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# VFW National Home for Children

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**Financial Report**  
**June 30, 2021**

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## Independent Auditor's Report

To the Board of Trustees  
VFW National Home for Children

We have audited the accompanying financial statements of VFW National Home for Children (the "National Home"), which comprise the balance sheet as of June 30, 2021 and the related statements of public support, revenue, expenses, and changes in net assets; functional expenses; and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VFW National Home for Children as of June 30, 2021 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited VFW National Home for Children's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

October 13, 2021

**Balance Sheet**

**June 30, 2021**  
(with summarized comparative totals for June 30, 2020)

	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,526,418	\$ 737,318
Investments (Note 4)	13,922,315	9,849,156
Receivables	125,000	125,000
Inventory	18,405	18,054
Prepaid expenses and other current assets	98,591	86,813
Total current assets	15,690,729	10,816,341
<b>Property and Equipment - Net (Note 5)</b>	5,164,297	5,643,107
<b>Beneficial Interest in Perpetual Trusts (Note 4)</b>	2,328,413	1,970,688
Total assets	<b>\$ 23,183,439</b>	<b>\$ 18,430,136</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 98,400	\$ 71,922
Accrued liabilities and other:		
Accrued compensation	216,046	235,243
Other accrued liabilities	47,926	53,227
Current portion of long-term debt (Note 9)	513,600	228,267
Total current liabilities	875,972	588,659
<b>Noncurrent Debt (Note 9)</b>	380,677	285,333
Total liabilities	1,256,649	873,992
<b>Net Assets</b>		
Without donor restrictions - Board designated for future operations	11,534,210	7,910,563
With donor restrictions (Note 7)	10,392,580	9,645,581
Total net assets	21,926,790	17,556,144
Total liabilities and net assets	<b>\$ 23,183,439</b>	<b>\$ 18,430,136</b>

## VFW National Home for Children

# Statement of Public Support, Revenue, Expenses, and Changes in Net Assets

**Year Ended June 30, 2021**  
(with summarized comparative totals for the year ended June 30, 2020)

	2021	2020
<b>Changes in Net Assets without Donor Restrictions</b>		
Public support, revenue, and net assets released from restrictions:		
Estate and bequests	\$ 1,358,909	\$ 1,050,586
Poppies (Note 6)	72,667	85,909
Contributions	2,425,589	1,959,441
Life membership dues	62,950	62,200
Net realized and unrealized gains on investments	2,834,906	6,125
Investment income - Net	271,900	253,968
Investment income from beneficial interests in perpetual trusts	82,334	109,969
Miscellaneous and other	167,916	105,244
Net assets released from restrictions	369,416	1,210,820
Total public support, revenue, and net assets released from restrictions	7,646,587	4,844,262
Expenses:		
Program services:		
Direct care	885,976	1,206,469
Indirect care	584,416	852,770
Facilities management	1,270,977	1,322,155
Total program services	2,741,369	3,381,394
Support services:		
Administration	176,121	169,071
Fiscal services	413,399	421,334
Fundraising	692,051	864,557
Total support services	1,281,571	1,454,962
Total expenses	4,022,940	4,836,356
<b>Increase in Net Assets without Donor Restrictions</b>	3,623,647	7,906
<b>Changes in Net Assets with Donor Restrictions</b>		
Contributions	743,438	973,327
Investment income	5,286	4,407
Investment income from beneficial interest in perpetual trusts	9,966	6,531
Change in fair value of beneficial interest in perpetual trusts (Note 4)	357,725	(45,645)
Net assets released from restrictions	(369,416)	(1,210,820)
<b>Increase (Decrease) in Net Assets with Donor Restrictions</b>	746,999	(272,200)
<b>Increase (Decrease) in Net Assets</b>	4,370,646	(264,294)
<b>Net Assets - Beginning of year</b>	17,556,144	17,820,438
<b>Net Assets - End of year</b>	\$ 21,926,790	\$ 17,556,144

Statement of Functional Expenses

Year Ended June 30, 2021

(with summarized comparative totals for the year ended June 30, 2020)

