

**NEW YORK COUNCIL, NAVY
LEAGUE OF THE UNITED STATES, INC.**

**Financial Statements
and
Independent Auditor's Report**
For the Years Ended December 31, 2022 and 2021

New York Council, Navy League of the United States, Inc.

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statements of financial position	4
Statements of activities	5 - 6
Statements of functional expenses	7 - 8
Statements of cash flows	9
Notes to financial statements	10 - 15



Independent Auditor's Report

The Board of Directors
New York Council, Navy League of the United States, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of New York Council, Navy League of the United States, Inc. (the Council) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and 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 the Council as of December 31, 2022 and 2021, 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 the Council 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council'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 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 the Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council'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.



Peachtree Corners, Georgia
October 20, 2023

New York Council, Navy League of the United States, Inc.

Statements of Financial Position

<i>December 31,</i>	2022	2021
ASSETS		
Cash and cash equivalents	\$ 185,530	\$ 315,037
Investments, at fair value	3,305,658	4,486,988
Accrued interest receivable and other	16,630	15,422
Prepaid expenses	8,263	5,000
Installment purchase agreement	950,000	950,000
Furniture and equipment, net	1,290	1,290
Total assets	\$ 4,467,371	\$ 5,773,737
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 14,707	\$ 31,864
Net assets		
Without donor restrictions	4,406,009	5,735,862
With donor restrictions	46,655	6,011
	4,452,664	5,741,873
Total liabilities and net assets	\$ 4,467,371	\$ 5,773,737

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

New York Council, Navy League of the United States, Inc.

Statements of Activities

For the year ended December 31,

2022

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and revenue			
Contributions	\$ 29,851	\$ 46,655	\$ 76,506
Membership dues	2,951	-	2,951
Member events	212,563	-	212,563
In-kind rent	9,973	-	9,973
Total support and revenue	255,338	46,655	301,993
Net assets released from restriction	6,011	(6,011)	-
	261,349	40,644	301,993
Expenses			
Program services	693,449	-	693,449
Management and general	65,036	-	65,036
Total expenses	758,485	-	758,485
Change in net assets from operating activities	(497,136)	40,644	(456,492)
Non-operating activity			
Investment loss, net	(832,717)	-	(832,717)
Change in net assets	(1,329,853)	40,644	(1,289,209)
Net assets, beginning of year	5,735,862	6,011	5,741,873
Net assets, end of year	\$ 4,406,009	\$ 46,655	\$ 4,452,664

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

New York Council, Navy League of the United States, Inc.

Statements of Activities (cont.)

For the year ended December 31,

2021

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and revenue			
Contributions	\$ 966,203	\$ 6,011	\$ 972,214
Membership dues	727	-	727
Member events	440,064	-	440,064
In-kind rent	10,600	-	10,600
Total support and revenue	1,417,594	6,011	1,423,605
Net assets released from restriction	-	-	-
	1,417,594	6,011	1,423,605
Expenses			
Program services	401,784	-	401,784
Management and general	64,054	-	64,054
Total expenses	465,838	-	465,838
Change in net assets from operating activities	951,756	6,011	957,767
Non-operating activity			
Investment return, net	526,751	-	526,751
Change in net assets	1,478,507	6,011	1,484,518
Net assets, beginning of year	4,257,355	-	4,257,355
Net assets, end of year	\$ 5,735,862	\$ 6,011	\$ 5,741,873

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

New York Council, Navy League of the United States, Inc.

Statements of Functional Expenses

<i>For the year ended December 31, 2022</i>	Program Services	Management and General	Total
Grants and scholarships	\$ 128,856	\$ -	\$ 128,856
Member events and education	373,416	-	373,416
Payroll and related	164,829	18,312	183,141
Professional fees	13,738	13,738	27,476
Supplies/office administrative costs	4,527	4,526	9,053
Telephone	2,544	2,544	5,088
In-kind rent expense	4,987	4,986	9,973
Travel and convention	-	8,693	8,693
Website design	552	552	1,104
Insurance	-	5,215	5,215
Dues	-	5,945	5,945
Filing fees	-	525	525
Total expenses	\$ 693,449	\$ 65,036	\$ 758,485

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

New York Council, Navy League of the United States, Inc.

Statements of Functional Expenses (cont.)

<i>For the year ended December 31, 2021</i>	Program Services	Management and General	Total
Grants and scholarships	\$ 103,900	\$ -	\$ 103,900
Member events and education	106,470	-	106,470
Payroll and related	156,770	17,418	174,188
Professional fees	23,647	23,647	47,294
Supplies/office administrative costs	2,576	2,576	5,152
Telephone	2,671	2,671	5,342
In-kind rent expense	5,300	5,300	10,600
Travel and convention	-	3,246	3,246
Website design	450	450	900
Insurance	-	6,113	6,113
Dues	-	2,633	2,633
Total expenses	\$ 401,784	\$ 64,054	\$ 465,838

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

New York Council, Navy League of the United States, Inc.

