

CONGRESSIONAL MEDAL OF HONOR FOUNDATION

REPORT ON FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

CONGRESSIONAL MEDAL OF HONOR FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Congressional Medal of Honor Foundation
Mount Pleasant, South Carolina

We have audited the accompanying statements of financial position of Congressional Medal of Honor Foundation as of December 31, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Congressional Medal of Honor Foundation as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Elliott Davis, LLC

Charleston, South Carolina
April 9, 2011

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,209,996	\$ 842,752
Contributions receivable	365,066	517,700
Accrued interest receivable	7,338	9,314
Investments in securities and certificates of deposit	2,449,124	1,422,673
Prepaid expenses	144,570	109,042
Other current assets	6,049	1,000
Total current assets	4,182,143	2,902,481
NONCURRENT ASSETS		
Contributions receivable, net	285,899	449,250
Investments in certificates of deposit	590,193	1,031,353
Total noncurrent assets	876,092	1,480,603
Total assets	\$ 5,058,235	\$ 4,383,084
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,018	\$ 19,431
Accrued expenses	6,609	4,865
Total current liabilities	25,627	24,296
NET ASSETS		
Unrestricted net assets		
Unrestricted - undesignated	2,093,155	1,827,671
Unrestricted - board designated investments	2,144,863	1,506,867
Temporarily restricted net assets	794,590	1,024,250
Total net assets	5,032,608	4,358,788
Total liabilities and net assets	\$ 5,058,235	\$ 4,383,084

The accompanying notes are an integral part of these financial statements.

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
STATEMENTS OF ACTIVITIES

	For the years ended	
	December 31,	
	2010	2009
UNRESTRICTED SUPPORT AND REVENUE		
Unrestricted contributions	\$ 2,023,338	\$ 1,617,753
Medal of Honor book income	27,978	21,096
Investment income	84,116	73,000
Gain (loss) on sale of investments	18,483	(80,994)
Unrealized gain on investments	115,672	235,873
Other income	1,104	2,850
Total unrestricted support and revenue	2,270,691	1,869,578
Net assets released from restrictions	1,031,862	830,311
Total unrestricted support, revenue and reclassifications	3,302,553	2,699,889
EXPENSES		
Program services	2,070,672	1,839,095
Management and general	130,366	87,750
Fundraising	198,035	180,825
Total expenses	2,399,073	2,107,670
Increase in unrestricted net assets	903,480	592,219
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	802,202	1,854,561
Net assets released from restrictions	(1,031,862)	(830,311)
Increase (decrease) in temporarily restricted net assets	(229,660)	1,024,250
Increase in net assets	673,820	1,616,469
NET ASSETS, BEGINNING OF YEAR	4,358,788	2,742,319
NET ASSETS, END OF YEAR	\$ 5,032,608	\$ 4,358,788

The accompanying notes are an integral part of these financial statements.

