

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

Financial Statements

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)



**and
Report Thereon**



MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

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INDEPENDENT AUDITORS' REPORT

To the Board of Regents of
Mount Vernon Ladies' Association of the Union

Opinion

We have audited the financial statements of the Mount Vernon Ladies' Association of the Union (the Association), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 the Association as of December 31, 2022, and the changes in its net assets and its 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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.

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 the Association'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 Association'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.

Other Matter

Report on Summarized Comparative Information

We have previously audited the Association's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
July 13, 2023

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

STATEMENT OF FINANCIAL POSITION

December 31, 2022

(With Summarized Financial Information as of December 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 28,956,789	\$ 26,226,517
Investments	206,138,184	239,616,069
Accounts receivable	1,630,350	1,318,137
Promises to give, net	14,422,975	15,644,574
Inventories, net	2,182,595	2,590,975
Prepaid expenses and other assets	385,886	174,135
Split-interest agreements	3,086,418	3,947,267
Property and equipment, net	75,135,860	77,980,203
Capital projects in process	<u>708,465</u>	<u>859,595</u>
TOTAL ASSETS	<u><u>\$ 332,647,522</u></u>	<u><u>\$ 368,357,472</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,050,322	\$ 3,970,683
Deferred income	363,596	350,532
Bonds payable	15,000,000	15,000,000
Interest rate swap agreement	2,527,264	6,017,911
Other liabilities	<u>600,968</u>	<u>804,001</u>
TOTAL LIABILITIES	<u>22,542,150</u>	<u>26,143,127</u>
Net Assets		
Without donor restriction	134,877,119	140,863,356
With donor restriction	<u>175,228,253</u>	<u>201,350,989</u>
TOTAL NET ASSETS	<u>310,105,372</u>	<u>342,214,345</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 332,647,522</u></u>	<u><u>\$ 368,357,472</u></u>

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

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
OPERATING REVENUE AND SUPPORT				
Contributions	\$ 15,201,008	\$ 15,629,543	\$ 30,830,551	\$ 20,367,906
Admission fees	14,592,095	-	14,592,095	10,450,705
Product sales	8,788,069	-	8,788,069	6,616,843
Food sales	6,920,885	-	6,920,885	4,299,744
Other income	1,473,306	-	1,473,306	859,247
Appropriations from endowments	1,384,587	5,453,801	6,838,388	7,682,441
Net assets released from restrictions	12,154,410	(12,154,410)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	60,514,360	8,928,934	69,443,294	50,276,886
EXPENSES				
Program Services:				
Education	31,571,121	-	31,571,121	24,484,417
Preservation	17,492,492	-	17,492,492	13,127,213
Total Program Services	49,063,613	-	49,063,613	37,611,630
Supporting Services:				
Management and general	4,295,269	-	4,295,269	4,012,462
Fundraising	4,946,508	-	4,946,508	4,098,900
Total Supporting Services	9,241,777	-	9,241,777	8,111,362
TOTAL EXPENSES	58,305,390	-	58,305,390	45,722,992
CHANGE IN NET ASSETS FROM OPERATIONS	2,208,970	8,928,934	11,137,904	4,553,894
NONOPERATING ACTIVITIES				
Investment return (loss), net	(10,301,267)	(28,737,020)	(39,038,287)	29,812,963
Endowment funds appropriated for operations	(1,384,587)	(5,453,801)	(6,838,388)	(7,682,441)
Change in value of interest rate swap agreement	3,490,647	-	3,490,647	1,302,661
Change in value of split-interest agreements	-	(860,849)	(860,849)	295,346
CHANGE IN NET ASSETS	(5,986,237)	(26,122,736)	(32,108,973)	28,282,423
NET ASSETS, BEGINNING OF YEAR	140,863,356	201,350,989	342,214,345	313,931,922
NET ASSETS, END OF YEAR	<u>\$ 134,877,119</u>	<u>\$ 175,228,253</u>	<u>\$ 310,105,372</u>	<u>\$ 342,214,345</u>

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

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 30, 2021)

