

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

Consolidated Financial Report  
December 31, 2022

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RSM US LLP

## Independent Auditor's Report

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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

McLean, Virginia  
July 31, 2023

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

**Consolidated Statement of Financial Position  
December 31, 2022  
(With Comparative Totals for 2021)**

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,774,716	\$ 7,605,950
Receivables, net	950,030	1,221,100
Promises to give	-	25,000
Prepaid expenses	469,318	341,498
<b>Total current assets</b>	<b>11,194,064</b>	<b>9,193,548</b>
Noncurrent assets:		
Investments	14,874,555	18,924,523
Cash surrender value of life insurance policy	-	143,500
Painting	42,000	42,000
Escrows—taxes, insurance, repairs and other	7,469,418	6,585,190
Deferred rent receivable	4,047,592	3,928,856
Leasing commissions, net of amortization	1,389,613	1,937,538
Property and equipment, net	31,252,565	32,768,907
<b>Total noncurrent assets</b>	<b>59,075,743</b>	<b>64,330,514</b>
<b>Total assets</b>	<b>\$ 70,269,807</b>	<b>\$ 73,524,062</b>
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,644,773	\$ 1,583,988
Accrued interest payable	-	251,501
Line of credit, current portion	5,400,000	5,400,000
Deferred revenue, current portion	6,222,597	5,612,876
Note payable, current portion, net of loan costs	939,490	893,705
<b>Total current liabilities</b>	<b>15,206,860</b>	<b>13,742,070</b>
Noncurrent liabilities:		
Note payable, noncurrent portion, net of loan costs	57,192,192	58,174,665
Deferred revenue, noncurrent portion	152,322	122,233
Paycheck Protection Program loan	-	518,790
Security deposits	335,325	380,299
Prepaid assessments	183,032	183,032
<b>Total noncurrent liabilities</b>	<b>57,862,871</b>	<b>59,379,019</b>
<b>Total liabilities</b>	<b>73,069,731</b>	<b>73,121,089</b>
Commitments and contingencies (Note 10)		
Net assets (deficit):		
Without donor restrictions	(3,430,652)	(424,459)
With donor restrictions	630,728	827,432
<b>Total net assets (deficit)</b>	<b>(2,799,924)</b>	<b>402,973</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 70,269,807</b>	<b>\$ 73,524,062</b>

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Consolidated Statement of Activities Year Ended December 31, 2022 (With Comparative Totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support:				
Building rental income	\$ 4,017,666	\$ -	\$ 4,017,666	\$ 6,907,528
Sea-Air-Space Exposition and other events	7,437,374	-	7,437,374	6,538,092
Membership dues	1,203,103	-	1,203,103	1,160,088
(Loss) gain on early lease termination	(106,711)	-	(106,711)	1,919,629
Forgiveness of Paycheck Protection Program loan	518,790	-	518,790	496,301
Navy Ball	297,733	-	297,733	-
Expense recoveries from tenants	387,113	-	387,113	227,875
Parking contract income	233,672	-	233,672	234,797
Contributions	1,516,251	29,495	1,545,746	494,540
Publications—Seapower	354,232	-	354,232	447,642
Royalty and other income	467,411	-	467,411	381,222
Assessment income	71,425	-	71,425	75,997
Net assets released from restrictions	54,447	(54,447)	-	-
<b>Total revenue and support</b>	<b>16,452,506</b>	<b>(24,952)</b>	<b>16,427,554</b>	<b>18,883,711</b>
Expenses:				
Program services:				
Seapower magazine	866,528	-	866,528	925,471
Legislative affairs	238,966	-	238,966	280,164
Events	3,475,012	-	3,475,012	3,291,256
Center for Maritime Strategy	1,044,126	-	1,044,126	-
<b>Total program services</b>	<b>5,624,632</b>	<b>-</b>	<b>5,624,632</b>	<b>4,496,891</b>
Support services:				
Membership recruitment	477,628	-	477,628	565,970
Building operations	7,099,960	-	7,099,960	7,516,479
Fundraising	408,757	-	408,757	408,216
Management and general	3,457,771	-	3,457,771	3,560,483
<b>Total support services</b>	<b>11,444,116</b>	<b>-</b>	<b>11,444,116</b>	<b>12,051,148</b>
<b>Total expenses</b>	<b>17,068,748</b>	<b>-</b>	<b>17,068,748</b>	<b>16,548,039</b>
<b>Change in net assets before other changes</b>	<b>(616,242)</b>	<b>(24,952)</b>	<b>(641,194)</b>	<b>2,335,672</b>
Other changes:				
Investment (loss) income, net	(2,389,951)	(171,752)	(2,561,703)	2,069,244
<b>Total other changes</b>	<b>(2,389,951)</b>	<b>(171,752)</b>	<b>(2,561,703)</b>	<b>2,069,244</b>
<b>Change in net assets</b>	<b>(3,006,193)</b>	<b>(196,704)</b>	<b>(3,202,897)</b>	<b>4,404,916</b>
Net assets (deficit):				
Beginning	(424,459)	827,432	402,973	(4,001,943)
Ending	\$ (3,430,652)	\$ 630,728	\$ (2,799,924)	\$ 402,973

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Consolidated Statement of Functional Expenses Year Ended December 31, 2022 (With Comparative Totals for 2021)