	Program Services			Support Services			Total	2020
	Direct Care	Indirect Care	Facilities Management	Fundraising	Administration	Fiscal Services		
Salaries	\$ 477,728	\$ 198,626	\$ 304,156	\$ 90,395	\$ 85,846	\$ 137,788	\$ 1,294,539	\$ 1,601,777
Payroll taxes	37,329	14,238	22,612	7,304	6,214	10,065	97,762	126,638
Pension	10,239	6,591	10,929	5,351	5,388	9,522	48,020	62,454
Other employee benefits	98,072	103,303	81,860	26,243	25,218	24,796	359,492	477,242
<b>Total salaries and related expenses</b>	<b>623,368</b>	<b>322,758</b>	<b>419,557</b>	<b>129,293</b>	<b>122,666</b>	<b>182,171</b>	<b>1,799,813</b>	<b>2,268,111</b>
Residents' expenses	20,547	16,901	-	-	-	-	37,448	134,595
Natural parent expenses	3,250	-	-	-	-	-	3,250	4,726
Professional fees	-	-	-	-	20,160	29,600	49,760	28,350
Purchased services	89,300	6,442	109,111	-	19,965	59,447	284,265	322,179
Insurance	20,970	30,995	75,523	1,493	1,599	6,607	137,187	143,014
Supplies	(94)	13,596	184,886	1,029	1,305	7,270	207,992	206,657
Postage	-	-	-	-	-	35,515	35,515	29,372
Fundraising	-	-	-	557,388	-	-	557,388	692,182
Utilities and telephone	28,584	40,892	104,474	1,427	2,398	9,278	187,053	212,054
Trustee travel	-	-	-	-	6,382	-	6,382	20,441
Employee travel	-	-	-	-	234	115	349	9,324
Cost of souvenirs	-	-	-	-	-	17,492	17,492	21,730
Information/Technology	-	-	-	-	-	52,176	52,176	58,417
Advertising/Promotion	-	-	-	-	-	6,164	6,164	5,815
Employee education	324	145	1,239	715	-	504	2,927	3,570
Depreciation	99,727	152,687	376,187	706	1,412	7,060	637,779	675,819
<b>Total functional expenses</b>	<b>\$ 885,976</b>	<b>\$ 584,416</b>	<b>\$ 1,270,977</b>	<b>\$ 692,051</b>	<b>\$ 176,121</b>	<b>\$ 413,399</b>	<b>\$ 4,022,940</b>	<b>\$ 4,836,356</b>

**Statement of Cash Flows**

**Year Ended June 30, 2021**  
**(with summarized comparative totals for the year ended June 30, 2020)**

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 4,370,646	\$ (264,294)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation	637,779	675,819
Net realized and unrealized gains on investments	(2,834,906)	(6,125)
Change in fair value of beneficial interests in perpetual trusts	(357,725)	45,645
Contributions received for long-term use	(49,957)	(44,975)
Gain from disposition of property and equipment	(120,420)	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Accounts receivable	-	1,060
Inventory	(351)	(1,526)
Prepaid expenses and other assets	(11,778)	(34,179)
Accounts payable	26,478	27,825
Accrued and other liabilities	(24,498)	(102,033)
Net cash and cash equivalents provided by operating activities	1,635,268	297,217
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(208,969)	(402,970)
Proceeds from disposition of property and equipment	170,420	-
Purchases of investments	(4,508,116)	(1,821,994)
Proceeds from sales and maturities of investments	3,269,863	1,624,593
Net cash and cash equivalents used in investing activities	(1,276,802)	(600,371)
<b>Cash Flows from Financing Activities</b>		
Proceeds from debt	380,677	513,600
Proceeds from restricted contributions	49,957	44,975
Net cash and cash equivalents provided by financing activities	430,634	558,575
<b>Net Increase in Cash and Cash Equivalents</b>	789,100	255,421
<b>Cash and Cash Equivalents - Beginning of year</b>	737,318	481,897
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,526,418</b>	<b>\$ 737,318</b>

**Note 1 - Nature of Business**

The Veterans of Foreign Wars National Home for Children (the "National Home") provides children, youth, and families of members of the VFW, VFW Auxiliary, and veterans and active-duty military opportunities for growth and development in a nurturing community and, by doing so, serves as a living memorial for all veterans. The National Home is located in Eaton Rapids, Michigan.