Statements of Cash Flows

<i>For the years ended December 31,</i>	2022	2021
Operating activities		
Change in net assets	\$ (1,289,209)	\$ 1,484,518
Adjustments to reconcile change in net assets to cash used in operating activities		
Noncash contributions of financial assets	-	(956,549)
Change in unrealized (gain) loss on investments	808,815	(254,105)
Net realized (gain) loss on investments	98,447	(173,047)
Changes in operating assets and liabilities		
Accounts receivable	(1,208)	650
Prepaid expenses	(3,263)	(5,000)
Accounts payable and accrued expenses	(17,157)	20,406
Deferred revenue	-	(257,800)
Net cash used in operating activities	(403,575)	(140,927)
Investing activities		
Purchase of furniture and equipment	-	(1,290)
Purchase of investments	(2,790,005)	(2,625,546)
Proceeds from sales and maturities of investments	3,064,073	1,890,595
Net cash provided by (used in) investing activities	274,068	(736,241)
Net decrease in cash and cash equivalents	(129,507)	(877,168)
Cash and cash equivalents, beginning of year	315,037	1,192,205
Cash and cash equivalents, end of year	\$ 185,530	\$ 315,037

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

New York Council, Navy League of the United States, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Nature of Council

The New York Council, Navy League of the United States, Inc. (the Council) is a member Council of citizens dedicated to enhancing the morale of our sea services personnel and their families, informing Congress and the American public on the importance of strong sea services, and supporting youth through programs such as the Naval Sea Cadet Corps, Navy and Marine Corps Junior ROTC and the Young Marines that expose young people to the values of our sea services. The Council is incorporated under the laws of the State of New York and is chartered by the Navy League of the United States as a local council for the City of New York and certain surrounding counties.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, public support, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Council and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Council.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The Council considers all highly liquid instruments with a maturity of three months or less at the time of acquisition to be cash equivalents.

Investments

Investments are carried in the financial statements at fair value, which is based on publicly quoted prices and, if received as a gift, at fair market value on the date of the gift. Realized gains and losses on investments and the change in the unrealized value of the investments are reflected in the statement of activities.

Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Investment income is recorded on an accrual basis.

Fair value is 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 (an exit price).

The Council accounts for investments in accordance with FASB standard for investments held by non-profit organizations (ASC 958-320 and subsections). This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices.

1. Summary of Significant Accounting Policies (cont.)

Investments (cont.)

The three levels of the fair value hierarchy defined by the topic are as follows:

Level 1 - Observable inputs that reflect unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 - Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. The valuation method used may produce a fair value measurement that may not be indicative of ultimate realizable value.

Risks and Uncertainties

The Council 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 values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Revenue Recognition

The Council follows FASB guidance on Revenue from Contracts with Customers (Topic 606). The Council has multiple revenue streams that are accounted for as exchange transactions including, membership dues and income related to member events. A significant portion of the Council's income is derived from investments and unconditional contributions, which are not included in the scope of ASC 606.

Membership dues - The Council conducts program-related experiences where the performance obligation is delivery of the program. Fees for membership dues are set by the Council. Fees include access to training sessions, ability to participate in exclusive events, monthly newsletter and magazines, and credit union access. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. Some programs may incur additional fees which are separately priced. Fees collected in advance of delivery of the obligation are initially recognized as liabilities (deferred revenue) and are only recognized in the statement of activities after delivery of the obligation has occurred.

Member events revenue - The Council conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event - the exchange component, and a portion represents a contribution to the Council. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Council. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Council, are recorded as costs of direct donor benefits in the statement of activities. The performance obligation is delivery of the event, which is usually accompanied by a presentation. The event fee is set by the Council. ASC 606 requires allocation of the transaction price to the performance obligation(s). Accordingly, the Council separately presents in its statement of activities the exchange and contribution components of the gross proceeds from special events.

1. Summary of Significant Accounting Policies (cont.)

Revenue Recognition (cont.)

Special event fees collected by the Council in advance of its delivery are initially recognized as liabilities (deferred revenue) and recognized as special event revenue after delivery of the event. For special event fees received before year-end for an event to occur after year-end, the Council follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as a refundable advance along with the exchange component.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period the contributions are received or upon notification of a donor's unconditional promise to give. Contributions are recorded in the statement of activities as revenues with or without donor restrictions based on donor stipulations. When donor restrictions are satisfied (that is when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions (purpose or time restricted) are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as net assets without donor restrictions in that period.

Installment Purchase Agreement

The installment purchase agreement represents a note receivable assigned to the Council by a donor and is recorded at its net realizable value in the statements of financial position (see Note 4). The Council evaluates the collectability of the note based upon a review of historical collection information and existing economic conditions. An allowance for loan losses would be established in the event that payments were not anticipated in accordance with contractual terms. No portion of the note was considered uncollectible at December 31, 2022 and 2021. Interest income on the note is recognized over the term of the loan and is calculated using the interest method on the principal amount outstanding.