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31,

	2010				2009			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
COMPENSATION AND RELATED EXPENSES								
Salary	\$ 233,318	\$ 24,205	\$ 19,721	\$ 277,244	\$ 143,678	\$ 8,452	\$ 16,903	\$ 169,033
Payroll taxes	15,810	930	1,860	18,600	8,507	500	1,001	10,008
Total compensation and related expenses	249,128	25,135	21,581	295,844	152,185	8,952	17,904	179,041
OTHER EXPENSES								
Fundraising Events	830,936	-	173,365	1,004,301	683,819	-	149,081	832,900
MOH Recipient Outreach	372,446	-	-	372,446	355,257	-	-	355,257
Contributions to CMHS	210,000	-	-	210,000	200,000	-	-	200,000
MOH Erie Project	147,409	-	-	147,409	34,676	-	-	34,676
Kiosk donations	77,202	-	-	77,202	89,862	-	-	89,862
Website maintenance	55,000	-	-	55,000	-	-	-	-
MOH book expenses	41,967	-	-	41,967	35,018	-	-	35,018
Contributions - other	38,500	-	-	38,500	64,171	-	-	64,171
Living history project	29,795	-	-	29,795	74,771	-	-	74,771
Travel	-	28,542	-	28,542	-	23,441	-	23,441
Professional services	2,133	17,060	2,133	21,326	60,415	20,491	7,108	88,014
Printing	-	21,234	-	21,234	-	2,032	2,770	4,802
Coins	15,727	-	-	15,727	17,867	-	-	17,867
Office rent	-	12,000	-	12,000	-	11,294	-	11,294
Office supplies	-	6,922	-	6,922	-	4,928	-	4,928
Postage and shipping	-	5,105	-	5,105	-	5,842	-	5,842
Insurance	-	4,145	-	4,145	-	1,544	-	1,544
Bank charges	-	3,854	-	3,854	-	2,871	-	2,871
Telephone	-	2,867	-	2,867	-	2,808	-	2,808
Dues and fees	-	1,903	-	1,903	-	2,043	-	2,043
Internet	-	1,550	-	1,550	-	1,504	-	1,504
Photos	-	-	629	629	-	-	-	-
Awards	429	-	-	429	4,458	-	-	4,458
Gifts	-	-	327	327	-	-	3,962	3,962
Other	-	49	-	49	-	-	-	-
Commemorative coin	-	-	-	-	30,000	-	-	30,000
MOH Memorial video project	-	-	-	-	28,450	-	-	28,450
Black History Month	-	-	-	-	8,146	-	-	8,146
Total expenses	\$ 2,070,672	\$ 130,366	\$ 198,035	\$ 2,399,073	\$ 1,839,095	\$ 87,750	\$ 180,825	\$ 2,107,670

The accompanying notes are an integral part of these financial statements.

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
STATEMENTS OF CASH FLOWS

	For the years ended	
	December 31,	
	2010	2009
OPERATING ACTIVITIES		
Increase in net assets	\$ 673,820	\$ 1,616,469
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Stock contributions	(11,191)	(21,861)
(Gain) loss on sale of investments	(18,483)	80,994
Unrealized gain on investments	(115,672)	(235,873)
Changes in operating assets and liabilities:		
Prepaid expenses	(35,528)	(64,042)
Contributions receivable	315,985	(966,950)
Accrued interest receivable	1,976	1,901
Other current assets	(5,049)	5,766
Accounts payable	(413)	(50,692)
Accrued expense	1,744	2,111
	807,189	367,823
Net cash provided by operating activities	807,189	367,823
INVESTING ACTIVITIES		
Proceeds from sale of donated securities	10,522	21,671
Proceeds from sale of mutual funds	426,965	298,372
Purchase of mutual funds	(1,049,147)	(822,136)
Proceeds from redemption of certificates of deposit	267,715	576,000
Purchase of certificates of deposit	(96,000)	(609,000)
	(439,945)	(535,093)
Net cash used for investing activities	(439,945)	(535,093)
Net increase (decrease) in cash and cash equivalents	367,244	(167,270)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	842,752	1,010,022
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,209,996	\$ 842,752

The accompanying notes are an integral part of these financial statements.

CONGRESSIONAL MEDAL OF HONOR FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Congressional Medal of Honor Foundation (the Foundation) was formed for the purpose of supporting the goals and purposes of the Congressional Medal of Honor Society of the United States of America (the Society). These goals and purposes include: protecting, upholding and preserving the dignity and honor of the Medal; providing appropriate aid to all persons to whom the Medal has been awarded, including the widow and/or children; promoting allegiance to the Government of the United States of America and to its constitution, and to the service of our nation in peace and war; and promoting and perpetuating the principles upon which our nation is founded, foster patriotism and to inspire and stimulate the youth of our nation to become worthy citizens of the United States of America. Resources for the Foundation's activities are primarily provided by contributions and investment income.

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of presentation

In accordance with generally accepted accounting principles (GAAP), the Foundation is required to report information regarding its financial position and activities according to three classes of net assets. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction. The Foundation did not have any permanently restricted net assets at December 31, 2010 and 2009.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash in banks, certificates of deposit and money market funds with maturities of three months or less.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Contributions receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. A discount was recorded for \$12,101 and \$25,750 for the years ended December 31, 2010 and 2009, respectively.

