

No Greater Sacrifice Foundation

Financial Statements
and Independent Auditor's Report

December 31, 2021 and 2020

No Greater Sacrifice Foundation

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
No Greater Sacrifice Foundation

Opinion

We have audited the accompanying financial statements of No Greater Sacrifice Foundation (NGS), which comprise the statements of financial position as of December 31, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NGS as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 NGS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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.

Responsibilities of Management for the Financial Statements (continued)

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 NGS's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 NGS'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 NGS's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
November 12, 2022

No Greater Sacrifice Foundation

Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,685,378	\$ 286,018
Contributions receivable	527,399	378,013
Investments	10,956,080	10,049,118
Prepaid expenses	15,120	-
	<u> </u>	<u> </u>
Total assets	<u>\$ 13,183,977</u>	<u>\$ 10,713,149</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 22,742	\$ 6,896
Scholarships payable, net	6,660,050	5,663,995
	<u> </u>	<u> </u>
Total liabilities	<u>6,682,792</u>	<u>5,670,891</u>
Net Assets		
Without donor restrictions	6,427,090	4,968,163
With donor restrictions	74,095	74,095
	<u> </u>	<u> </u>
Total net assets	<u>6,501,185</u>	<u>5,042,258</u>
Total liabilities and net assets	<u>\$ 13,183,977</u>	<u>\$ 10,713,149</u>

See accompanying notes.

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Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	\$ 2,876,947	\$ -	\$ 2,876,947
Other income	389	-	389
Total operating revenue and support	<u>2,877,336</u>	<u>-</u>	<u>2,877,336</u>
Expenses			
Program services:			
Scholarship program	<u>2,745,362</u>	<u>-</u>	<u>2,745,362</u>
Total program services	<u>2,745,362</u>	<u>-</u>	<u>2,745,362</u>
Supporting services:			
Management and general	94,862	-	94,862
Fundraising	<u>5,726</u>	<u>-</u>	<u>5,726</u>
Total supporting services	<u>100,588</u>	<u>-</u>	<u>100,588</u>
Total expenses	<u>2,845,950</u>	<u>-</u>	<u>2,845,950</u>
Change in Net Assets from Operations	31,386	-	31,386
Non-Operating Activities			
Investment return, net	1,298,766	-	1,298,766
Change in net present value, scholarships payable	<u>128,775</u>	<u>-</u>	<u>128,775</u>
Change in Net Assets	1,458,927	-	1,458,927
Net Assets, beginning of year	<u>4,968,163</u>	<u>74,095</u>	<u>5,042,258</u>
Net Assets, end of year	<u>\$ 6,427,090</u>	<u>\$ 74,095</u>	<u>\$ 6,501,185</u>

See accompanying notes.

No Greater Sacrifice Foundation

Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	\$ 1,771,773	\$ -	\$ 1,771,773
Total operating revenue and support	<u>1,771,773</u>	<u>-</u>	<u>1,771,773</u>
Expenses			
Program services:			
Scholarship program	1,281,747	-	1,281,747
Total program services	<u>1,281,747</u>	<u>-</u>	<u>1,281,747</u>
Supporting services:			
Management and general	76,005	-	76,005
Fundraising	7,934	-	7,934
Total supporting services	<u>83,939</u>	<u>-</u>	<u>83,939</u>
Total expenses	<u>1,365,686</u>	<u>-</u>	<u>1,365,686</u>
Change in Net Assets from Operations	406,087	-	406,087
Non-Operating Activities			
Investment return, net	1,158,909	-	1,158,909
Change in net present value, scholarships payable	<u>(133,702)</u>	<u>-</u>	<u>(133,702)</u>
Change in Net Assets	1,431,294	-	1,431,294
Net Assets, beginning of year	<u>3,536,869</u>	<u>74,095</u>	<u>3,610,964</u>
Net Assets, end of year	<u>\$ 4,968,163</u>	<u>\$ 74,095</u>	<u>\$ 5,042,258</u>

See accompanying notes.

