27,215,949

Navy League of the United States

Schedule of Activities

Year Ended December 31, 2021

(With Comparative Totals for 2020)

	2021	2020
Revenue and support:		
Sea-Air-Space Exposition	\$ 6,538,092	\$ 107,281
Membership dues	1,160,088	1,175,589
Contributions	494,540	572,796
Publications—Seapower	447,642	354,834
Forgiveness of Payroll Protection Program loan	496,301	-
Navy League Building LLC asset management fee	379,140	290,205
Royalty and other income	381,222	93,043
Total revenue and support	9,897,025	2,593,748
Expenses:		
Program services:		
Seapower magazine	1,014,242	911,855
Legislative affairs	305,620	269,997
Events	3,595,509	1,381,408
Total program services	4,915,371	2,563,260
Support services:		
Membership recruitment	615,018	613,094
Fundraising	446,156	431,688
Management and general	2,803,435	2,573,160
Total support services	3,864,609	3,617,942
Total expenses	8,779,980	6,181,202
Change in net assets before other changes	1,117,045	(3,587,454)
Other changes:		
Investment income, net	1,915,317	1,666,729
Total other changes	1,915,317	1,666,729
Change in net assets	3,032,362	(1,920,725)
Net assets:		
Beginning	14,361,078	16,281,803
Ending	\$ 17,393,440	\$ 14,361,078

Navy League of the United States

**Schedule of Cash Flows
Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 3,032,362	\$ (1,920,725)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	25,837	21,692
Unrealized/realized gain on investments	(1,677,112)	(1,488,017)
Forgiveness of Payroll Protection Program loan	(496,301)	-
Unrealized loss on cash surrender value of life insurance policy	878	-
Deferred rent liability	35,329	52,921
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(889,949)	751,777
Promises to give	(25,000)	1,500
Prepaid expenses	79,526	(105,446)
Increase (decrease) in:		
Accounts payable and accrued expenses	51,890	(163,917)
Deferred revenue	715,219	185,454
Net cash provided by (used in) operating activities	852,679	(2,664,761)
Cash flows from investing activities:		
Purchase of property and equipment	(106)	(62,239)
Sale of property and equipment	-	4,720
Purchase of investments	(322,548)	(230,521)
Proceeds from sales/maturities of investments	86,728	65,568
Net cash used in investing activities	(235,926)	(222,472)
Cash flows from financing activities:		
Proceeds on line of credit	-	5,399,000
Proceeds from Paycheck Protection Program Loan	518,790	496,301
Net cash provided by financing activities	518,790	5,895,301
Net increase in cash and cash equivalents	1,135,543	3,008,068
Cash and cash equivalents:		
Beginning	5,179,375	2,171,307
Ending	\$ 6,314,918	\$ 5,179,375
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 56,526	\$ 51,391
Supplemental schedule of noncash financing activities:		
Forgiveness of Payroll Protection Program loan	\$ 496,301	\$ -

Navy League Building LLC

Balance Sheet

December 31, 2021

(With Comparative Totals for 2020)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents—operating	\$ 822,400	\$ 1,054,086
Cash and cash equivalents—restricted for security deposits	353,602	353,602
Receivables, net	1,548,813	1,425,707
Prepaid expenses	297	299
Total current assets	2,725,112	2,833,694
Non-current assets:		
Escrows—taxes, insurance, repairs and other	6,585,190	2,277,735
Investments	1,630,167	2,529,783
Deferred rent receivable	5,098,052	6,005,520
Leasing commissions, net of amortization	1,937,538	2,076,967
Investment in Navy League Development Corp.	7,496,737	7,496,737
Property and equipment, net	28,092,907	29,244,516
Total non-current assets	50,840,591	49,631,258
Total assets	\$ 53,565,703	\$ 52,464,952
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 609,457	\$ 1,166,934
Accrued interest payable	251,501	255,130
Note payable, current portion, net of loan costs	893,705	745,623
Total current liabilities	1,754,663	2,167,687
Non-current liabilities:		
Security deposits	380,299	320,621
Note payable, non-current portion, net of loan costs	58,174,665	59,136,089
Total liabilities	60,309,627	61,624,397
Net assets (deficit):		
Without donor restrictions	(6,743,924)	(9,159,445)
Total liabilities and net assets (deficit)	\$ 53,565,703	\$ 52,464,952

Navy League Building LLC

**Schedule of Activities
Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Revenue:		
Building rental income	\$ 7,718,220	\$ 6,180,483
Gain on early lease termination	1,919,629	68,101
Expense recoveries from tenants	194,888	536,411
Total revenue	9,832,737	6,784,995
Expenses:		
Building operations:		
Interest	3,020,908	3,061,138
Depreciation and amortization	1,957,398	1,935,357
Condominium association dues	920,326	1,026,922
Property taxes	953,537	947,363
Other operating expenses	718,974	681,862
Total expenses	7,571,143	7,652,642
Change in net assets before other changes	2,261,594	(867,647)
Other changes:		
Investment income, net	153,927	222,236
Total other changes	153,927	222,236
Change in net assets	2,415,521	(645,411)
Net assets (deficit):		
Beginning	(9,159,445)	(8,514,034)
Ending	\$ (6,743,924)	\$ (9,159,445)