Amortization of the discount is netted with contribution revenue. The Foundation provides for an allowance for uncollectible contributions based on management's estimate of the collectability of receivables. No allowance was recorded at December 31, 2010 and 2009, as management believes all receivables are fully collectible.

Investments

Investments purchased by the Foundation are initially recorded at their cost, and donated investments are recorded at fair value on the date they are received as a donation. The Foundation liquidates donated marketable securities within a few weeks of the donation. Investments in marketable securities with readily determinable fair values and all investments in debt securities are adjusted to their fair values as of the dates of the Statements of Financial Position. Unrealized gains and losses are included in the Statements of Activities.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. The Foundation had temporarily restricted net assets of \$794,590 and \$1,024,250 as of December 31, 2010 and 2009, respectively. The temporarily restricted net assets as of December 31, 2010 and 2009 are restricted for the purposes of events to be held early in 2011 and 2010, respectively.

Revenue recognition

Contributions and grants are recognized as revenue when they are received or unconditionally pledged. Contributions and grants received are recorded as unrestricted, temporarily or permanently restricted support, depending on the existence and/or nature of any donor or grantor restrictions.

Income tax status

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as a Foundation other than a private foundation under Section 509 (a)(2).

GAAP prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be in a tax return. GAAP also provides guidance on derecognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, and disclosure.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2007.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated services

The Foundation receives fundraising services from volunteers. These services do not meet the criteria to be recognized in financial statements in accordance with the criteria in *Accounting for Contributions Received and Contributions Made*; thus, no value has been recorded for these services in the financial statements.

Endowment Funds

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Foundation classifies as permanently restricted net assets (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 that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investments are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on low to moderate risk equities and bonds and fixed income securities to achieve its long-term objectives within prudent risk constraints.

Interest and dividends earned on the endowment account, not to exceed five percent of principal, may be transferred to the general operating account or to a specific project on an annual basis, as approved by the Board of Directors. Excess funds are added to the endowment principal and are subject to the endowment account restrictions. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately six to seven percent annually. Actual returns from any given year may vary from this amount.

Fair Value

The Foundation utilizes a three-tier fair value hierarchy that clarifies fair value as an exit price, representing 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.

The Foundation's financial instruments principally consist of investments. Investments are reported at fair value as required by GAAP (see Note 6). The Foundation's other financial instruments consist of cash and cash equivalents, prepaid expenses, contributions receivable, accounts payable and accrued expenses. The carrying value of these financial instruments approximates their fair values at December 31, 2010 and 2009, because of the terms and relatively short maturity of those instruments.

Allocation of functional expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of estimates

The preparation of financial statements 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through April 9, 2011, which is the date these financial statements were available to be issued.

NOTE 2. INVESTMENTS

Included in unrestricted contributions are donations of marketable equity securities. For the years ended December 31, 2010 and 2009, the Foundation received \$11,191 and \$21,861 of donated marketable securities, respectively.

Total investments for the years ended December 31, 2010 and 2009 consist of the following:

	2010		
	Cost	Carrying Value	Net Unrealized Gain
Mutual funds	\$ 1,725,469	\$ 1,907,737	\$ 182,268
Certificates of deposit	1,110,000	1,131,580	21,580
	\$ 2,835,469	\$ 3,039,317	\$ 203,848

	2009		
	Cost	Carrying Value	Net Unrealized Gain
Mutual funds	\$ 1,084,850	\$ 1,153,262	\$ 68,412
Certificates of deposit	1,281,000	1,300,764	19,764
	\$ 2,365,850	\$ 2,454,026	\$ 88,176

Investments include the following certificates of deposit: ten in the amount of \$96,000 each, bearing interest rates from 1.25% to 4.55% and one in the amount of \$150,000, bearing an interest rate of 1.70% . The certificates of deposit have maturity dates from January 2011 to December 2013.

