

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

Consolidated Financial Report  
December 31, 2023

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## 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 statement of financial position as of December 31, 2023, 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, 2023, 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 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*RSM US LLP*

McLean, Virginia  
December 11, 2024

## Navy League of the United States and Affiliates

### Consolidated Statement of Financial Position

December 31, 2023

(With Comparative Totals for 2022)

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,480,223	\$ 9,774,716
Receivables, net of allowance for credit losses of \$216,704 in 2023 and allowance for doubtful accounts of \$17,000 in 2022	538,160	950,030
Prepaid expenses	595,776	469,318
<b>Total current assets</b>	<b>7,614,159</b>	<b>11,194,064</b>
Noncurrent assets:		
Investments	14,223,424	14,486,478
Painting	42,000	42,000
Escrows—taxes, insurance, repairs and other	7,261,898	7,469,418
Deferred rent receivable	4,025,590	4,047,592
Leasing commissions, net of amortization	1,655,525	1,389,613
Property and equipment, net	28,685,400	31,252,565
Investments held for endowment	327,180	388,077
<b>Total noncurrent assets</b>	<b>56,221,017</b>	<b>59,075,743</b>
<b>Total assets</b>	<b>\$ 63,835,176</b>	<b>\$ 70,269,807</b>
<b>Liabilities and Net Assets (Deficit)</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,662,201	\$ 2,644,773
Accrued interest payable	243,676	-
Line of credit, current portion	-	5,400,000
Deferred revenue, current portion	6,830,836	6,222,597
Note payable, current portion, net of loan costs	979,470	939,490
<b>Total current liabilities</b>	<b>10,716,183</b>	<b>15,206,860</b>
Noncurrent liabilities:		
Note payable, noncurrent portion, net of loan costs	56,303,627	57,192,192
Deferred revenue, noncurrent portion	182,191	152,322
Security deposits	383,990	335,325
Prepaid assessments	183,032	183,032
<b>Total noncurrent liabilities</b>	<b>57,052,840</b>	<b>57,862,871</b>
<b>Total liabilities</b>	<b>67,769,023</b>	<b>73,069,731</b>
Commitments (Note 10)		
Net assets (deficit):		
Without donor restrictions	(4,527,737)	(3,430,652)
With donor restrictions	593,890	630,728
<b>Total net assets (deficit)</b>	<b>(3,933,847)</b>	<b>(2,799,924)</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 63,835,176</b>	<b>\$ 70,269,807</b>

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Consolidated Statement of Activities Year Ended December 31, 2023 (With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Building rental income	\$ 4,521,853	\$ -	\$ 4,521,853	\$ 4,017,666
Sea-Air-Space Exposition and other events	8,129,767	-	8,129,767	7,437,374
Membership dues	1,289,945	-	1,289,945	1,203,103
Loss on early lease termination	(1,870,398)	-	(1,870,398)	(106,711)
Forgiveness of Paycheck Protection Program loan	-	-	-	518,790
Navy Ball	140,000	-	140,000	297,733
Expense recoveries from tenants	213,435	-	213,435	387,113
Parking contract income	327,377	-	327,377	233,672
Contributions	979,975	41,648	1,021,623	1,545,746
Publications—Seapower	262,316	-	262,316	354,232
Royalty and other income	506,025	-	506,025	467,411
Assessment income	68,388	-	68,388	71,425
Net assets released from restrictions	41,648	(41,648)	-	-
<b>Total revenue and support</b>	<b>14,610,331</b>	<b>-</b>	<b>14,610,331</b>	<b>16,427,554</b>
Expenses:				
Program services:				
Seapower magazine	709,152	-	709,152	866,528
Legislative affairs	202,943	-	202,943	238,966
Events	3,565,201	-	3,565,201	3,475,012
Center for Maritime Strategy	1,170,376	-	1,170,376	1,044,126
<b>Total program services</b>	<b>5,647,672</b>	<b>-</b>	<b>5,647,672</b>	<b>5,624,632</b>
Support services:				
Membership recruitment	528,183	-	528,183	477,628
Building operations	6,280,581	-	6,280,581	7,099,960
Fundraising	460,362	-	460,362	408,757
Management and general	3,655,335	-	3,655,335	3,457,771
<b>Total support services</b>	<b>10,924,461</b>	<b>-</b>	<b>10,924,461</b>	<b>11,444,116</b>
<b>Total expenses</b>	<b>16,572,133</b>	<b>-</b>	<b>16,572,133</b>	<b>17,068,748</b>
<b>Change in net assets before other changes</b>	<b>(1,961,802)</b>	<b>-</b>	<b>(1,961,802)</b>	<b>(641,194)</b>
Other changes:				
Investment income (loss), net	864,717	(36,838)	827,879	(2,561,703)
<b>Total other changes</b>	<b>864,717</b>	<b>(36,838)</b>	<b>827,879</b>	<b>(2,561,703)</b>
<b>Change in net assets</b>	<b>(1,097,085)</b>	<b>(36,838)</b>	<b>(1,133,923)</b>	<b>(3,202,897)</b>
Net assets (deficit):				
Beginning	(3,430,652)	630,728	(2,799,924)	402,973
Ending	\$ (4,527,737)	\$ 593,890	\$ (3,933,847)	\$ (2,799,924)