	2022									2021 Total
	Program Services				Supporting Services					
	Seapower Magazine	Legislative Affairs	Events	Center for Maritime Strategy	Membership	Building Operations	Fundraising	Management and General	Total	
Salaries and benefits	\$ 288,536	\$ 123,255	\$ 423,707	\$ 680,706	\$ 262,659	-	\$ 216,441	\$ 2,484,911	\$ 4,480,215	\$ 3,613,660
Travel and meetings	-	73	1,948,557	45,730	-	-	8,638	67,087	2,070,085	1,847,890
Consulting and professional services	186,190	-	394,974	12,200	-	-	-	108,976	702,340	760,526
Other expenses	743	14,709	-	-	5,592	533,748	14,218	317,425	886,435	1,283,823
Office expenses	198,142	-	14,864	8,349	-	-	4,268	200,087	425,710	363,763
Support to USNSCC	-	-	-	-	-	-	-	448,300	448,300	448,300
Equipment and software	-	-	-	15,091	-	-	-	181,189	196,280	144,911
Advertising	-	-	65,438	6,118	14,919	-	7,272	1,126	94,873	81,333
Telecom and web services	420	-	-	-	-	-	15,534	155,959	171,913	169,560
Subscriptions and membership dues	-	25,738	-	1,077	-	-	85	7,309	34,209	32,924
Interest expense	-	-	-	-	-	2,969,514	-	-	2,969,514	3,020,908
Depreciation and amortization	-	-	-	-	-	1,980,473	-	-	1,980,473	1,957,398
Property taxes	-	-	-	-	-	844,570	-	-	844,570	953,537
Condominium operations	-	-	-	-	-	1,763,831	-	-	1,763,831	1,869,506
Occupancy	69,452	19,844	317,496	89,296	49,609	(992,176)	39,687	406,792	-	-
Allocated costs	123,045	55,347	309,976	185,559	144,849	-	102,614	(921,390)	-	-
<b>Total expenses</b>	<b>\$ 866,528</b>	<b>\$ 238,966</b>	<b>\$ 3,475,012</b>	<b>\$ 1,044,126</b>	<b>\$ 477,628</b>	<b>\$ 7,099,960</b>	<b>\$ 408,757</b>	<b>\$ 3,457,771</b>	<b>\$ 17,068,748</b>	<b>\$ 16,548,039</b>

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Consolidated Statement of Cash Flows Year Ended December 31, 2022 (With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets (deficit)	\$ (3,202,897)	\$ 4,404,916
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investments	2,781,190	(1,809,234)
Unrealized loss on cash surrender value of life insurance policy	-	878
Loss (gain) on early lease termination	106,711	(1,919,629)
Forgiveness of Paycheck Protection Program loan	(518,790)	(496,301)
Depreciation and amortization, property and equipment	1,997,333	1,974,265
Amortization of leasing commissions	194,612	223,377
Amortization of loan costs	32,624	40,109
Deferred rent receivable	(556,811)	(1,189,914)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	271,070	(703,156)
Promises to give	25,000	(25,000)
Prepaid expenses	(127,820)	67,001
Leasing commissions	(91,181)	(83,948)
Increase (decrease) in:		
Accounts payable and accrued expenses	835,488	(325,819)
Accrued interest payable	(251,501)	-
Deferred revenue	639,810	715,219
<b>Net cash provided by operating activities</b>	<b>2,134,838</b>	<b>872,764</b>
Cash flows from investing activities:		
Purchase of property and equipment	(255,694)	(582,518)
Sale of property and equipment	-	(1,741)
Cash collected from early lease termination	775,858	4,052,340
Purchase of investments	(294,654)	(553,666)
Proceeds from sales/maturities of investments	1,563,432	1,349,584
Proceeds from life insurance policy	143,500	-
<b>Net cash provided by investing activities</b>	<b>1,932,442</b>	<b>4,263,999</b>
Cash flows from financing activities:		
Principle payments on note payable	(969,312)	(857,080)
Proceeds from Paycheck Protection Program Loan	-	518,790
Collection of security deposits, net	(44,974)	59,678
<b>Net cash used in financing activities</b>	<b>(1,014,286)</b>	<b>(278,612)</b>
<b>Net increase in cash and cash equivalents and cash held in escrows— taxes, insurance, repairs and other</b>	<b>3,052,994</b>	<b>4,858,151</b>
Cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other:		
Beginning	14,191,140	9,332,989
Ending	\$ 17,244,134	\$ 14,191,140
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,336,855	\$ 3,040,954
Supplemental schedule of noncash financing activities:		
Forgiveness of Paycheck Protection Program loan	\$ 518,790	\$ 496,301
Supplemental schedule of noncash investing and financing activities:		
Tenant improvements included in accrued expenses	\$ 181,694	-
Property and equipment included in accrued expenses	\$ 43,603	-

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

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

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

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

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

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

**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

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#### 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, 2022.

**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 were no promises to give at December 31, 2022.

**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, 2022.

**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 \$6,221,074 at December 31, 2022.

**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 \$403,173 at December 31, 2022. Unamortized loan costs are reported with notes payable.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

**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 \$7,469,418 at December 31, 2022.

**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 to 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 \$78,375 for the year ended December 31, 2022.