NOTE 3. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Foundation maintains cash and cash equivalents balances in one financial institution. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 for interest-bearing accounts and provides unlimited insurance for noninterest-bearing accounts. The Securities Investor Protection Corporation insures accounts at each institution up to \$500,000.

Additionally, the brokerage firm for the Foundation provides limited insurance for amounts in excess of \$500,000. At December 31, 2010 and 2009, the Foundation did not have any uninsured cash and cash equivalents. Certificates of deposit, while managed by one financial institution, are invested at multiple banks to remain below the FDIC insurance limit.

NOTE 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2010 and 2009 are unconditional. Contributions receivable that are expected to be received in more than one year are discounted at 3% for 2010 and 2009.

Contributions receivable consist of the following at December 31:

Contributions Receivable

	<u>2010</u>	<u>2009</u>
Unrestricted	\$ 663,066	\$ 992,700
Unamortized discount to net present value	(12,101)	(25,750)
Contributions receivable, net	<u>\$ 650,965</u>	<u>\$ 966,950</u>
Amounts expected to be collected in:		
Less than one year	\$ 365,066	\$ 517,700
One to five years, net of unamortized discounts	298,000	475,000
	<u>\$ 663,066</u>	<u>\$ 992,700</u>

NOTE 5. ENDOWMENTS

The Foundation's endowments consist of funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Board designated endowment net asset composition by type of fund as of December 31:

	<u>2010</u>	<u>2009</u>
Board-designated endowment funds	\$ 2,144,863	\$ 1,506,867
Total funds	<u>\$ 2,144,863</u>	<u>\$ 1,506,867</u>
Changes in endowment net assets		
Endowment net assets, beginning of year	\$ 1,506,867	\$ 840,983
Investment return:		
Investment income	41,211	32,391
Net gains (losses) (realized and unrealized)	134,872	(16,507)
Total investment return	<u>176,083</u>	<u>15,884</u>
Contributions	<u>461,913</u>	<u>650,000</u>
Endowment net assets, end of year	<u>\$ 2,144,863</u>	<u>\$ 1,506,867</u>

The unrestricted designated net assets of the Foundation represent a Board designated amount to be used for long-term investment. Assets were transferred to financial institution accounts to be invested. The Board has indicated that up to five percent of the earnings of the designated net assets may be used for operations and programs on an annual basis.

NOTE 6. IN-KIND CONTRIBUTIONS

During the years ended December 31, 2010 and 2009, the Foundation received in-kind contributions of \$20,274 and \$33,544 for airline travel, respectively. In 2010, the Foundation also received in-kind contributions of \$75,000 for website and printing expenses. In-kind contributions are included in unrestricted contributions in the Statements of Activities.

NOTE 7. FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1:** Quoted market prices in active markets for identical assets or liabilities.
- Level 2:** Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3:** Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Foundation performs an analysis of the assets and liabilities that are subject to *Fair Value Measurements*. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Fair values of assets measured on a recurring basis are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>December 31, 2010</u>				
Investments in mutual funds	\$ 1,907,737	\$ 1,907,737	\$ -	\$ -
Investments in certificates of deposit	\$ 1,131,580	\$ -	\$ 1,131,580	\$ -
<u>December 31, 2009</u>				
Investments in mutual funds	\$ 1,153,262	\$ 1,153,262	\$ -	\$ -
Investments in certificates of deposit	\$ 1,300,764	\$ -	\$ 1,300,764	\$ -

NOTE 7. RELATED PARTY

During the years ended December 31, 2010 and 2009, the Foundation contributed \$210,000 and \$200,000, respectively, to the Society. The Foundation also reimbursed the Society for certain travel related costs of \$39,034 for the year ended December 31, 2009. There were no reimbursements paid to the Society for the year ended December 31, 2010. The Society contributed \$161,913 to the Foundation's endowment in 2010. During the years ended December 31, 2010 and 2009, the Foundation was one of the leading single contributors to the Society.