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Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program	Supporting Services			Total
	Scholarship Program	Management and General	Fundraising	Total Supporting Services	
Scholarship program	\$ 2,404,662	\$ -	\$ -	\$ -	\$ 2,404,662
Awareness	15,076	-	-	-	15,076
Salaries	196,803	34,242	2,332	36,574	233,377
Payroll taxes	12,504	5,177	178	5,355	17,859
Contract and professional fees	95,860	39,860	516	40,376	136,236
Donated services	13,300	2,300	-	2,300	15,600
Insurance	-	1,551	-	1,551	1,551
Events	2,712	-	-	-	2,712
Postage and mailing service	978	511	1,067	1,578	2,556
Office and internet services	367	6,051	-	6,051	6,418
Printing and copying	2,117	317	1,633	1,950	4,067
Registration and filing fees	-	2,545	-	2,545	2,545
Bank fees	-	1,873	-	1,873	1,873
Travel and meetings	983	435	-	435	1,418
Total Expenses	\$ 2,745,362	\$ 94,862	\$ 5,726	\$ 100,588	\$ 2,845,950

See accompanying notes.

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Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services		Supporting Services		Total
	Scholarship Program	Management and General	Fundraising	Total Supporting Services	
Scholarship program	\$ 945,171	\$ -	\$ -	\$ -	\$ 945,171
Awareness	1,098	-	-	-	1,098
Salaries	197,325	33,510	3,299	36,809	234,134
Payroll taxes	15,110	2,566	253	2,819	17,929
Contract and professional fees	88,258	14,163	258	14,421	102,679
Donated services	22,996	14,524	2,824	17,348	40,344
Insurance	195	1,594	3	1,597	1,792
Events	914	-	-	-	914
Postage and mailing service	409	381	1,213	1,594	2,003
Office and internet services	5,491	1,064	84	1,148	6,639
Printing and copying	1,335	1,335	-	1,335	2,670
Registration and filing fees	-	5,488	-	5,488	5,488
Bank fees	-	1,248	-	1,248	1,248
Travel and meetings	3,445	132	-	132	3,577
Total Expenses	\$ 1,281,747	\$ 76,005	\$ 7,934	\$ 83,939	\$ 1,365,686

See accompanying notes.

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Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,458,927	\$ 1,431,294
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(1,098,580)	(947,067)
Change in net present value discount – scholarships payable	(128,775)	133,702
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(149,386)	(342,351)
Prepaid expenses	(15,120)	231
Increase (decrease) in:		
Accounts payable and accrued expenses	15,846	3,621
Scholarships payable	1,124,830	(266)
	1,207,742	279,164
Cash Flows from Investing Activities		
Purchases of investments	(208,382)	(1,424,630)
Sales of investments	400,000	300,000
	191,618	(1,124,630)
Net cash provided by (used in) investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	1,399,360	(845,466)
Cash and Cash Equivalents, beginning of year	286,018	1,131,484
Cash and Cash Equivalents, end of year	\$ 1,685,378	\$ 286,018

See accompanying notes.

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Notes to Financial Statements
December 31, 2021 and 2020

1. Nature of Operations

No Greater Sacrifice Foundation (NGS) is a nonprofit organization incorporated on January 7, 2008 under the laws of the District of Columbia. NGS is dedicated to the children of our nation's fallen and wounded Service members by delivering scholarships and resources to improve their quality of life through the pursuit of higher education. NGS accomplishes its mission by mentoring and funding NGS recipients with higher education tuition, room, board, and books, as well as sister charities that are working on behalf of this noble cause. The activities are funded primarily through grants and contributions. More than sixteen million dollars has been committed to the NGS mission.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

NGS's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash Equivalents

NGS considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Excluded from this definition of cash equivalents are amounts held for investment.

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Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable are recorded at net realizable value. NGS provides an allowance for bad debts using the allowance method, which is based on management's judgment considering historical information. Accounts are individually analyzed for collectability and will be reserved based on individual evaluation and specific circumstances. When all collection efforts have been exhausted, the accounts are written off against the related allowance. For the years ended December 31, 2021 and 2020, NGS did not write off any contributions receivable. No discount has been calculated for 2021 and 2020, as all amounts are due within one year.

Investments

Investments are recorded at fair value. All realized and unrealized gains and losses are included in the accompanying statements of activities.

Scholarships Payable

Scholarships payable represent NGS's commitments made to qualified recipients. Scholarships payable and the corresponding expenses are recognized at the net present value of the commitment when the commitment is formally approved by the Board of Directors, as there are no barriers to entry (which would make this a conditional contribution). The net present value is based on the recipient's age and discount rate, and is adjusted annually to reflect changes in various factors, most notably the recipient's age.

Revenue Recognition

NGS recognizes grants and contributions when cash, securities, or other assets; an unconditional promise to give; or notification of a beneficial interest is received.