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Consolidated Statement of Functional Expenses Year Ended December 31, 2023 (With Comparative Totals for 2022)

	2023										2022 Total
	Program Services				Supporting Services						
	Seapower Magazine	Legislative Affairs	Events	Center for Maritime Strategy	Membership Recruitment	Building Operations	Fundraising	Management and General	Total		
Salaries and benefits	\$ 205,227	\$ 113,834	\$ 393,960	\$ 761,187	\$ 326,270	\$ -	\$ 263,802	\$ 2,612,545	\$ 4,676,825	\$ 4,480,215	
Travel and meetings	10	266	2,074,856	41,066	-	-	17,528	73,740	2,207,466	2,070,085	
Consulting and professional services	146,609	-	408,787	5,000	-	-	-	137,457	697,853	702,340	
Other expenses	2,570	19,763	-	-	5,324	681,748	17,010	330,080	1,056,495	886,435	
Office expenses	214,830	-	20,983	429	-	-	7,263	224,151	467,656	425,710	
Support to USNSCC	-	-	-	-	-	-	-	448,300	448,300	448,300	
Equipment and software	-	-	-	-	-	-	-	220,797	220,797	196,280	
Advertising	-	-	34,577	3,698	7,644	-	7,100	165	53,184	94,873	
Telecom and web services	-	-	-	-	-	-	16,057	141,559	157,616	171,913	
Subscriptions and membership dues	-	-	-	-	-	-	172	10,326	10,498	34,209	
Interest expense	-	-	-	-	-	2,913,148	-	-	2,913,148	2,969,514	
Depreciation and amortization	-	-	-	-	-	1,117,872	-	-	1,117,872	1,980,473	
Property taxes	-	-	-	-	-	855,787	-	-	855,787	844,570	
Condominium operations	-	-	-	-	-	1,688,636	-	-	1,688,636	1,763,831	
Occupancy	68,363	19,532	312,515	87,895	48,831	(976,610)	39,064	400,410	-	-	
Allocated costs	71,543	49,548	319,523	271,101	140,114	-	92,366	(944,195)	-	-	
<b>Total expenses</b>	<b>\$ 709,152</b>	<b>\$ 202,943</b>	<b>\$ 3,565,201</b>	<b>\$ 1,170,376</b>	<b>\$ 528,183</b>	<b>\$ 6,280,581</b>	<b>\$ 460,362</b>	<b>\$ 3,655,335</b>	<b>\$ 16,572,133</b>	<b>\$ 17,068,748</b>	

See notes to consolidated financial statements.

## Navy League of the United States and Affiliates

### Consolidated Statement of Cash Flows Year Ended December 31, 2023 (With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (1,133,923)	\$ (3,202,897)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(516,858)	2,781,190
Loss on early lease termination	1,870,398	106,711
Forgiveness of Paycheck Protection Program loan	-	(518,790)
Depreciation and amortization, property and equipment	1,138,344	1,997,333
Amortization of leasing commissions	175,948	194,612
Amortization of loan costs	22,416	32,624
Deferred rent receivable	22,002	(556,811)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	411,870	271,070
Promises to give	-	25,000
Prepaid expenses	(126,458)	(127,820)
Leasing commissions	(441,860)	(91,181)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,608,366	835,488
Accrued interest payable	243,676	(251,501)
Deferred revenue	638,108	639,810
<b>Net cash provided by operating activities</b>	<b>3,912,029</b>	<b>2,134,838</b>
Cash flows from investing activities:		
Purchase of property and equipment	(441,577)	(255,694)
Cash collected from early lease termination	-	775,858
Purchase of investments	(829,935)	(294,654)
Proceeds from sales/maturities of investments	79,806	1,563,432
Proceeds from life insurance policy	-	143,500
<b>Net cash (used in) provided by investing activities</b>	<b>(1,191,706)</b>	<b>1,932,442</b>
Cash flows from financing activities:		
Principle payments on note payable	(871,001)	(969,312)
Collection (payment) of security deposits, net	48,665	(44,974)
Payment on line of credit	(5,400,000)	-
<b>Net cash used in financing activities</b>	<b>(6,222,336)</b>	<b>(1,014,286)</b>
<b>Net (decrease) increase in cash and cash equivalents and cash held in escrows— taxes, insurance, repairs and other</b>	<b>(3,502,013)</b>	<b>3,052,994</b>
Cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other:		
Beginning	17,244,134	14,191,140
Ending	<b>\$ 13,742,121</b>	<b>\$ 17,244,134</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<b>\$ 2,969,402</b>	<b>\$ 3,336,855</b>
Supplemental schedule of noncash financing activities:		
Forgiveness of Paycheck Protection Program loan	<b>\$ -</b>	<b>\$ 518,790</b>
Supplemental schedules of noncash investing and financing activities:		
Tenant improvements included in accrued expenses	<b>\$ -</b>	<b>\$ 181,694</b>
Property and equipment included in accrued expenses	<b>\$ -</b>	<b>\$ 43,603</b>

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 consolidated 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:** The League adopted Accounting Standards Codification (ASC) 326, Financial Instruments—Credit Losses, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include billed and unbilled receivables as well as contract assets. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist, or on an individual basis when there are no shared risk characteristics. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses, based on management's evaluation of the collectability of receivables, was \$216,704 at December 31, 2023.