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

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

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

Unconditional contributions received are recorded as net assets with or without donor restrictions, depending on the existence (or nature of) any donor restrictions. Contributions with donor restrictions whose restrictions are released in the same year the contributions are received are recorded to net assets without donor restrictions.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

**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 accounting principles generally accepted in the United States of America (U.S. GAAP) 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the League's consolidated financial statements for the year ended December 31, 2021, 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 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, 2022. The LLC's net operating losses totaled approximately \$14 million at December 31, 2022, and will begin to expire in 2026. 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, 2022.

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, 2022.

The Association was classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2022. 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, 2022.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

The League is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). In addition, the League is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. Therefore, the League files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS when it is subject to unrelated business income tax.

**Reclassifications:** Certain 2021 amounts previously reported have been reclassified to be consistent with the 2022 presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

**Recently adopted accounting pronouncement:** On January 1, 2022, the League adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases, using the modified retrospective approach by electing a package of practical expedients to not reassess its prior conclusions under ASC Topic 840, Leases, regarding (a) whether a preexisting contract is or contains a lease, (b) whether a preexisting lease should be classified as an operating or finance lease and (c) whether the initial direct costs capitalized for a preexisting lease under Topic 840 qualify for capitalization. The adoption had an immaterial effect on the consolidated financial statements.

**Subsequent events:** The League evaluated subsequent events through July 31, 2023, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Receivables

Receivables consist of the following at December 31, 2022:

Sea-Air-Space Exposition	\$ 861,057
Seapower advertising	70,930
Due from Foundation to the League	5,934
Parking income receivable	5,160
Tenant receivable	4,182
Other	19,767
	<hr/>
	967,030
Allowance for doubtful accounts	17,000
	<hr/>
	<u>\$ 950,030</u>

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

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

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

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

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

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2022:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 2,483,315	\$ -	\$ -	\$ 2,483,315
Equity securities:				
U.S. large cap	5,196,408	-	-	5,196,408
U.S. mid cap	1,301,366	-	-	1,301,366
U.S. small cap	1,105,784	-	-	1,105,784
Europe, Asia and Far East (EAFE)	1,071,863	-	-	1,071,863
Foreign equities	701,077	-	-	701,077
Emerging market	186,975	-	-	186,975
Global equities	59,490	-	-	59,490
	<u>9,622,963</u>	<u>-</u>	<u>-</u>	<u>9,622,963</u>
Fixed income:				
Real estate and infrastructure fund	20,012	-	-	20,012
Total investments	<u>\$ 12,126,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,126,290</u>
Cash and cash equivalents				
in investment portfolios				<u>2,748,265</u>
Total cash and investments				<u>\$ 14,874,555</u>
in investment portfolios				

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

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

For the year ended December 31, 2022, net investment loss consists of the following:

Realized/unrealized loss on investments	\$ (2,781,190)
Interest and dividend income	297,031
Investment expense	(77,544)
	<u>\$ (2,561,703)</u>

#### Note 4. Property and Equipment

Property and equipment, primarily held for lease (see Note 7), consists of the following at December 31, 2022:

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	37,938,630	16,459,271	21,479,359
Tenant improvements	5-10	19,329,442	13,728,961	5,600,481
Building information systems and software	3-5	4,130,254	4,130,254	-
Computer equipment, furniture and fixture	5-7	1,093,903	1,023,446	70,457
		<u>\$ 67,589,029</u>	<u>\$ 36,336,464</u>	<u>\$ 31,252,565</u>

Depreciation and amortization expense was \$1,997,333 for the year ended December 31, 2022, of which \$16,860 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, 2022:

Sea-Air-Space Exposition	\$ 5,601,030
Membership dues	723,760
Other	50,129
	<u>\$ 6,374,919</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, 2022, was \$5,400,000. The line bears interest at a variable rate per annum equal to the adjusted Secured Overnight Financing Rate (SOFR) plus 1.00%. The rate in effect ranged from 1.025% to 5.3% for the year ended December 31, 2022. 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 does not have a set maturity date.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 6. Debt (Continued)

**Notes payable:** The LLC has a loan with a bank. The amount borrowed from the bank loan was \$60,000,000. At December 31, 2022, the loan bears interest at 4.938% and interest only was 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, 2022, was \$2,969,514.

Notes payable as of December 31, 2022, consists of the following:

Principal amount	\$ 58,177,237
Less unamortized loan costs	(45,555)
	<u>\$ 58,131,682</u>

Future maturities on the notes payable at December 31, 2022, are due as follows:

Years ending December 31:	
2023	\$ 939,490
2024	979,470
2025	<u>56,258,277</u>
	<u>\$ 58,177,237</u>

**Paycheck Protection Program loan:** In March 2021, the League applied for and received a second PPP loan for \$518,790. This PPP loan had a five-year term and bears interest at a rate of 0.98% per annum. Monthly principal and interest payments were to be deferred 10 months after the date of disbursement. The League used the proceeds from the PPP loan for qualifying expenses and applied for full forgiveness of the PPP loan in accordance with the terms of the CARES Act. 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 under operating leases with expiration dates ranging from September 2025 to November 2033. These leases may contain extension and termination options that are predominantly at the sole discretion of the lessee, provided certain conditions are satisfied. The LLC's investment in assets held under operating leases in which the LLC is the lessor are as follows as of December 31, 2022:

Building and tenant improvements	\$ 57,268,072
Less accumulated depreciation	(30,188,232)
	<u>\$ 27,079,840</u>

The LLC's rental income is primarily composed of payments defined under each lease agreement and are subject to scheduled fixed increases. Rental income under these leases, exclusive of the Navy League lease, was \$4,014,984 for the year ended December 31, 2022.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

The minimum rental receipts as of December 31, 2022, to be received in future years are as follows:

Years ending December 31:	
2023	\$ 4,671,958
2024	5,080,565
2025	4,804,055
2026	2,309,938
2027	2,331,298
Thereafter	14,305,724
	<u>\$ 33,503,538</u>

Minimum future lease payments to be received are based on existing leases as of the report date and do not include amounts that may be received under tenant leases for charges to recover certain operating costs, lease extensions or new tenancies upon expiration of existing leases.