**Note 2 - Significant Accounting Policies**

***Summarized Comparative Information***

The financial statements include certain prior year summarized comparative information in total but not by expense function. The notes to financial statements also do not present comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the National Home's 2020 financial statements, from which the summarized information was derived.

***Cash and Cash Equivalents***

The National Home considers all investments with an original maturity of three months or less when purchased to be cash equivalents. The total amount of bank deposits (checking and savings accounts) that was insured by the FDIC at year end was \$252,955.

***Investments***

Investments primarily consist of mutual funds and equity securities and are stated at fair value based on quoted market prices. Investment income or loss (including realized and unrealized gains (losses) on investments, interest, and dividends) is included in the statement of public support, revenue, expenses, and changes in net assets.

***Accounts Receivable***

Accounts receivable consist of amounts due from various organizations. Accounts receivable are stated at net amounts. An allowance for doubtful accounts is established based on a specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that the determination is made. The National Home has determined no allowance for uncollectibility is necessary at June 30, 2021.

***Inventory***

Inventory is composed of souvenirs. Substantially all inventory is valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method.

***Property and Equipment***

Property and equipment are recorded at cost except donated real estate and equipment, which are stated at estimated fair value at the date of receipt. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Repairs and maintenance costs are expensed as incurred.

***Beneficial Interests***

The National Home is a beneficiary of irrevocable trusts. According to the trusts, the National Home is to receive its share of the investment income annually. The value of the National Home's interests in the trusts is recorded at fair value.

The National Home also has beneficial interests in oil, gas, and mineral rights. The National Home is not able to determine the fair values of these interests. The income from these rights is recorded as contribution income when received.

**Note 2 - Significant Accounting Policies (Continued)**

***Contributions and Bequests***

Contributions and bequests, other than income from certain rights as described above, are recorded as revenue when the unconditional promise is received by the National Home. Contributions and bequests are reported as restricted support if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are classified as net assets without donor restrictions and reported in the statement of public support, revenue, expenses, and changes in net assets as net assets released from restrictions. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as support without donor restrictions.

***Donated Services***

The National Home receives volunteer service not recordable under accounting principles generally accepted in the United States of America. A substantial number of volunteers have donated time in the National Home's fundraising campaigns and determination of the allocation of the funds raised. The value of volunteer services is not disclosed, as no objective basis is available to measure the value of such services.

***Classification of Net Assets***

Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the National Home.

Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the National Home or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Donor restrictions that are temporary in nature reflect funds contributed to the National Home related to maintenance of the home, education, scholarships, various activities, and special events.

Donor restrictions to be maintained in perpetuity result from donor-imposed restrictions stipulating that the investment principal be maintained permanently but permit the National Home to use the income derived from the investments, which can be used for general operations and various programs.

***Functional Expense***

Costs of providing the program and support services have been reported on a functional basis in the statement of public support, revenue, expenses, and changes in net assets. Costs have been allocated between the various program and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts. Certain costs are not directly attributable to a function but are attributable to more than one program or supporting function. Allocated expenses include depreciation and utilities, which are allocated based on square footage or usage, and salaries and associated benefits, which are allocated based on estimates of time and effort.

***Pension Plan***

The defined contribution pension plan covers substantially all employees of the National Home. The National Home is required to contribute a 4.0 percent matching contribution for eligible employees who contributed to the plan. Pension expense for fiscal year 2021 amounted to \$48,020.

June 30, 2021

**Note 2 - Significant Accounting Policies (Continued)**

***Income Taxes***

The National Home is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Risks and Uncertainties***

The National Home invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect those amounts reported in the statement of public support, revenue, expenses, and changes in net assets.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including October 13, 2021, which is the date the financial statements were available to be issued.