Donated Facilities

In September 2020, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets (in-kind contributions) with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. ASU 2020-07 is applied on a retrospective basis and was effective for the Council beginning in 2022.

In-kind contributions received by the Council relate to donated office space. This space is an integral part of the activities of the Council and would have had to be paid by the Council if it had not been donated. The value of the donated space is recorded at the fair market value in the statements of activities and functional expenses based on market rents for comparable office space, equal to what it would cost the Council to pay for the space independently.

Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Council are reported as expenses of those functional areas. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques primarily consisting of salary and wages, and time and effort reporting.

New York Council, Navy League of the United States, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies (cont.)

Tax Status

The Council has been recognized by the Internal Revenue Service (IRS) as exempt from federal tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for activities unrelated to its exempt purpose. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Accounting principles generally accepted in the United States of America require management to evaluate the tax positions taken by the Council and recognize a tax liability (or asset) if the Council has an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has concluded that as of December 31, 2022, there are no uncertain tax positions taken or expected to be taken by the Council that would require recognition of a liability (or asset) or disclosure in the financial statements. Management believes that it is no longer subject to income tax examinations for years beginning prior to 2019.

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 amounts reported in the financial statements. Actual results could differ from these estimates.

2. Liquidity and Availability of Financial Assets

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

<i>December 31,</i>	2022
Cash and cash equivalents	\$ 84,455
Cash held for investment	101,075
Investments, at fair value	3,305,658
Accrued interest receivable and other	16,630
	\$ 3,507,818

3. Investments

Investments are stated at fair value and are comprised of the following:

	December 31, 2022			December 31, 2021		
	Cost	Fair Value	Unrealized Gain (Loss)	Cost	Fair Value	Unrealized Gain (Loss)
Equities	\$ 2,167,446	\$ 2,209,720	\$ 42,274	\$ 1,534,969	\$ 2,221,275	\$ 686,306
Mutual funds and other	1,025,522	996,702	(28,820)	1,929,014	2,065,717	136,703
Government securities	98,475	99,236	761	199,975	199,996	21
	\$ 3,291,443	\$ 3,305,658	\$ 14,215	\$ 3,663,958	\$ 4,486,988	\$ 823,030

At December 31, 2022 and 2021, all investments were valued utilizing Level 1 inputs.

New York Council, Navy League of the United States, Inc.

Notes to Financial Statements

3. Investments (cont.)

Net investment return (loss) consists of the following:

<i>December 31,</i>	2022	2021
Interest and dividend income	\$ 64,635	\$ 88,227
Change in unrealized gain (loss) on investments	(808,815)	254,105
Realized gain (loss) on sale of investments	(98,447)	173,047
Investment expenses	(26,190)	(29,278)
	(868,817)	486,101
Interest income on installment purchase agreement	36,100	40,650
Total	\$ (832,717)	\$ 526,751

4. Installment Purchase Agreement

In 2021, the Council received a bequest from a donor, which was the assignment of an Installment Purchase Agreement (IPA) issued by Monmouth County, New Jersey. This bequest is to be used for the general purposes of the Council and is accounted for as a notes receivable. The principal balance of the IPA is \$950,000 and matures May 15, 2024. The IPA bears interest at 3.8% (annualized) and interest due is paid semiannually. Interest income on the IPA during 2022 and 2021 was \$36,100 and \$40,650, respectively.

The original receipt of the gift during 2021 was recorded at its estimated fair value of \$950,000 and is included in contributions without donor restrictions in the statements of activities.

5. Donated Facilities

The Council leases office space from the United States Coast Guard (USCG). The agreement provides that due to the non-profit status of the Council, there is no direct cost associated with the lease. The lease expires on September 30, 2026, unless sooner terminated by the USCG. This space is an integral part of the activities of the Council and would have had to be paid by the Council if it had not been donated.

The estimated fair market value of the donated space totaled \$9,973 and \$10,600 for the years ended December 31, 2022 and 2021, respectively. These amounts have been reflected as in-kind support and expenses in the statements of activities and functional expenses.

6. Net Assets with Donor Restrictions

At December 31, 2022 and 2021, the Council reported \$46,655 and \$6,011, respectively, in net assets with donor restrictions. These balances relate to temporarily restricted funds contributed for ship commissioning that had not occurred as of the end of the year. The Council has no permanently restricted net assets.

New York Council, Navy League of the United States, Inc.

Notes to Financial Statements

7. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and the IPA. The Company places its cash with high-quality financial institutions. The cash balances may, from time to time, exceed the \$250,000 federally insured limit for a single banking institution.

As described in Note 4, the IPA matures in 2024 and is due from a county government in New Jersey.

8. Subsequent Events

The Council has evaluated subsequent events through October 20, 2023, the date the financial statements were available to be issued.