#### 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, nonelective employer contribution of various percentages of eligible employee compensation for the plan year. Employer contributions to the DC Plan were \$152,311 for the year ended December 31, 2022.

#### 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, 2022, certain employees spent a portion of their time on Foundation activities. The Navy League provided \$30,000 in management services, of which \$14,790 was donated to the Foundation. The Navy League incurred additional costs for the Foundation that are payable to the League at December 31, 2022, in the amount of \$5,934.

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 \$200,343, free of charge to USNSCC. USNSCC also purchases equipment and services from the Navy League.

#### Note 10. Commitments

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

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

Changes in net assets with donor restrictions for the year ended December 31, 2022, by type of donor restriction/purpose, are as follows:

	Balance December 31, 2021	Additions and Investment Losses, Net	Expense/ Restriction Accomplished	Balance December 31, 2022
Purpose-restricted:				
America Strength	\$ 162,054	\$ (19,981)	\$ -	\$ 142,073
Safety awards fund	87,120	(9,127)	-	77,993
Advocacy	11,364	-	-	11,364
Handclasp	11,173	48	-	11,221
Endowments:				
Awards and youth programs	451,243	(100,636)	-	350,607
Oceanic education	79,478	(42,008)	-	37,470
Time-restricted:				
President's Circle	-	29,447	(29,447)	-
Podcast room—promise to give	25,000	-	(25,000)	-
	<u>\$ 827,432</u>	<u>\$ (142,257)</u>	<u>\$ (54,447)</u>	<u>\$ 630,728</u>

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

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

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

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

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

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

The Navy League's endowment funds consist of the following at December 31, 2022:

Awards and youth programs	\$ 350,607
Oceanic education	37,470
	<u>\$ 388,077</u>

Changes in the endowment during 2022 are as follows:

Endowment net assets, beginning of year	\$ 530,721
Investment loss, net	(142,644)
Endowment net assets, end of year	<u>\$ 388,077</u>

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

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

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

Cash and cash equivalents	\$ 9,774,716
Receivables, net	950,030
Investments	14,874,555
Escrows—taxes, insurance, repairs and other	7,469,418
Total financial assets available	<u>33,068,719</u>
Less those available for general expenditure within one year due to contractual or imposed restrictions:	
Escrows—taxes, insurance, repairs and other	(7,469,418)
Net assets with donor restrictions	<u>(630,728)</u>
	<u>(8,100,146)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 41,168,865</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.



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, 2022, and have issued our report thereon, dated July 31, 2023, 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 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 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, 2021, was previously audited by us and, in our report dated July 18, 2022, we stated the 2021 information was fairly stated in all material respects in relation to the 2021 consolidated financial statements as a whole.