**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, 2023.

**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 \$6,396,934 at December 31, 2023.

**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 \$425,588 at December 31, 2023. Unamortized loan costs are reported with notes payable.

**Escrow accounts:** As part of the mortgage note, the League is required to deposit monthly, an estimate of costs for future payments for real estate taxes, insurance, capital repairs and replacements, tenant improvements and leasing commissions. These amounts that are included in escrows—taxes, insurance, repairs and other totaled \$7,261,898 at December 31, 2023.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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

**Life members:** The Navy League's Operations Manual requires distribution of: (1) a one-time rebate to councils upon initial membership of a life member, (2) a one-time distribution to the general operation fund to cover the first year processing and service, (3) a one-time contribution into the life member escrow investment fund (which is included within investments in the consolidated statement of financial position) and (4) the balance of the proceeds is invested in the life member investment fund. The council associated with the life member receives an annual pro rata distribution over the period of the life membership from the escrow investment fund. This escrow distribution is delineated in the Navy League's Operations Manual as a portion of life member dues (ages 76 and above: \$147.50/life member) (ages 56 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 \$88,213 for the year ended December 31, 2023.

**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.

**Comparative financial 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 Navy League's consolidated financial statements for the year ended December 31, 2022, 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, 2023. The LLC's net operating losses totaled approximately \$14 million at December 31, 2023, 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, 2023.

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, 2023.

The Association was classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2023. 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, 2023.

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.

## 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)

**Reclassifications:** Certain items in the 2022 consolidated financial statements have been reclassified to conform with the current year presentation. These reclassifications had no effect on previously reported consolidated change in net assets or consolidated net assets.

**Subsequent events:** The League has evaluated subsequent events through December 11, 2024, the date on which the consolidated financial statements were available to be issued (See Note 13).

#### Note 2. Receivables

Receivables consist of the following at December 31, 2023:

Sea-Air-Space Exposition	\$ 617,091
Seapower advertising	35,748
Due from Foundation to the League	19,595
Parking income receivable	26,271
Tenant receivable, net	30,756
Other	25,403
	<hr/>
	754,864
Allowance for doubtful accounts	216,704
	<hr/>
	<u>\$ 538,160</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, 2023:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Fixed income	\$ 2,772,283	\$ -	\$ -	\$ 2,772,283
Equity securities:				
U.S. large cap	5,269,129	-	-	5,269,129
U.S. mid cap	450,758	-	-	450,758
U.S. small cap	773,057	-	-	773,057
Europe, Asia and Far East (EAFE)	1,128,240	-	-	1,128,240
Foreign equities	1,278,707	-	-	1,278,707
Emerging market	1,045,645	-	-	1,045,645
Global equities	165,252	-	-	165,252
	10,110,788	-	-	10,110,788
Fixed income:				
Real estate and infrastructure fund	22,548	-	-	22,548
Investments at fair value	\$ 12,905,619	\$ -	\$ -	12,905,619
Cash and cash equivalents in investment portfolios				1,644,985
Total cash and investments in investment portfolios				14,550,604
Less investments held for endowment				(327,180)
Total investments				\$ 14,223,424

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, 2023, net investment income consists of the following:

Realized/unrealized gain on investments	\$ 516,858
Interest and dividend income	400,300
Investment expense	(89,279)
	\$ 827,879

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Property and Equipment

Property and equipment, primarily held for lease (see Leasing Arrangements as Lessor), consists of the following at December 31, 2023:

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	38,082,665	17,451,981	20,630,684
Tenant improvements	5-10	13,233,563	9,705,926	3,527,637
Building information systems and software	3-5	4,130,338	4,130,254	84
Computer equipment, furniture and fixture	5-7	1,491,417	1,066,690	424,727
		<u>\$ 62,034,783</u>	<u>\$ 33,349,383</u>	<u>\$ 28,685,400</u>

Depreciation and amortization expense was \$1,138,344 for the year ended December 31, 2023, of which \$20,472 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, 2023:

Sea-Air-Space Exposition	\$ 6,126,856
Membership dues	835,717
Other	50,454
	<u>\$ 7,013,027</u>

#### Note 6. Debt

**Line of credit:** The Navy League had a revolving line of credit with a bank that was fully paid down in 2023. The total amount available under the line was \$5,400,000. The line bore 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, 2023. The investment accounts held at this bank were held as collateral for this loan and were subject to certain loan-to-value covenants as determined by the bank from time to time. The line of credit was not renewed.

**Notes payable:** The LLC has a loan with a bank. The amount borrowed from the bank loan was \$60,000,000. At December 31, 2023, 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, 2023, was \$2,913,148.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 6. Debt (Continued)

Notes payable as of December 31, 2023, consists of the following:

Principal amount	\$ 57,306,237
Less unamortized loan costs	<u>(23,140)</u>
	<u>\$ 57,283,097</u>

Future maturities on the notes payable at December 31, 2023, are due as follows:

Years ending December 31:	
2024	\$ 979,470
2025	<u>56,326,767</u>
	<u>\$ 57,306,237</u>

#### 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, 2023:

Building and tenant improvements	\$ 51,316,228
Less accumulated depreciation	<u>(27,157,907)</u>
	<u>\$ 24,158,321</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 \$5,591,773 for the year ended December 31, 2023.

