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# VFW National Home for Children

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**Financial Report**  
**June 30, 2022**

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## **Independent Auditor's Report**

To the Board of Trustees  
VFW National Home for Children

### **Opinion**

We have audited the financial statements of VFW National Home for Children (National Home), which comprise the balance sheet as of June 30, 2022 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Home as of June 30, 2022 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.

### **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 National Home and to meet our 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 National Home'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.

To the Board of Trustees  
VFW National Home for Children

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 National Home'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 National Home'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 VFW National Home for Children's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Plante & Moran, PLLC*

October 5, 2022

Balance Sheet

**June 30, 2022**  
(with summarized comparative totals for June 30, 2021)

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,685,482	\$ 1,526,418
Investments (Note 4)	12,629,551	13,922,315
Receivables	438,238	125,000
Inventory	19,777	18,405
Prepaid expenses and other current assets	91,007	98,591
Total current assets	14,864,055	15,690,729
<b>Property and Equipment - Net (Note 5)</b>	4,987,641	5,164,297
<b>Beneficial Interest in Perpetual Trusts (Note 4)</b>	1,944,495	2,328,413
Total assets	<b>\$ 21,796,191</b>	<b>\$ 23,183,439</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 93,825	\$ 98,400
Accrued liabilities and other:		
Accrued compensation	175,937	216,046
Other accrued liabilities	46,110	47,926
Current portion of long-term debt	-	513,600
Total current liabilities	315,872	875,972
<b>Noncurrent Debt</b>	-	380,677
Total liabilities	315,872	1,256,649
<b>Net Assets</b>		
Without donor restrictions	11,164,369	11,534,210
With donor restrictions (Note 7)	10,315,950	10,392,580
Total net assets	21,480,319	21,926,790
Total liabilities and net assets	<b>\$ 21,796,191</b>	<b>\$ 23,183,439</b>

## VFW National Home for Children

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

	<b>Year Ended June 30, 2022</b> (with summarized comparative totals for the year ended June 30, 2021)	
	<u>2022</u>	<u>2021</u>
<b>Changes in Net Assets without Donor Restrictions</b>		
Public support, revenue, and net assets released from restrictions:		
Estate and bequests	\$ 765,464	\$ 1,358,909
Poppies (Note 6)	42,636	72,667
Contributions	3,085,884	2,425,589
Life membership dues	83,750	62,950
Net realized and unrealized (losses) gains on investments	(2,160,838)	2,834,906
Investment income - Net	440,809	271,900
Investment income from beneficial interests in perpetual trusts	82,089	82,334
Miscellaneous and other	1,402,247	167,916
Net assets released from restrictions	<u>687,362</u>	<u>369,416</u>
Total public support, revenue, and net assets released from restrictions	4,429,403	7,646,587
Expenses:		
Program services:		
Direct care	1,090,012	885,976
Indirect care	689,090	584,416
Facilities management	<u>1,490,998</u>	<u>1,270,977</u>
Total program services	3,270,100	2,741,369
Support services:		
Administration	305,265	176,121
Fiscal services	506,497	413,399
Fundraising	<u>717,382</u>	<u>692,051</u>
Total support services	<u>1,529,144</u>	<u>1,281,571</u>
Total expenses	<u>4,799,244</u>	<u>4,022,940</u>
<b>(Decrease) Increase in Net Assets without Donor Restrictions</b>	(369,841)	3,623,647
<b>Changes in Net Assets with Donor Restrictions</b>		
Contributions	841,937	743,438
Federal grants	123,373	-
Investment income	16,389	5,286
Investment income from beneficial interest in perpetual trusts	12,951	9,966
Change in fair value of beneficial interest in perpetual trusts	(383,918)	357,725
Net assets released from restrictions	<u>(687,362)</u>	<u>(369,416)</u>
<b>(Decrease) Increase in Net Assets with Donor Restrictions</b>	<u>(76,630)</u>	746,999
<b>(Decrease) Increase in Net Assets</b>	(446,471)	4,370,646
<b>Net Assets - Beginning of year</b>	<u>21,926,790</u>	<u>17,556,144</u>
<b>Net Assets - End of year</b>	<u><u>\$ 21,480,319</u></u>	<u><u>\$ 21,926,790</u></u>

Statement of Functional Expenses

Year Ended June 30, 2022

(with summarized comparative totals for the year ended June 30, 2021)