*RSM US LLP*

McLean, Virginia  
July 31, 2023

## Navy League of the United States and Affiliates

### Consolidating Schedule of Financial Position December 31, 2022

	Navy League of the United States	Navy League Building LLC	Navy League Development Corporation	Navy League Building Condo Unit Owners Association	Eliminations	Consolidated Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 8,964,570	\$ 663,460	\$ 37,345	\$ 109,341	\$ -	\$ 9,774,716
Receivables, net	1,015,715	1,869,638	5,160	425,133	(2,365,616)	950,030
Prepaid expenses	481,173	58,712	-	24,900	(95,467)	469,318
<b>Total current assets</b>	<b>10,461,458</b>	<b>2,591,810</b>	<b>42,505</b>	<b>559,374</b>	<b>(2,461,083)</b>	<b>11,194,064</b>
Noncurrent assets:						
Investments	20,480,442	7,502,021	-	-	(13,107,908)	14,874,555
Painting	42,000	-	-	-	-	42,000
Escrows—taxes, insurance, repairs and other	-	7,469,418	-	-	-	7,469,418
Deferred rent receivable	-	5,234,144	-	-	(1,186,552)	4,047,592
Leasing commissions, net of amortization	-	1,389,613	-	-	-	1,389,613
Property and equipment, net	68,992	26,725,370	4,363,570	94,633	-	31,252,565
Right-of-use asset for operating lease, net	6,845,218	-	-	-	(6,845,218)	-
<b>Total noncurrent assets</b>	<b>27,436,652</b>	<b>48,320,566</b>	<b>4,363,570</b>	<b>94,633</b>	<b>(21,139,678)</b>	<b>59,075,743</b>
<b>Total assets</b>	<b>\$ 37,898,110</b>	<b>\$ 50,912,376</b>	<b>\$ 4,406,075</b>	<b>\$ 654,007</b>	<b>\$ (23,600,761)</b>	<b>\$ 70,269,807</b>
<b>Liabilities and Net Assets (Deficit)</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,048,030	\$ 1,040,829	\$ 2,546,022	\$ 470,975	\$ (2,461,083)	\$ 2,644,773
Line of credit, current portion	5,400,000	-	-	-	-	5,400,000
Deferred revenue, current portion	6,222,597	-	-	-	-	6,222,597
Note payable, current portion	-	939,490	-	-	-	939,490
<b>Total current liabilities</b>	<b>12,670,627</b>	<b>1,980,319</b>	<b>2,546,022</b>	<b>470,975</b>	<b>(2,461,083)</b>	<b>15,206,860</b>
Noncurrent liabilities:						
Note payable, noncurrent portion	-	57,192,192	-	-	-	57,192,192
Deferred revenue, noncurrent portion	152,322	-	-	-	-	152,322
Deferred rent liability	8,031,770	-	-	-	(8,031,770)	-
Security deposits	-	335,325	-	-	-	335,325
Prepaid assessments	-	-	-	183,032	-	183,032
<b>Total noncurrent liabilities</b>	<b>8,184,092</b>	<b>57,527,517</b>	<b>-</b>	<b>183,032</b>	<b>(8,031,770)</b>	<b>57,862,871</b>
<b>Total liabilities</b>	<b>20,854,719</b>	<b>59,507,836</b>	<b>2,546,022</b>	<b>654,007</b>	<b>(10,492,853)</b>	<b>73,069,731</b>
Net assets (deficit):						
Without donor restrictions	16,412,663	(8,595,460)	1,860,053	-	(13,107,908)	(3,430,652)
With donor restrictions	630,728	-	-	-	-	630,728
<b>Total net assets (deficit)</b>	<b>17,043,391</b>	<b>(8,595,460)</b>	<b>1,860,053</b>	<b>-</b>	<b>(13,107,908)</b>	<b>(2,799,924)</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 37,898,110</b>	<b>\$ 50,912,376</b>	<b>\$ 4,406,075</b>	<b>\$ 654,007</b>	<b>\$ (23,600,761)</b>	<b>\$ 70,269,807</b>

## Navy League of the United States and Affiliates

### Consolidating Schedule of Activities Year Ended December 31, 2022

	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	\$ -	\$ 5,009,841	\$ -	\$ -	\$ (992,175)	\$ 4,017,666
Sea-Air-Space Exposition	7,437,374	-	-	-	-	7,437,374
Membership dues	1,203,103	-	-	-	-	1,203,103
Loss on early lease termination	-	(106,711)	-	-	-	(106,711)
Forgiveness of Paycheck Protection Program loan	518,790	-	-	-	-	518,790
Navy Ball	297,733	-	-	-	-	297,733
Expense recoveries from tenants	-	349,315	-	37,798	-	387,113
Parking contract income	-	-	233,672	-	-	233,672
Contributions	1,545,746	-	-	-	-	1,545,746
Publications—Seapower	354,232	-	-	-	-	354,232
Royalty and other income	467,411	-	-	-	-	467,411
Assessment income	-	-	-	1,726,033	(1,654,608)	71,425
Navy League Building LLC asset management fee	217,850	-	-	-	(217,850)	-
<b>Total revenue and support</b>	<b>12,042,239</b>	<b>5,252,445</b>	<b>233,672</b>	<b>1,763,831</b>	<b>(2,864,633)</b>	<b>16,427,554</b>
Expenses:						
Program services:						
Seapower magazine	866,528	-	-	-	-	866,528
Legislative affairs	238,966	-	-	-	-	238,966
Events	3,475,012	-	-	-	-	3,475,012
Center for Maritime Strategy	1,044,126	-	-	-	-	1,044,126
<b>Total program services</b>	<b>5,624,632</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,624,632</b>
Support services:						
Membership recruitment	477,628	-	-	-	-	477,628
Building operations	-	6,965,778	1,234,984	1,763,831	(2,864,633)	7,099,960
Fundraising	408,757	-	-	-	-	408,757
Management and general	3,457,771	-	-	-	-	3,457,771
<b>Total support services</b>	<b>4,344,156</b>	<b>6,965,778</b>	<b>1,234,984</b>	<b>1,763,831</b>	<b>(2,864,633)</b>	<b>11,444,116</b>
<b>Total expenses</b>	<b>9,968,788</b>	<b>6,965,778</b>	<b>1,234,984</b>	<b>1,763,831</b>	<b>(2,864,633)</b>	<b>17,068,748</b>
<b>Change in net assets before other changes</b>	<b>2,073,451</b>	<b>(1,713,333)</b>	<b>(1,001,312)</b>	<b>-</b>	<b>-</b>	<b>(641,194)</b>
Other changes:						
Investment loss, net	(2,423,500)	(138,203)	-	-	-	(2,561,703)
<b>Change in net assets</b>	<b>(350,049)</b>	<b>(1,851,536)</b>	<b>(1,001,312)</b>	<b>-</b>	<b>-</b>	<b>(3,202,897)</b>
Net assets (deficit):						
Beginning	17,393,440	(6,743,924)	2,861,365	-	(13,107,908)	402,973
Ending	\$ 17,043,391	\$ (8,595,460)	\$ 1,860,053	\$ -	\$ (13,107,908)	\$ (2,799,924)