The minimum rental receipts as of December 31, 2023, to be received in future years are as follows:

Years ending December 31:	
2024	\$ 5,413,656
2025	5,348,982
2026	2,801,067
2027	2,824,908
2028	2,729,151
Thereafter	<u>15,819,382</u>
	<u>\$ 34,937,146</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. The above schedule includes the minimum rental receipts of the one new tenant and one extended lease signed in 2024. See Note 13.

## Navy League of the United States and Affiliates

### Notes to Consolidated Financial Statements

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#### 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 \$182,258 for the year ended December 31, 2023.

#### 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, 2023, 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, 2023, in the amount of \$19,595.

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 \$187,142, 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, 2023, by type of donor restriction/purpose, are as follows:

	Balance December 31, 2022	Additions and Investment Gains and Losses, Net	Expense/ Restriction Accomplished	Balance December 31, 2023
Purpose-restricted:				
America Strength	\$ 142,073	\$ 16,374	\$ -	\$ 158,447
Safety awards fund	77,993	7,561	-	85,554
Advocacy	11,364	-	-	11,364
Handclasp	11,221	124	-	11,345
Endowments:				
Awards and youth programs	350,607	(55,017)	-	295,590
Oceanic education	37,470	(5,880)	-	31,590
Time-restricted:				
President's Circle	-	41,648	(41,648)	-
	<u>\$ 630,728</u>	<u>\$ 4,810</u>	<u>\$ (41,648)</u>	<u>\$ 593,890</u>

## 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)

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, 2023:

Awards and youth programs	\$ 295,590
Oceanic education	31,590
	<u>\$ 327,180</u>

Changes in the endowment during 2023 are as follows:

Endowment net assets, beginning of year	\$ 388,077
Investment loss, net	(60,897)
Endowment net assets, end of year	<u>\$ 327,180</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

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#### 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	\$ 6,480,223
Receivables, net	538,160
Investments	14,223,424
Escrows—taxes, insurance, repairs and other	7,261,898
Investments held for endowment	327,180
Total financial assets available	<u>28,830,885</u>
Less those available for general expenditure within one year due to contractual or imposed restrictions:	
Escrows—taxes, insurance, repairs and other	(7,261,898)
Net assets with donor restrictions	<u>(593,890)</u>
	<u>(7,855,788)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 36,686,673</u>

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

#### Note 13. Subsequent Events

In April 2024, the LLC executed a 99-month lease with a new tenant for space in the building starting at \$66,513 per month with 15 months abated over the first 5 years (3 months per year) with 2.5% escalations annually. A tenant allowance is provided for improvements not to exceed \$00.15 per rentable square foot. In November 2024, the LLC extended a lease with a current tenant for 123 months with the new rate starting at \$10,721 per month with 9 months abated in the first extension year with 2.5% escalations annually. A tenant allowance is provided for improvements not to exceed \$120,920.

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

*RSM US LLP*

McLean, Virginia  
December 11, 2024

## Navy League of the United States and Affiliates

### Consolidating Schedule of Financial Position December 31, 2023

	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	\$ 5,601,918	\$ 859,877	\$ 14,219	\$ 4,209	\$ -	\$ 6,480,223
Receivables, net	688,152	2,556,280	26,271	687,799	(3,420,342)	538,160
Prepaid expenses	481,227	28,791	28,504	57,254	-	595,776
<b>Total current assets</b>	<b>6,771,297</b>	<b>3,444,948</b>	<b>68,994</b>	<b>749,262</b>	<b>(3,420,342)</b>	<b>7,614,159</b>
Noncurrent assets:						
Investments	21,415,317	7,506,953	-	-	(14,698,846)	14,223,424
Painting	42,000	-	-	-	-	42,000
Escrows—taxes, insurance, repairs and other	-	7,261,898	-	-	-	7,261,898
Deferred rent receivable	-	5,211,145	-	-	(1,185,555)	4,025,590
Leasing commissions, net of amortization	-	1,655,525	-	-	-	1,655,525
Property and equipment, net	430,009	24,013,223	4,160,435	81,733	-	28,685,400
Right-of-use asset for operating lease, net	6,035,157	-	-	-	(6,035,157)	-
Investments held for endowment	327,180	-	-	-	-	327,180
<b>Total noncurrent assets</b>	<b>28,249,663</b>	<b>45,648,744</b>	<b>4,160,435</b>	<b>81,733</b>	<b>(21,919,558)</b>	<b>56,221,017</b>
<b>Total assets</b>	<b>\$ 35,020,960</b>	<b>\$ 49,093,692</b>	<b>\$ 4,229,429</b>	<b>\$ 830,995</b>	<b>\$ (25,339,900)</b>	<b>\$ 63,835,176</b>
<b>Liabilities and Net Assets (Deficit)</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,697,180	\$ 482,776	\$ 3,254,624	\$ 647,963	\$ (3,420,342)	\$ 2,662,201
Accrued interest payable	-	243,676	-	-	-	243,676
Deferred revenue, current portion	6,830,836	-	-	-	-	6,830,836
Note payable, current portion	-	979,470	-	-	-	979,470
<b>Total current liabilities</b>	<b>8,528,016</b>	<b>1,705,922</b>	<b>3,254,624</b>	<b>647,963</b>	<b>(3,420,342)</b>	<b>10,716,183</b>
Noncurrent liabilities:						
Note payable, noncurrent portion	-	56,303,627	-	-	-	56,303,627
Deferred revenue, noncurrent portion	182,191	-	-	-	-	182,191
Deferred rent liability	7,220,712	-	-	-	(7,220,712)	-
Security deposits	-	383,990	-	-	-	383,990
Prepaid assessments	-	-	-	183,032	-	183,032
<b>Total noncurrent liabilities</b>	<b>7,402,903</b>	<b>56,687,617</b>	<b>-</b>	<b>183,032</b>	<b>(7,220,712)</b>	<b>57,052,840</b>
<b>Total liabilities</b>	<b>15,930,919</b>	<b>58,393,539</b>	<b>3,254,624</b>	<b>830,995</b>	<b>(10,641,054)</b>	<b>67,769,023</b>
Net assets (deficit):						
Without donor restrictions	18,496,151	(9,299,847)	974,805	-	(14,698,846)	(4,527,737)
With donor restrictions	593,890	-	-	-	-	593,890
<b>Total net assets (deficit)</b>	<b>19,090,041</b>	<b>(9,299,847)</b>	<b>974,805</b>	<b>-</b>	<b>(14,698,846)</b>	<b>(3,933,847)</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 35,020,960</b>	<b>\$ 49,093,692</b>	<b>\$ 4,229,429</b>	<b>\$ 830,995</b>	<b>\$ (25,339,900)</b>	<b>\$ 63,835,176</b>