	Program Services			Support Services			Total	2021
	Direct Care	Indirect Care	Facilities Management	Fundraising	Administration	Fiscal Services		
Salaries	\$ 575,171	\$ 266,498	\$ 319,433	\$ 104,967	\$ 98,390	\$ 201,168	\$ 1,565,627	\$ 1,294,539
Payroll taxes	44,292	20,269	24,397	8,077	7,524	15,299	119,858	97,762
Pension	10,599	8,882	10,917	6,225	1,697	10,867	49,187	48,020
Other employee benefits	98,991	103,992	90,690	20,382	58,315	47,774	420,144	359,492
<b>Total salaries and related expenses</b>	<b>729,053</b>	<b>399,641</b>	<b>445,437</b>	<b>139,651</b>	<b>165,926</b>	<b>275,108</b>	<b>2,154,816</b>	<b>1,799,813</b>
Residents' expenses	28,749	36,467	-	-	-	-	65,216	37,448
Parent expenses	3,025	-	-	-	-	-	3,025	3,250
Professional fees	-	-	-	-	8,250	30,925	39,175	49,760
Purchased services	169,505	8,311	167,114	4,171	56,867	52,085	458,053	284,265
Insurance	21,127	31,387	77,195	1,477	1,595	6,543	139,324	137,187
Supplies	7,462	25,246	288,269	3,281	21,080	15,579	360,917	207,992
Postage	-	-	-	-	-	42,222	42,222	35,515
Direct mail appeal and other fundraising expenses	-	-	-	566,400	-	-	566,400	557,388
Utilities and telephone	30,554	44,410	113,520	1,435	2,406	9,418	201,743	187,053
Trustee travel	-	-	-	-	41,499	-	41,499	6,382
Employee travel	6,262	-	32	-	4,998	1,704	12,996	349
Cost of souvenirs	-	-	-	-	-	15,178	15,178	17,492
Information/Technology	-	-	-	-	-	42,665	42,665	52,176
Advertising/Promotion	-	-	-	-	-	8,598	8,598	6,164
Employee education	1,093	963	730	345	1,400	251	4,782	2,927
Depreciation	93,182	142,665	398,701	622	1,244	6,221	642,635	637,779
<b>Total functional expenses</b>	<b>\$ 1,090,012</b>	<b>\$ 689,090</b>	<b>\$ 1,490,998</b>	<b>\$ 717,382</b>	<b>\$ 305,265</b>	<b>\$ 506,497</b>	<b>\$ 4,799,244</b>	<b>\$ 4,022,940</b>

**Statement of Cash Flows**

**Year Ended June 30, 2022**  
**(with summarized comparative totals for the year ended June 30, 2021)**

	2022	2021
<b>Cash Flows from Operating Activities</b>		
(Decrease) increase in net assets	\$ (446,471)	\$ 4,370,646
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	642,635	637,779
Net realized and unrealized losses (gains) on investments	2,160,838	(2,834,906)
Change in fair value of beneficial interests in perpetual trusts	383,918	(357,725)
Contributions received for long-term use	(127,773)	(49,957)
Forgiveness of Paycheck Protection Program loans	(894,277)	-
Gain from disposition of property and equipment	-	(120,420)
Changes in operating assets and liabilities that (used) provided cash and cash equivalents:		
Accounts receivable	(313,238)	-
Inventory	(1,372)	(351)
Prepaid expenses and other assets	7,584	(11,778)
Accounts payable	(4,575)	26,478
Accrued and other liabilities	(41,925)	(24,498)
Net cash and cash equivalents provided by operating activities	1,365,344	1,635,268
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(465,979)	(208,969)
Proceeds from disposition of property and equipment	-	170,420
Purchases of investments	(1,137,917)	(4,508,116)
Proceeds from sales and maturities of investments	269,843	3,269,863
Net cash and cash equivalents used in investing activities	(1,334,053)	(1,276,802)
<b>Cash Flows from Financing Activities</b>		
Proceeds from debt	-	380,677
Proceeds from restricted contributions	127,773	49,957
Net cash and cash equivalents provided by financing activities	127,773	430,634
<b>Net Increase in Cash and Cash Equivalents</b>	159,064	789,100
<b>Cash and Cash Equivalents - Beginning of year</b>	1,526,418	737,318
<b>Cash and Cash Equivalents - End of year</b>	\$ 1,685,482	\$ 1,526,418

**Note 1 - Nature of Business**

VFW National Home for Children (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. 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 National Home's 2021 financial statements, from which the summarized information was derived.

***Cash and Cash Equivalents***

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 \$252,914.

***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. National Home has determined no allowance for uncollectibility is necessary at June 30, 2022.

***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***

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

National Home also has beneficial interests in oil, gas, and mineral rights. 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.

**June 30, 2022****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 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***

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 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 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 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 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 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 National Home. 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 2022 amounted to \$49,187.

June 30, 2022

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

***Income Taxes***

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***

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 5, 2022, which is the date the financial statements were available to be issued.