**Navy League of the United States**

**Schedule of Financial Position**

**December 31, 2022**

**(With Comparative Totals for 2021)**

	2022	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,964,570	\$ 6,314,918
Receivables, net	1,015,715	1,331,314
Promises to give	-	25,000
Prepaid expenses	481,173	262,038
<b>Total current assets</b>	<b>10,461,458</b>	<b>7,933,270</b>
Noncurrent assets:		
Investments	20,480,442	22,905,527
Cash surrender value of life insurance policy	-	143,500
Painting	42,000	42,000
Property and equipment, net	68,992	48,941
Right-of-use asset for operating lease, net	6,845,218	-
<b>Total noncurrent assets</b>	<b>27,436,652</b>	<b>23,139,968</b>
<b>Total assets</b>	<b>\$ 37,898,110</b>	<b>\$ 31,073,238</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,048,030	\$ 856,703
Line of credit	5,400,000	5,400,000
Deferred revenue, current portion	6,222,597	5,612,876
<b>Total current liabilities</b>	<b>12,670,627</b>	<b>11,869,579</b>
Noncurrent liabilities:		
Deferred revenue, noncurrent portion	152,322	122,233
Deferred rent liability	-	1,169,196
Lease liability, net	8,031,770	-
Paycheck Protection Program loan	-	518,790
<b>Total noncurrent liabilities</b>	<b>8,184,092</b>	<b>1,810,219</b>
<b>Total liabilities</b>	<b>20,854,719</b>	<b>13,679,798</b>
Net assets:		
Without donor restrictions	16,412,663	16,566,008
With donor restrictions	630,728	827,432
<b>Total net assets</b>	<b>17,043,391</b>	<b>17,393,440</b>
<b>Total liabilities and net assets</b>	<b>\$ 37,898,110</b>	<b>\$ 31,073,238</b>

**Navy League of the United States**

**Schedule of Activities**

**Year Ended December 31, 2022**

**(With Comparative Totals for 2021)**

	2022	2021
Revenue and support:		
Sea-Air-Space Exposition	\$ 7,437,374	\$ 6,538,092
Membership dues	1,203,103	1,160,088
Contributions	1,545,746	494,540
Publications—Seapower	354,232	447,642
Forgiveness of Paycheck Protection Program loan	518,790	496,301
Navy Ball	297,733	-
Navy League Building LLC asset management fee	217,850	379,140
Royalty and other income	467,411	381,222
<b>Total revenue and support</b>	<b>12,042,239</b>	<b>9,897,025</b>
Expenses:		
Program services:		
Seapower magazine	866,528	1,014,242
Legislative affairs	238,966	305,620
Events	3,475,012	3,595,509
Center for Maritime Strategy	1,044,126	-
<b>Total program services</b>	<b>5,624,632</b>	<b>4,915,371</b>
Support services:		
Membership recruitment	477,628	615,018
Fundraising	408,757	446,156
Management and general	3,457,771	2,803,435
<b>Total support services</b>	<b>4,344,156</b>	<b>3,864,609</b>
<b>Total expenses</b>	<b>9,968,788</b>	<b>8,779,980</b>
<b>Change in net assets before other changes</b>	<b>2,073,451</b>	<b>1,117,045</b>
Other changes:		
Investment (loss) income, net	(2,423,500)	1,915,317
<b>Total other changes</b>	<b>(2,423,500)</b>	<b>1,915,317</b>
<b>Change in net assets</b>	<b>(350,049)</b>	<b>3,032,362</b>
Net assets:		
Beginning	17,393,440	14,361,078
Ending	\$ 17,043,391	\$ 17,393,440

## Navy League of the United States

### Schedule of Cash Flows Year Ended December 31, 2022 (With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (350,049)	\$ 3,032,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	28,912	25,837
Unrealized/realized gain on investments	2,621,542	(1,677,112)
Forgiveness of Paycheck Protection Program loan	(518,790)	(496,301)
Unrealized loss on cash surrender value of life insurance policy	-	878
Deferred rent liability	-	35,329
Amortization of right of use asset—operating	797,120	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	315,599	(889,949)
Promises to give	25,000	(25,000)
Prepaid expenses	(219,135)	79,526
Increase (decrease) in:		
Accounts payable and accrued expenses	191,327	51,890
Deferred revenue	639,810	715,219
Lease liability	(779,764)	-
<b>Net cash provided by operating activities</b>	<b>2,751,572</b>	<b>852,679</b>
Cash flows from investing activities:		
Purchase of property and equipment	(48,963)	(106)
Purchase of investments	(274,001)	(322,548)
Proceeds from sales/maturities of investments	77,544	86,728
Proceeds from life insurance policy	143,500	-
<b>Net cash used in investing activities</b>	<b>(101,920)</b>	<b>(235,926)</b>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	518,790
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>518,790</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,649,652</b>	<b>1,135,543</b>
Cash and cash equivalents:		
Beginning	6,314,918	5,179,375
Ending	<b>\$ 8,964,570</b>	<b>\$ 6,314,918</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<b>\$ 144,835</b>	<b>\$ 56,526</b>
Supplemental schedule of noncash financing activities:		
Forgiveness of Paycheck Protection Program loan	<b>\$ 518,790</b>	<b>\$ 496,301</b>
Supplemental disclosures of cash flow information:		
Cash payments on leases—operating	<b>\$ 916,689</b>	<b>\$ -</b>
Addition to right of use asset for operating lease as of January 1, 2022	<b>\$ 7,642,338</b>	<b>\$ -</b>
Addition to operating lease liability as of January 1, 2022	<b>\$ 8,806,488</b>	<b>\$ -</b>