## Navy League of the United States and Affiliates

### Consolidating Schedule of Activities Year Ended December 31, 2023

	Navy League of the United States	Navy League Building LLC	Navy League Development Corporation	Navy League Building Condo Unit Owners Association	Eliminations	Consolidated Total
<b>Revenue and support:</b>						
Building rental income	\$ -	\$ 5,498,463	\$ -	\$ -	\$ (976,610)	\$ 4,521,853
Sea-Air-Space Exposition	8,129,767	-	-	-	-	8,129,767
Membership dues	1,289,945	-	-	-	-	1,289,945
Loss on early lease termination	-	(1,870,398)	-	-	-	(1,870,398)
Navy Ball	140,000	-	-	-	-	140,000
Expense recoveries from tenants	-	180,189	-	33,246	-	213,435
Parking contract income	-	-	327,377	-	-	327,377
Contributions	1,021,623	-	-	-	-	1,021,623
Publications—Seapower	262,316	-	-	-	-	262,316
Royalty and other income	506,025	-	-	-	-	506,025
Assessment income	-	-	-	1,652,644	(1,584,256)	68,388
Navy League Building LLC asset management fee	190,711	-	-	-	(190,711)	-
<b>Total revenue and support</b>	<b>11,540,387</b>	<b>3,808,254</b>	<b>327,377</b>	<b>1,685,890</b>	<b>(2,751,577)</b>	<b>14,610,331</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Seapower magazine	709,152	-	-	-	-	709,152
Legislative affairs	202,943	-	-	-	-	202,943
Events	3,565,201	-	-	-	-	3,565,201
Center for Maritime Strategy	1,170,376	-	-	-	-	1,170,376
<b>Total program services</b>	<b>5,647,672</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,647,672</b>
<b>Support services:</b>						
Membership recruitment	528,183	-	-	-	-	528,183
Building operations	-	6,133,643	1,212,625	1,685,890	(2,751,577)	6,280,581
Fundraising	460,362	-	-	-	-	460,362
Management and general	3,655,335	-	-	-	-	3,655,335
<b>Total support services</b>	<b>4,643,880</b>	<b>6,133,643</b>	<b>1,212,625</b>	<b>1,685,890</b>	<b>(2,751,577)</b>	<b>10,924,461</b>
<b>Total expenses</b>	<b>10,291,552</b>	<b>6,133,643</b>	<b>1,212,625</b>	<b>1,685,890</b>	<b>(2,751,577)</b>	<b>16,572,133</b>
<b>Change in net assets before other changes</b>	<b>1,248,835</b>	<b>(2,325,389)</b>	<b>(885,248)</b>	<b>-</b>	<b>-</b>	<b>(1,961,802)</b>
<b>Other changes:</b>						
Investment income, net	797,815	30,064	-	-	-	827,879
<b>Change in net assets</b>	<b>2,046,650</b>	<b>(2,295,325)</b>	<b>(885,248)</b>	<b>-</b>	<b>-</b>	<b>(1,133,923)</b>
<b>Net assets (deficit):</b>						
Beginning	17,043,391	(8,595,460)	1,860,053	-	(13,107,908)	(2,799,924)
Contributions	-	2,295,967	-	-	(2,295,967)	-
Distributions	-	(705,029)	-	-	705,029	-
Ending	\$ 19,090,041	\$ (9,299,847)	\$ 974,805	\$ -	\$ (14,698,846)	\$ (3,933,847)