**Note 3 - Liquidity and Availability of Resources**

The National Home’s financial assets available within one year of June 30, 2021 for general expenditure are as follows:

Cash and cash equivalents	\$ 1,526,418
Accounts receivable	125,000
Investments	<u>13,922,315</u>
Total financial assets at June 30, 2021	15,573,733
Less those unavailable for general expenditures within one year due to assets subject to donor restrictions	<u>(8,064,167)</u>
Total	<u><u>\$ 7,509,566</u></u>

The National Home has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 160 days of normal operating expenses, which are, on average, approximately \$1,778,880 at June 30, 2021. The National Home has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The National Home also realizes there could be unanticipated liquidity needs.

**Note 4 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

June 30, 2021

**Note 4 - Fair Value Measurements (Continued)**

The following table presents information about the National Home’s assets measured at fair value on a recurring basis at June 30, 2021 and the valuation techniques used by the National Home to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the National Home has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The National Home’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

<u>Assets Measured at Fair Value on a Recurring Basis at June 30, 2021</u>				
	<u>Quoted Prices in</u>			
	<u>Active Markets</u>	<u>Significant Other</u>	<u>Significant</u>	
	<u>for Identical</u>	<u>Observable</u>	<u>Unobservable</u>	
	<u>Assets</u>	<u>Inputs</u>	<u>Inputs</u>	<u>Balance at</u>
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>June 30, 2021</u>
<b>Assets</b>				
Investments:				
Mutual funds:				
U.S. equities	\$ 4,671,293	\$ -	\$ -	\$ 4,671,293
International equity	2,688,391	-	-	2,688,391
Global equity	61,050	-	-	61,050
Bonds	3,366,880	-	-	3,366,880
Real assets	776,589	-	-	776,589
Liquid diversifiers	1,505,430	-	-	1,505,430
Opportunistic	389,867	-	-	389,867
Stock/ETFs - U.S. equities	462,815	-	-	462,815
Total investments	13,922,315	-	-	13,922,315
Beneficial interests in perpetual trusts	-	-	2,328,413	2,328,413
Total assets	<u>\$ 13,922,315</u>	<u>\$ -</u>	<u>\$ 2,328,413</u>	<u>\$ 16,250,728</u>

Realized and unrealized gains of \$357,725 for the year ended June 30, 2021 are reported in change in fair value of beneficial interests in perpetual trusts in the statement of public support, revenue, expenses, and changes in net assets.

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the table above may include changes in fair value that were attributable to both observable and unobservable inputs.

**June 30, 2021**

**Note 5 - Property and Equipment**

Property and equipment at June 30, 2021 are summarized as follows:

	Amount	Depreciable Life - Years
Land	\$ 46,727	-
Buildings	16,789,009	7-40
Machinery and equipment	4,236,566	2-10
Transportation equipment	918,043	5
Furniture and fixtures	760,553	3-5
Construction in progress	37,784	-
	<u>22,788,682</u>	
Total cost	22,788,682	
Less accumulated depreciation	<u>17,624,385</u>	
Net property and equipment	<u>\$ 5,164,297</u>	

Depreciation expense for the year ended June 30, 2021 was \$637,779.

**Note 6 - Affiliated Organizations**

The National Home is a separate and autonomous organization from the Veterans of Foreign Wars. The Veterans of Foreign Wars provided public support from the sale of poppies amounting to \$72,667 for the year ended June 30, 2021.

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions as of June 30, 2021 are available for the following purposes:

Net assets with purpose restrictions:	
House repairs, equipment, and maintenance	\$ 2,818,111
Education and scholarships	865,124
Activities and special events	<u>1,806,639</u>
Total net assets with purpose restrictions	5,489,874
Net assets to be held in perpetuity:	
Amy Ross Fund	2,273,486
Charles Wagner	24,611
Minnesota Post #1215 Fund	17,560
Calton Jacobson Fund	50,000
Delores and Walter Peterson Fund	170,086
2010-11 Commanders & Presidents Fund	<u>38,550</u>
Total net assets to be held in perpetuity	2,574,293
Beneficial interests in perpetual trusts	<u>2,328,413</u>
Total	<u>\$ 10,392,580</u>

**Note 8 - Donor-restricted Endowments**

The National Home's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The income on donor-restricted net assets is to be used for general operating purposes for the National Home's day-to-day activities.