**Navy League Building LLC**

**Balance Sheet**

**December 31, 2022**

**(With Comparative Totals for 2021)**

	<b>2022</b>	2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents—operating	\$ 250,180	\$ 822,400
Cash and cash equivalents—restricted for security deposits	413,280	353,602
Receivables, net	1,869,638	1,548,813
Prepaid expenses	58,712	297
<b>Total current assets</b>	<b>2,591,810</b>	<b>2,725,112</b>
Noncurrent assets:		
Escrows—taxes, insurance, repairs and other	7,469,418	6,585,190
Investments	5,284	1,630,167
Deferred rent receivable	5,234,144	5,098,052
Leasing commissions, net of amortization	1,389,613	1,937,538
Investment in Navy League Development Corp.	7,496,737	7,496,737
Property and equipment, net	26,725,370	28,092,907
<b>Total noncurrent assets</b>	<b>48,320,566</b>	<b>50,840,591</b>
<b>Total assets</b>	<b>\$ 50,912,376</b>	<b>\$ 53,565,703</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,040,829	\$ 609,457
Accrued interest payable	-	251,501
Note payable, current portion, net of loan costs	939,490	893,705
<b>Total current liabilities</b>	<b>1,980,319</b>	<b>1,754,663</b>
Noncurrent liabilities:		
Security deposits	335,325	380,299
Note payable, noncurrent portion, net of loan costs	57,192,192	58,174,665
<b>Total liabilities</b>	<b>59,507,836</b>	<b>60,309,627</b>
Net assets (deficit):		
Without donor restrictions	(8,595,460)	(6,743,924)
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 50,912,376</b>	<b>\$ 53,565,703</b>

**Navy League Building LLC**

**Schedule of Activities  
Year Ended December 31, 2022  
(With Comparative Totals for 2021)**

	<b>2022</b>	<b>2021</b>
Revenue:		
Building rental income	\$ 5,009,841	\$ 7,718,220
(Loss) gain on early lease termination	(106,711)	1,919,629
Expense recoveries from tenants	349,315	194,888
<b>Total revenue</b>	<b>5,252,445</b>	<b>9,832,737</b>
Expenses:		
Building operations:		
Interest	2,969,514	3,020,908
Depreciation and amortization	1,948,430	1,957,398
Condominium association dues	864,958	920,326
Property taxes	844,570	953,537
Other operating expenses	338,306	718,974
<b>Total expenses</b>	<b>6,965,778</b>	<b>7,571,143</b>
<b>Change in net assets before other changes</b>	<b>(1,713,333)</b>	<b>2,261,594</b>
Other changes:		
Investment (loss) income, net	(138,203)	153,927
<b>Total other changes</b>	<b>(138,203)</b>	<b>153,927</b>
<b>Change in net assets</b>	<b>(1,851,536)</b>	<b>2,415,521</b>
Net assets (deficit):		
Beginning	(6,743,924)	(9,159,445)
Ending	\$ (8,595,460)	\$ (6,743,924)

**Navy League Building LLC**

**Schedule of Cash Flows**

**Year Ended December 31, 2022**

**(With Comparative Totals for 2021)**

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (1,851,536)	\$ 2,415,521
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,753,818	1,734,021
Unrealized/realized loss (gain) on investments	159,648	(132,122)
Amortization of leasing commissions	194,612	223,377
Amortization of loan costs	32,624	40,109
Deferred rent receivable	(574,167)	(1,225,243)
Loss (gain) on early lease termination	106,711	(1,919,629)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(320,825)	(123,106)
Prepaid expenses	(58,415)	2
Leasing commission	(91,181)	(83,948)
(Increase) decrease in:		
Accounts payable and accrued expenses	249,678	(557,477)
Accrued interest payable	(251,501)	-
<b>Net cash (used in) provided by operating activities</b>	<b>(650,534)</b>	<b>371,505</b>
Cash flows from investing activities:		
Purchases of property and equipment	(204,587)	(582,412)
Cash collected from early lease termination	775,858	4,052,340
Purchase of investments	(20,653)	(231,118)
Sales of investments	1,485,888	1,262,856
<b>Net cash provided by investing activities</b>	<b>2,036,506</b>	<b>4,501,666</b>
Cash flows from financing activities:		
Principle payments on note payable	(969,312)	(857,080)
Collection of security deposits, net	(44,974)	59,678
<b>Net cash used in financing activities</b>	<b>(1,014,286)</b>	<b>(797,402)</b>
<b>Net increase in cash and cash equivalents</b>		
<b>and cash held in escrows—taxes, insurance, repairs</b>		
<b>and other</b>		
	<b>371,686</b>	<b>4,075,769</b>
Cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other:		
Beginning	7,761,192	3,685,423
Ending	\$ 8,132,878	\$ 7,761,192
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,192,020	\$ 2,984,428
Supplemental schedule of noncash investing and financing activities:		
Tenant improvements included in accrued expenses	\$ 181,694	\$ -