**Navy League of the United States**

**Schedule of Financial Position  
December 31, 2023  
(With Comparative Totals for 2022)**

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,601,918	\$ 8,964,570
Receivables, net	688,152	1,015,715
Prepaid expenses	481,227	481,173
<b>Total current assets</b>	<b>6,771,297</b>	<b>10,461,458</b>
Noncurrent assets:		
Investments	21,415,317	20,092,365
Painting	42,000	42,000
Property and equipment, net	430,009	68,992
Right-of-use asset for operating lease, net	6,035,157	6,845,218
Investments held for endowment	327,180	388,077
<b>Total noncurrent assets</b>	<b>28,249,663</b>	<b>27,436,652</b>
<b>Total assets</b>	<b>\$ 35,020,960</b>	<b>\$ 37,898,110</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,697,180	\$ 1,048,030
Line of credit	-	5,400,000
Deferred revenue, current portion	6,830,836	6,222,597
<b>Total current liabilities</b>	<b>8,528,016</b>	<b>12,670,627</b>
Noncurrent liabilities:		
Deferred revenue, noncurrent portion	182,191	152,322
Lease liability, net	7,220,712	8,031,770
<b>Total noncurrent liabilities</b>	<b>7,402,903</b>	<b>8,184,092</b>
<b>Total liabilities</b>	<b>15,930,919</b>	<b>20,854,719</b>
Net assets:		
Without donor restrictions	18,496,151	16,412,663
With donor restrictions	593,890	630,728
<b>Total net assets</b>	<b>19,090,041</b>	<b>17,043,391</b>
<b>Total liabilities and net assets</b>	<b>\$ 35,020,960</b>	<b>\$ 37,898,110</b>

**Navy League of the United States**

**Schedule of Activities**

**Year Ended December 31, 2023**

**(With Comparative Totals for 2022)**

	<b>2023</b>	2022
Revenue and support:		
Sea-Air-Space Exposition	\$ 8,129,767	\$ 7,437,374
Membership dues	1,289,945	1,203,103
Contributions	1,021,623	1,545,746
Publications—Seapower	262,316	354,232
Forgiveness of Paycheck Protection Program loan	-	518,790
Navy Ball	140,000	297,733
Navy League Building LLC asset management fee	190,711	217,850
Royalty and other income	506,025	467,411
<b>Total revenue and support</b>	<b>11,540,387</b>	<b>12,042,239</b>
Expenses:		
Program services:		
Seapower magazine	709,152	866,528
Legislative affairs	202,943	238,966
Events	3,565,201	3,475,012
Center for Maritime Strategy	1,170,376	1,044,126
<b>Total program services</b>	<b>5,647,672</b>	<b>5,624,632</b>
Support services:		
Membership recruitment	528,183	477,628
Fundraising	460,362	408,757
Management and general	3,655,335	3,457,771
<b>Total support services</b>	<b>4,643,880</b>	<b>4,344,156</b>
<b>Total expenses</b>	<b>10,291,552</b>	<b>9,968,788</b>
<b>Change in net assets before other changes</b>	<b>1,248,835</b>	<b>2,073,451</b>
Other changes:		
Investment income (loss), net	797,815	(2,423,500)
<b>Total other changes</b>	<b>797,815</b>	<b>(2,423,500)</b>
<b>Change in net assets</b>	<b>2,046,650</b>	<b>(350,049)</b>
Net assets:		
Beginning	17,043,391	17,393,440
Ending	<b>\$ 19,090,041</b>	<b>\$ 17,043,391</b>

## Navy League of the United States

### Schedule of Cash Flows Year Ended December 31, 2023 (With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 2,046,650	\$ (350,049)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	71,275	28,912
Unrealized/realized gain on investments	(516,858)	2,621,542
Forgiveness of Paycheck Protection Program loan	-	(518,790)
Amortization of right of use asset—operating	810,061	797,120
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	327,563	315,599
Promises to give	-	25,000
Prepaid expenses	(54)	(219,135)
Increase (decrease) in:		
Accounts payable and accrued expenses	649,150	191,327
Deferred revenue	638,108	639,810
Lease liability	(811,058)	(779,764)
<b>Net cash provided by operating activities</b>	<b>3,214,837</b>	<b>2,751,572</b>
Cash flows from investing activities:		
Purchase of property and equipment	(432,292)	(48,963)
Purchase of investments	(825,003)	(274,001)
Proceeds from sales/maturities of investments	79,806	77,544
Proceeds from life insurance policy	-	143,500
<b>Net cash used in investing activities</b>	<b>(1,177,489)</b>	<b>(101,920)</b>
Cash flows from financing activities:		
Payment on line of credit	(5,400,000)	-
<b>Net cash used in financing activities</b>	<b>(5,400,000)</b>	<b>-</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,362,652)</b>	<b>2,649,652</b>
Cash and cash equivalents:		
Beginning	8,964,570	6,314,918
Ending	\$ 5,601,918	\$ 8,964,570
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 67,216	\$ 144,835
Supplemental schedule of noncash financing activities:		
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 518,790
Supplemental disclosures of cash flow information:		
Cash payments on leases—operating	\$ 935,042	\$ 916,689
Addition to right of use asset for operating lease as of January 1, 2023		\$ 7,642,338
Addition to operating lease liability as of January 1, 2023		\$ 8,806,488