June 30, 2021

**Note 8 - Donor-restricted Endowments (Continued)**

*Interpretation of Relevant Law*

The board of trustees of the National Home has interpreted the 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 National Home classifies as net assets with donor restrictions (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 fund is held in net assets with donor restrictions until those amounts are appropriated for expenditure by the National Home in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the National Home considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds. The National Home considers the following factors in exercising this standard of care:

- The long-term and short-term needs of the National Home in carrying out its charitable purpose
- The present and anticipated financial requirements of the National Home
- The expected total return on investments
- Price level trends
- General economic conditions

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021	
	With Donor Restrictions	
Donor-restricted endowment funds	\$	2,574,293
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	\$ -	\$ 2,524,336
Investment return:		
Investment income	98,681	-
Net realized and unrealized gain	861,450	-
Total investment return	960,131	-
Contributions	-	49,957
Appropriation of endowment assets for expenditure	(960,131)	-
Endowment net assets - End of year	\$ -	\$ 2,574,293

June 30, 2021

**Note 8 - Donor-restricted Endowments (Continued)**

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the National Home to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2021.

***Return Objectives and Risk Parameters***

The National Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the National Home must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the results of the S&P 500 Index while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

***Strategies Employed for Achieving Objectives***

The National Home targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The National Home has a practice of maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as providing additional real growth through new gifts.

**Note 9 - Long-term Debt**

Long-term debt at June 30, 2021 is as follows:

During fiscal year 2020, the National Home applied for and received an unsecured note payable in the amount of \$513,600 from the Paycheck Protection Program (PPP). The note payable is due in monthly installments of principal and interest of \$51,788 beginning in July 2021, with a final payment due in April 2022. Interest is calculated at a fixed rate of 1.00 percent.

Subsequent to June 30, 2021, the National Home applied for and received notification of forgiveness of the loan from the SBA. Loan forgiveness in the amount of \$513,600 will be recorded as cancellation of debt income the upcoming fiscal year

	\$	513,600
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During fiscal year 2021, the National Home applied for and received an unsecured note payable in the amount of \$380,677 from the Paycheck Protection Program (PPP2). The note payable is due in monthly installments of principal and interest of \$8,776.72 beginning in June 2022, with a final payment due in February 2026. Interest is calculated at a fixed rate of 1.00 percent

		380,677
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Less current portion		513,600
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Long-term portion		\$ 380,677
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**Note 9 - Long-term Debt (Continued)**

The balance of the above debt matures as follows:

Years Ending	Amount
2022	\$ 513,600
2023	109,974
2024	101,514
2025	101,514
2026	67,675
Total	<u>\$ 894,277</u>

As of June 30, 2021, the National Home has two loans through the PPP in the amounts of \$513,600 and \$380,677. The PPP loan program was created under the SBA. Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met.

**Note 10 - Impact of Disease Outbreak**

On March 11, 2020 the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. During the pandemic, the National Home's operations were impacted by suspending all events and residents moving in and off campus. To offset these reductions and prepare for potential declines in contributions, the National Home implemented some cost reductions, including reductions in its workforce. The National Home received two loans from a bank pursuant to the CARES Act's Paycheck Protection Program in the amounts of \$513,600 and \$380,677. The note structure required the National Home's officials to certify certain statements that permitted the National Home to qualify for the loan and provide loan forgiveness for a portion up to all of the borrowed amount if the National Home uses the loan proceeds for the permitted loan purpose described in the note agreement; the portion not forgiven will require the National Home to pay back this amount in full by the maturity date, as disclosed in Note 9.

No impairments were recorded as of the balance sheet date; however, due to the significant uncertainty surrounding the pandemic, management's judgment regarding this could change in the future. In addition, while the National Home's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.