**Navy League Development Corporation**

**Balance Sheet**

**December 31, 2022**

**(With Comparative Totals for 2021)**

	<b>2022</b>	2021
<b>Assets</b>		
Current assets:		
Cash—operating	\$ 37,345	\$ 36,016
Receivables, net	5,160	26,987
<b>Total current assets</b>	<b>42,505</b>	63,003
Noncurrent assets:		
Property and equipment, net	4,363,570	4,566,706
<b>Total assets</b>	<b>\$ 4,406,075</b>	\$ 4,629,709
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,546,022	\$ 1,768,344
Net assets:		
Unrestricted	1,860,053	2,861,365
<b>Total liabilities and net assets</b>	<b>\$ 4,406,075</b>	\$ 4,629,709

**Navy League Development Corporation**

**Schedule of Activities**

**Year Ended December 31, 2022**

**(With Comparative Totals for 2021)**

	<b>2022</b>	<b>2021</b>
Revenue:		
Parking contract income	<b>\$ 233,672</b>	\$ 234,797
<b>Total revenue</b>	<b>233,672</b>	234,797
Expenses:		
Building operations:		
Condominium association dues	<b>789,650</b>	840,196
Depreciation	<b>203,136</b>	203,135
Maintenance, insurance and other costs	<b>142,601</b>	141,528
Salaries and benefits for parking attendants	<b>82,597</b>	74,905
Management fees	<b>17,000</b>	18,000
<b>Total expenses</b>	<b>1,234,984</b>	1,277,764
<b>Change in net assets</b>	<b>(1,001,312)</b>	(1,042,967)
Net assets:		
Beginning	<b>2,861,365</b>	3,904,332
Ending	<b>\$ 1,860,053</b>	\$ 2,861,365

**Navy League Development Corporation**

**Schedule of Cash Flows  
Year Ended December 31, 2022  
(With Comparative Totals for 2021)**

	<b>2022</b>	2021
Cash flows from operating activities:		
Change in net assets	<b>\$ (1,001,312)</b>	\$ (1,042,967)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	<b>203,136</b>	203,135
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	<b>21,827</b>	11,285
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>777,678</b>	678,293
<b>Net cash provided by (used in) operating activities</b>	<b>1,329</b>	(150,254)
<b>Net increase (decrease) in cash</b>	<b>1,329</b>	(150,254)
Cash:		
Beginning	<b>36,016</b>	186,270
Ending	<b>\$ 37,345</b>	\$ 36,016

**Navy League Building Condominium Unit Owners Association**

**Balance Sheet**

**December 31, 2022**

**(With Comparative Totals for 2021)**

	<b>2022</b>	2021
<b>Assets</b>		
Current assets:		
Cash—operating	\$ 109,341	\$ 79,014
Receivables, net	425,133	134,749
Prepaid expenses	24,900	79,163
<b>Total current assets</b>	<b>559,374</b>	292,926
Noncurrent assets:		
Property and equipment	94,633	60,353
<b>Total assets</b>	<b>\$ 654,007</b>	<b>\$ 353,279</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 470,975	\$ 170,247
	<b>470,975</b>	170,247
Noncurrent liability:		
Replacement reserve liability	183,032	183,032
Fund balance	-	-
<b>Total liabilities and net assets</b>	<b>\$ 654,007</b>	<b>\$ 353,279</b>

**Navy League Building Condominium Unit Owners Association**

**Schedule of Revenue, Expenses and Changes in Fund Balance  
Year Ended December 31, 2022  
(With Comparative Totals for 2021)**

	<b>2022</b>	<b>2021</b>
Revenue:		
Assessment income	\$ 1,726,033	\$ 1,836,519
Other income	37,798	32,987
<b>Total revenue</b>	<b>1,763,831</b>	<b>1,869,506</b>
Expenses:		
Building operations:		
Salaries and benefits	492,614	442,971
Utilities	381,861	377,609
Janitorial	222,733	269,525
HVAC supplies and repairs	71,296	137,439
Security	117,491	102,571
Other supplies and maintenance	102,656	103,455
Insurance	88,351	122,717
Office rent, telephone and other administrative costs	94,523	98,100
Management fees	54,888	81,084
Plumbing repairs and supplies	23,073	32,319
Electrical repairs and maintenance	71,466	76,953
Landscaping and ground maintenance	9,141	7,862
Depreciation	11,467	11,272
Other	22,271	5,629
<b>Total expenses</b>	<b>1,763,831</b>	<b>1,869,506</b>
<b>Excess of revenue over expenses</b>	<b>-</b>	<b>-</b>
Fund balance:		
Beginning	-	-
Ending	\$ -	\$ -

**Navy League Building Condominium Unit Owners Association**

**Schedule of Cash Flows  
Year Ended December 31, 2022  
(With Comparative Totals for 2021)**

	2022	2021
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	11,467	11,272
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(290,384)	468,063
Prepaid expenses	54,263	(12,527)
Increase (decrease) in:		
Accounts payable and accrued expenses	257,125	(667,974)
<b>Net cash provided by (used in) operating activities</b>	<b>32,471</b>	<b>(201,166)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(2,144)	(1,741)
<b>Net cash used in investing activities</b>	<b>(2,144)</b>	<b>(1,741)</b>
<b>Net increase (decrease) in cash</b>	<b>30,327</b>	<b>(202,907)</b>
Cash:		
Beginning	79,014	281,921
Ending	<u>\$ 109,341</u>	<u>\$ 79,014</u>
Supplemental schedule of noncash investing and financing activities:		
Property and equipment included in accrued expenses	<u>\$ 43,603</u>	<u>\$ -</u>