Special events are designed to raise awareness of the NGS mission and the amount of children of fallen and wounded Service members that need support. Amounts recorded in excess of the cost of benefits provided to donors are recognized as revenue in the accompanying financial statements. All other sources of revenue are recognized when earned.

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Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Donated Services

During the years ended December 31, 2021 and 2020, NGS received donated legal and other specialized services in the amount of \$15,600 and \$40,344, respectively, which are included in grants and contributions in the accompanying statements of activities.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Measure of Operations

Net investment return (which includes interest and dividends income, and realized and unrealized gains and losses), and the change in the present value of the scholarships payable are considered non-operating activities. NGS does not consider these items to be part of normal operating activities and, accordingly, separately identifies them in the accompanying statements of activities.

Subsequent Events

In preparing these financial statements, NGS has evaluated events and transactions for potential recognition or disclosure through November 12, 2022, the date the financial statements were available to be issued.

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Notes to Financial Statements
December 31, 2021 and 2020

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,685,378	\$ 286,018
Contributions receivable	527,399	378,013
Investments appropriated for current use	10,956,080	10,049,118
Less: restricted by donors with purpose and time restrictions	<u>(74,095)</u>	<u>(74,095)</u>
Total available for general expenditures	<u>\$ 13,094,762</u>	<u>\$ 10,639,054</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject NGS to significant concentrations of credit risk consist of cash and cash equivalents, and investments. NGS maintains various cash deposit, investment, and transaction accounts with financial institutions and these values, from time to time, may exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). NGS has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

Net investment return consists of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 206,813	\$ 218,167
Net realized and unrealized gain	1,098,580	947,067
Less: investment management fees	<u>(6,627)</u>	<u>(6,325)</u>
Total investment return, net	<u>\$ 1,298,766</u>	<u>\$ 1,158,909</u>

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Notes to Financial Statements
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5. Investments and Fair Value Measurements (continued)

NGS follows Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. NGS recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. In general, and where applicable, NGS uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents NGS's fair value hierarchy for those investments measured on a recurring basis at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 185,001	\$ -	\$ -	\$ 185,001
Exchange traded funds:				
Fixed income	2,869,112	-	-	2,869,112
U.S. equities	4,673,881	-	-	4,673,881
International equities	2,446,548	-	-	2,446,548
Mutual funds – fixed income	781,538	-	-	781,538
Total investments	\$ 10,956,080	\$ -	\$ -	\$ 10,956,080

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Notes to Financial Statements
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5. Investments and Fair Value Measurements (continued)

The following table presents NGS's fair value hierarchy for those investments measured on a recurring basis at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 50,949	\$ -	\$ -	\$ 50,949
Exchange traded funds:				
Fixed income	2,876,740	-	-	2,876,740
U.S. equities	4,375,186	-	-	4,375,186
International equities	1,916,324	-	-	1,916,324
Mutual funds – fixed income	829,919	-	-	829,919
Total investments	\$ 10,049,118	\$ -	\$ -	\$ 10,049,118

6. Scholarships Payable

NGS awards grants to fund scholarships for children of our nation's fallen and wounded Service members. A discount rate used on long-term grants was approximately 7% at both December 31, 2021 and 2020, which is based on various factors including the projected rate of return, market inflation, and education inflation.

Scholarships payable are due as follows as of December 31:

	2021	2020
Payable in less than one year	\$ 4,649,830	\$ 4,023,500
Payable in one to five years	1,276,500	1,128,000
Payable in more than five years	1,680,000	1,330,000
Total scholarships payable	7,606,330	6,481,500
Less: discount to present value	(946,280)	(817,505)
Scholarships payable, net	\$ 6,660,050	\$ 5,663,995

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Notes to Financial Statements
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7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Shane Childers Memorial Scholarship	\$ 71,960	\$ 71,960
Other designated scholarships	<u>2,135</u>	<u>2,135</u>
Total net assets with donor restrictions	<u>\$ 74,095</u>	<u>\$ 74,095</u>

8. Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries, payroll taxes, contract and professional fees, donated services, insurance, postage and mailing service, office and internet services, and printing and copying, which are allocated on the basis of estimates of time and effort.

9. Income Taxes

Under Section 501(c)(3) of the Internal Revenue Code (IRC), NGS is exempt from the payment of taxes on income other than net unrelated business income. No tax expense is recorded in the accompanying financial statements, as there were no unrelated business activities. Management has evaluated NGS's tax positions and concluded that the financial statements do not include any uncertain tax positions. Contributions to NGS are deductible as provided in IRC Section 170(b)(1)(A)(vi).