Navy League Building LLC

**Schedule of Cash Flows
Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,415,521	\$ (645,411)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,734,021	1,708,229
Unrealized/realized gain on investments	(132,122)	(192,177)
Amortization of leasing commissions	223,377	227,128
Amortization of loan costs	40,109	48,958
Deferred rent receivable	(1,225,243)	371,532
Gain on early lease termination	(1,919,629)	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(123,106)	(250,291)
Prepaid expenses	2	(19)
Leasing commission	(83,948)	(960,840)
(Increase) decrease in:		
Accounts payable and accrued expenses	(557,477)	(262,218)
Net cash provided by operating activities	371,505	44,891
Cash flows from investing activities:		
Purchases of property and equipment	(582,412)	(1,691,226)
Cash collected from early lease termination	4,052,340	-
Sale of property and equipment	-	169,687
Purchase of investments	(231,118)	(29,877)
Sales of investments	1,262,856	-
Net cash provided by (used in) investing activities	4,501,666	(1,551,416)
Cash flows from financing activities:		
Principle payments on note payable	(857,080)	-
Collection of security deposits, net	59,678	128,596
Net cash (used in) provided by financing activities	(797,402)	128,596
Net increase (decrease) in cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other	4,075,769	(1,377,929)
Cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other		
Beginning	3,685,423	5,063,352
Ending	\$ 7,761,192	\$ 3,685,423
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,984,428	\$ 3,012,180

Navy League Development Corporation

Balance Sheet

December 31, 2021

(With Comparative Totals for 2020)

	2021	2020
Assets		
Current assets:		
Cash—operating	\$ 36,016	\$ 186,270
Receivables, net	<u>26,987</u>	<u>38,272</u>
Total current assets	63,003	224,542
Non-current assets:		
Property and equipment, net	<u>4,566,706</u>	<u>4,769,841</u>
Total assets	\$ 4,629,709	\$ 4,994,383
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,768,344	\$ 1,090,051
Net assets:		
Unrestricted	<u>2,861,365</u>	<u>3,904,332</u>
Total liabilities and net assets	\$ 4,629,709	\$ 4,994,383

Navy League Development Corporation

Schedule of Activities

Year Ended December 31, 2021

(With Comparative Totals for 2020)

	2021	2020
Revenue:		
Parking contract income	\$ 234,797	\$ 375,097
Other income	-	218,274
Total revenue	234,797	593,371
Expenses:		
Building operations:		
Condominium association dues	840,196	937,612
Depreciation	203,135	203,134
Maintenance, insurance and other costs	141,528	129,309
Salaries and benefits for parking attendants	74,905	82,526
Management fees	18,000	18,000
Total expenses	1,277,764	1,370,581
Change in net assets	(1,042,967)	(777,210)
Net assets:		
Beginning	3,904,332	4,681,542
Ending	\$ 2,861,365	\$ 3,904,332

Navy League Development Corporation

**Schedule of Cash Flows
Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (1,042,967)	\$ (777,210)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	203,135	203,134
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	11,285	677,721
Increase (decrease) in:		
Accounts payable and accrued expenses	678,293	(319,162)
Net cash used in operating activities	(150,254)	(215,517)
Net decrease in cash	(150,254)	(215,517)
Cash:		
Beginning	186,270	401,787
Ending	\$ 36,016	\$ 186,270

Navy League Building Condominium Unit Owners Association

Balance Sheet

December 31, 2021

(With Comparative Totals for 2020)

	2021	2020
Assets		
Current assets:		
Cash—operating	\$ 79,014	\$ 281,921
Receivables, net	134,749	602,812
Prepaid expenses	79,163	66,636
Total current assets	292,926	951,369
Non-current assets:		
Property and equipment	60,353	69,884
Total assets	\$ 353,279	\$ 1,021,253
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 170,247	\$ 838,221
	170,247	838,221
Non-current liability:		
Replacement reserve liability	183,032	183,032
Fund balance	-	-
Total liabilities and net assets	\$ 353,279	\$ 1,021,253

Navy League Building Condominium Unit Owners Association

**Schedule of Revenue, Expenses and Changes in Fund Balance
Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
Revenue:		
Assessment income	\$ 1,836,519	\$ 2,049,233
Other income	32,987	-
Total revenue	1,869,506	2,049,233
Expenses:		
Building operations:		
Salaries and benefits	442,971	466,016
Utilities	377,609	409,817
Janitorial	269,525	263,119
HVAC supplies and repairs	137,439	162,397
Security	102,571	109,317
Other supplies and maintenance	103,455	197,913
Insurance	122,717	126,502
Office rent, telephone and other administrative costs	98,100	69,388
Management fees	81,084	100,598
Plumbing repairs and supplies	32,319	53,139
Electrical repairs and maintenance	76,953	3,887
Landscaping and ground maintenance	7,862	6,502
Depreciation	11,272	11,040
Other	5,629	69,598
Total expenses	1,869,506	2,049,233
Excess of revenue over expenses	-	-
Fund balance:		
Beginning	-	-
Ending	\$ -	\$ -

Navy League Building Condominium Unit Owners Association

**Schedule of Cash Flows
Year Ended December 31, 2021
(With Comparative Totals for 2020)**

	2021	2020
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	11,272	11,040
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	468,063	175,404
Prepaid expenses	(12,527)	10,959
Increase (decrease) in:		
Accounts payable and accrued expenses	(667,974)	58,303
Prepaid Assessments	-	-
Net cash (used in) provided by operating activities	(201,166)	255,706
Cash flows from Investing activities:		
Purchases of property and equipment	(1,741)	-
Sale of property and equipment	-	9,768
Net cash (used in) provided by investing activities	(1,741)	9,768
Net (decrease) increase in cash	(202,907)	265,474
Cash:		
Beginning	281,921	16,447
Ending	\$ 79,014	\$ 281,921