**Navy League Building LLC**

**Balance Sheet**

**December 31, 2023**

**(With Comparative Totals for 2022)**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents—operating	\$ 359,099	\$ 250,180
Cash and cash equivalents—restricted for security deposits	500,778	413,280
Receivables, net	2,556,280	1,869,638
Prepaid expenses	28,791	58,712
<b>Total current assets</b>	<b>3,444,948</b>	<b>2,591,810</b>
Noncurrent assets:		
Escrows—taxes, insurance, repairs and other	7,261,898	7,469,418
Investments	10,216	5,284
Deferred rent receivable	5,211,145	5,234,144
Leasing commissions, net of amortization	1,655,525	1,389,613
Investment in Navy League Development Corp.	7,496,737	7,496,737
Property and equipment, net	24,013,223	26,725,370
<b>Total noncurrent assets</b>	<b>45,648,744</b>	<b>48,320,566</b>
<b>Total assets</b>	<b>\$ 49,093,692</b>	<b>\$ 50,912,376</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 482,776	\$ 1,040,829
Accrued interest payable	243,676	-
Note payable, current portion, net of loan costs	979,470	939,490
<b>Total current liabilities</b>	<b>1,705,922</b>	<b>1,980,319</b>
Noncurrent liabilities:		
Security deposits	383,990	335,325
Note payable, noncurrent portion, net of loan costs	56,303,627	57,192,192
<b>Total liabilities</b>	<b>58,393,539</b>	<b>59,507,836</b>
Net assets (deficit):		
Without donor restrictions	(9,299,847)	(8,595,460)
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 49,093,692</b>	<b>\$ 50,912,376</b>

**Navy League Building LLC**

**Schedule of Activities**

**Year Ended December 31, 2023**

**(With Comparative Totals for 2022)**

	<b>2023</b>	2022
Revenue:		
Building rental income	\$ 5,498,463	\$ 5,009,841
Loss on early lease termination	(1,870,398)	(106,711)
Expense recoveries from tenants	180,189	349,315
<b>Total revenue</b>	<b>3,808,254</b>	<b>5,252,445</b>
Expenses:		
Building operations:		
Interest	2,913,148	2,969,514
Depreciation and amortization	1,024,802	1,948,430
Condominium association dues	828,181	864,958
Property taxes	855,787	844,570
Other operating expenses	312,021	338,306
Bad debt	199,704	-
<b>Total expenses</b>	<b>6,133,643</b>	<b>6,965,778</b>
<b>Change in net assets before other changes</b>	<b>(2,325,389)</b>	<b>(1,713,333)</b>
Other changes:		
Investment income (loss), net	30,064	(138,203)
<b>Total other changes</b>	<b>30,064</b>	<b>(138,203)</b>
<b>Change in net assets</b>	<b>(2,295,325)</b>	<b>(1,851,536)</b>
Net assets (deficit):		
Beginning	(8,595,460)	(6,743,924)
Contributions from member	2,295,967	-
Distributions to member	(705,029)	-
Ending	<b>\$ (9,299,847)</b>	<b>\$ (8,595,460)</b>

## Navy League Building LLC

### Schedule of Cash Flows Year Ended December 31, 2023 (With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (2,295,325)	\$ (1,851,536)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	848,854	1,753,818
Unrealized/realized loss on investments	-	159,648
Amortization of leasing commissions	175,948	194,612
Amortization of loan costs	22,416	32,624
Deferred rent receivable	22,999	(574,167)
Loss on early lease termination	1,870,398	106,711
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(686,642)	(320,825)
Prepaid expenses	29,921	(58,415)
Leasing commission	(441,860)	(91,181)
(Increase) decrease in:		
Accounts payable and accrued expenses	(376,359)	249,678
Accrued interest payable	243,676	(251,501)
<b>Net cash used in operating activities</b>	<b>(585,974)</b>	<b>(650,534)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(188,799)	(204,587)
Cash collected from early lease termination	-	775,858
Purchase of investments	(4,932)	(20,653)
Sales of investments	-	1,485,888
<b>Net cash (used in) provided by investing activities</b>	<b>(193,731)</b>	<b>2,036,506</b>
Cash flows from financing activities:		
Principle payments on note payable	(871,001)	(969,312)
Collection of security deposits, net	48,665	(44,974)
Contributions from member	2,295,967	-
Distributions to member	(705,029)	-
<b>Net cash provided by (used in) financing activities</b>	<b>768,602</b>	<b>(1,014,286)</b>
<b>Net (decrease) increase in cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other</b>	<b>(11,103)</b>	<b>371,686</b>
Cash and cash equivalents and cash held in escrows—taxes, insurance, repairs and other:		
Beginning	8,132,878	7,761,192
Ending	\$ 8,121,775	\$ 8,132,878
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,902,186	\$ 3,192,020
Supplemental schedule of noncash investing and financing activities:		
Tenant improvements included in accrued expenses	\$ -	\$ 181,694

**Navy League Development Corporation**

**Balance Sheet**

**December 31, 2023**

**(With Comparative Totals for 2022)**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash—operating	\$ 14,219	\$ 37,345
Receivables, net	26,271	5,160
Prepaid expenses	28,504	-
<b>Total current assets</b>	<b>68,994</b>	<b>42,505</b>
Noncurrent assets:		
Property and equipment, net	4,160,435	4,363,570
<b>Total assets</b>	<b>\$ 4,229,429</b>	<b>\$ 4,406,075</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,254,624	\$ 2,546,022
Net assets:		
Unrestricted	974,805	1,860,053
<b>Total liabilities and net assets</b>	<b>\$ 4,229,429</b>	<b>\$ 4,406,075</b>