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

National Home’s financial assets available within one year of June 30, 2022 for general expenditure are as follows:

Cash and cash equivalents	\$ 1,685,482
Accounts receivable	438,238
Investments	<u>12,629,551</u>
Total financial assets at June 30, 2022	14,753,271
Less those unavailable for general expenditures within one year due to assets subject to donor restrictions	<u>(8,371,455)</u>
Total	<u><u>\$ 6,381,816</u></u>

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 \$2,100,000 at June 30, 2022. National Home has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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, 2022

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

The following table presents information about National Home’s assets measured at fair value on a recurring basis at June 30, 2022 and the valuation techniques used by National Home to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that 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. 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, 2022</u>				
Quoted Prices in				
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
<b>Assets</b>				
Investments:				
Money market funds	\$ 227,956	\$ -	\$ -	\$ 227,956
Mutual funds:				
U.S. equities	4,109,807	-	-	4,109,807
International equity	2,163,614	-	-	2,163,614
Global equity	52,385	-	-	52,385
Bonds	2,674,699	-	-	2,674,699
Real assets	748,959	-	-	748,959
Liquid diversifiers	1,687,045	-	-	1,687,045
Opportunistic	318,575	-	-	318,575
Total mutual funds	11,755,084	-	-	11,755,084
Stocks and exchange-traded funds:				
U.S. equities	368,457	-	-	368,457
Bond exchange-traded funds	278,054	-	-	278,054
Total stocks and exchange-traded funds	646,511	-	-	646,511
Beneficial interests in perpetual trusts	-	-	1,944,495	1,944,495
Total assets	<u>\$ 12,629,551</u>	<u>\$ -</u>	<u>\$ 1,944,495</u>	<u>\$ 14,574,046</u>

Realized and unrealized losses of \$383,918 for the year ended June 30, 2022 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.

June 30, 2022

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

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.

**Note 5 - Property and Equipment**

Property and equipment at June 30, 2022 are summarized as follows:

	Amount	Depreciable Life - Years
Land	\$ 46,727	-
Buildings	16,830,522	7-40
Machinery and equipment	4,384,272	2-10
Transportation equipment	872,060	5
Furniture and fixtures	760,553	3-5
Construction in progress	225,758	-
	<hr/>	
Total cost	23,119,892	
	<hr/>	
Less accumulated depreciation	18,132,251	
	<hr/>	
Net property and equipment	<u>\$ 4,987,641</u>	

Depreciation expense for the year ended June 30, 2022 was \$642,635.

**Note 6 - Affiliated Organizations**

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 \$42,636 for the year ended June 30, 2022.

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

Net assets with donor restrictions as of June 30, 2022 are available for the following purposes:

Net assets with purpose restrictions:	
House repairs, equipment, and maintenance	\$ 3,025,078
Education and scholarships	959,971
Activities and special events	<u>1,684,340</u>
Total net assets with purpose restrictions	5,669,389
Net assets to be held in perpetuity:	
Amy Ross Fund	2,401,259
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	2,702,066
Beneficial interests in perpetual trusts	<u>1,944,495</u>
Total	<u>\$ 10,315,950</u>

**Note 8 - Donor-restricted Endowments**

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 National Home's day-to-day activities.

***Interpretation of Relevant Law***

The board of trustees of 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, 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 National Home in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The long-term and short-term needs of National Home in carrying out its charitable purpose
- The present and anticipated financial requirements of 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, 2022 <hr/> With Donor Restrictions <hr/>
Donor-restricted endowment funds	\$ 2,702,066

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

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - Beginning of year	\$ -	\$ 2,574,293
Investment return:		
Investment income	146,587	10,155
Net realized gain	27,410	-
Total investment return	173,997	10,155
Contributions	-	127,773
Appropriation of endowment assets for expenditure	(173,997)	(10,155)
Endowment net assets - End of year	<u>\$ -</u>	<u>\$ 2,702,066</u>

***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 National Home to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2022.

***Return Objectives and Risk Parameters***

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 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***

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***

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 - 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, 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, National Home implemented some cost reductions, including reductions in its workforce. 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 National Home's officials to certify certain statements that permitted National Home to qualify for the loan and provide loan forgiveness for a portion up to all of the borrowed amount if National Home uses the loan proceeds for the permitted loan purpose described in the note agreement. Prior to the year ended June 30, 2022, National Home applied for and received notification of forgiveness of the two PPP loans from the SBA. Loan forgiveness in the amount of \$894,277 has been recorded as cancellation of debt income in miscellaneous and other on the statement of public support, revenue, expenses, and changes in net assets.

The Coronavirus Aid, Relief, and Economic Security Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credits based on having operations suspended to comply with a government order related to COVID-19 and incurring eligible payroll expenses. For the year ended June 30, 2022, National Home determined these conditions have been met and recognized \$442,256 of ERC revenue within miscellaneous and other on the statement of public support, revenue, expenses, and changes in net assets and recognized a corresponding receivable within receivables on the balance sheet of which \$313,238 has not been collected as of year end.

National Home's ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, National Home would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.