**Navy League Development Corporation**

**Schedule of Activities**

**Year Ended December 31, 2023**

**(With Comparative Totals for 2022)**

	<b>2023</b>	2022
Revenue:		
Parking contract income	<b>\$ 327,377</b>	\$ 233,672
<b>Total revenue</b>	<b>327,377</b>	233,672
Expenses:		
Building operations:		
Condominium association dues	<b>756,075</b>	789,650
Depreciation	<b>203,135</b>	203,136
Maintenance, insurance and other costs	<b>166,996</b>	142,601
Salaries and benefits for parking attendants	<b>74,359</b>	82,597
Management fees	<b>12,060</b>	17,000
<b>Total expenses</b>	<b>1,212,625</b>	1,234,984
<b>Change in net assets</b>	<b>(885,248)</b>	(1,001,312)
Net assets:		
Beginning	<b>1,860,053</b>	2,861,365
Ending	<b>\$ 974,805</b>	\$ 1,860,053

**Navy League Development Corporation**

**Schedule of Cash Flows**

**Year Ended December 31, 2023**

**(With Comparative Totals for 2022)**

	<b>2023</b>	2022
Cash flows from operating activities:		
Change in net assets	\$ (885,248)	\$ (1,001,312)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	<b>203,135</b>	203,136
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(21,111)	21,827
Prepaid expenses	(28,504)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>708,602</b>	777,678
<b>Net cash (used in) provided by operating activities</b>	<b>(23,126)</b>	1,329
<b>Net (decrease) increase in cash</b>	<b>(23,126)</b>	1,329
Cash:		
Beginning	<b>37,345</b>	36,016
Ending	<b>\$ 14,219</b>	\$ 37,345

**Navy League Building Condominium Unit Owners Association**

**Balance Sheet**

**December 31, 2023**

**(With Comparative Totals for 2022)**

	<b>2023</b>	2022
<b>Assets</b>		
Current assets:		
Cash—operating	\$ 4,209	\$ 109,341
Receivables, net	687,799	425,133
Prepaid expenses	57,254	24,900
<b>Total current assets</b>	<b>749,262</b>	559,374
Noncurrent assets:		
Property and equipment	81,733	94,633
<b>Total assets</b>	<b>\$ 830,995</b>	<b>\$ 654,007</b>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 647,963	\$ 470,975
	647,963	470,975
Noncurrent liability:		
Replacement reserve liability	183,032	183,032
Fund balance	-	-
<b>Total liabilities and net assets</b>	<b>\$ 830,995</b>	<b>\$ 654,007</b>

**Navy League Building Condominium Unit Owners Association**

**Schedule of Revenue, Expenses and Changes in Fund Balance  
December 31, 2023  
(With Comparative Totals for 2022)**

	<b>2023</b>	2022
Revenue:		
Assessment income	\$ 1,652,644	\$ 1,726,033
Other income	33,246	37,798
<b>Total revenue</b>	<b>1,685,890</b>	1,763,831
Expenses:		
Building operations:		
Salaries and benefits	459,684	492,614
Utilities	407,991	381,861
Janitorial	219,006	222,733
HVAC supplies and repairs	112,030	71,296
Security	94,285	117,491
Other supplies and maintenance	71,540	102,656
Insurance	43,166	88,351
Office rent, telephone and other administrative costs	92,716	94,523
Management fees	61,842	54,888
Plumbing repairs and supplies	37,683	23,073
Electrical repairs and maintenance	63,891	71,466
Landscaping and ground maintenance	6,976	9,141
Depreciation	15,080	11,467
Other	-	22,271
<b>Total expenses</b>	<b>1,685,890</b>	1,763,831
<b>Excess of revenue over expenses</b>	-	-
Fund balance:		
Beginning	-	-
Ending	\$ -	\$ -

**Navy League Building Condominium Unit Owners Association**

**Schedule of Cash Flows**

**December 31, 2023**

**(With Comparative Totals for 2022)**

	<b>2023</b>	<b>2022</b>
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	<b>15,080</b>	11,467
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables, net	<b>(262,666)</b>	(290,384)
Prepaid expenses	<b>(32,354)</b>	54,263
Increase (decrease) in:		
Accounts payable and accrued expenses	<b>176,988</b>	257,125
<b>Net cash (used in) provided by operating activities</b>	<b>(102,952)</b>	32,471
Cash flows from investing activities:		
Purchases of property and equipment	<b>(2,180)</b>	(2,144)
<b>Net cash used in investing activities</b>	<b>(2,180)</b>	(2,144)
<b>Net (decrease) increase in cash</b>	<b>(105,132)</b>	30,327
Cash:		
Beginning	<b>109,341</b>	79,014
Ending	<b>\$ 4,209</b>	\$ 109,341
Supplemental schedule of noncash investing and financing activities:		
Property and equipment included in accrued expenses	<b>\$ -</b>	\$ 43,603