	Program Services			Supporting Services				
	Education	Preservation	Total Program Services	Management and General	Fundraising	Total Supporting Services	2022 Total	2021 Total
Compensation	\$ 10,376,198	\$ 4,536,584	\$ 14,912,782	\$ 1,928,100	\$ 1,557,479	\$ 3,485,579	\$ 18,398,361	\$ 16,539,351
Employee benefits	2,526,536	1,114,358	3,640,894	153,986	386,344	540,330	4,181,224	3,513,350
Employee costs – total	12,902,734	5,650,942	18,553,676	2,082,086	1,943,823	4,025,909	22,579,585	20,052,701
Depreciation and amortization	2,269,399	1,927,854	4,197,253	214,206	214,206	428,412	4,625,665	4,516,631
Cost of goods sold	6,803,065	-	6,803,065	-	-	-	6,803,065	4,505,756
Repairs and maintenance	1,685,174	5,012,514	6,697,688	74,706	17,315	92,021	6,789,709	3,648,000
Professional services	1,480,533	925,438	2,405,971	750,576	386,505	1,137,081	3,543,052	2,672,144
Other expenses	1,269,696	433,370	1,703,066	491,726	425,561	917,287	2,620,353	2,416,367
Supplies	1,036,489	672,554	1,709,043	534,649	96,581	631,230	2,340,273	1,883,327
Printing and copying	771,775	88,654	860,429	62,550	661,931	724,481	1,584,910	1,162,705
Utilities and telecommunications	555,350	555,350	1,110,700	61,706	61,706	123,412	1,234,112	1,088,752
Advertising	671,792	533,973	1,205,765	9,191	179,945	189,136	1,394,901	1,000,304
Events	876,399	37,142	913,541	6,899	749,376	756,275	1,669,816	994,280
Credit card fees	671,347	-	671,347	163	157,636	157,799	829,146	629,470
Interest expense	224,042	336,062	560,104	-	-	-	560,104	604,539
Acquisitions	-	1,295,375	1,295,375	-	-	-	1,295,375	401,142
Travel and lodging	353,326	23,264	376,590	6,811	51,923	58,734	435,324	146,874
TOTAL EXPENSES	\$ 31,571,121	\$ 17,492,492	\$ 49,063,613	\$ 4,295,269	\$ 4,946,508	\$ 9,241,777	\$ 58,305,390	\$ 45,722,992

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

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (32,108,973)	\$ 28,282,423
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in discount on promises to give	500,137	58,040
Gain on disposal of property and equipment	-	(71,306)
Depreciation and amortization expenses	4,625,665	4,516,631
Realized and unrealized losses (gains) on investments	46,550,753	(18,976,444)
Change in value of split-interest agreements	860,849	(295,346)
Contribution of beneficial interest in perpetual trust	-	(701,130)
Cash received for endowment	(528,633)	(5,178,000)
Donated securities	(893,192)	-
Proceeds from sales of collection items	(18,879)	-
Cash disbursed for historical collections	1,295,375	401,142
Change in value of interest rate swap agreement	(3,490,647)	(1,302,661)
Changes in assets and liabilities:		
Accounts receivable	(312,213)	165,367
Promises to give, including notes receivable	721,462	4,903,447
Inventories	408,380	1,075,874
Prepaid expenses and other assets	(211,751)	383,624
Accounts payable and accrued expenses	79,639	1,612,028
Deferred income	13,064	80,356
Other liabilities	(203,033)	(591,888)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>17,288,003</u>	<u>14,362,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and capital projects in process	(1,630,192)	(1,819,419)
Proceeds from sale of land	-	2,591,848
Purchases of investments	(9,781,281)	(102,423,684)
Proceeds from sales of investments	(670,164)	93,343,015
Cash disbursed for historical collections	(1,295,375)	(401,142)
Proceeds from sales of collection items	18,879	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(13,358,133)</u>	<u>(8,709,382)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of mortgage payable	-	(1,875,000)
Cash received for endowment	528,633	5,178,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>528,633</u>	<u>3,303,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,458,503	8,955,775
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>31,764,540</u>	<u>22,808,765</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 36,223,043</u>	<u>\$ 31,764,540</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		
Cash and cash equivalents	\$ 28,956,789	\$ 26,226,517
Cash and cash equivalents held within investments	7,266,254	5,538,023
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 36,223,043</u>	<u>\$ 31,764,540</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 560,104</u>	<u>\$ 604,539</u>
NONCASH INVESTING ACTIVITIES		
Capital projects in process included in accounts payable	\$ -	\$ 106,854
Contribution of beneficial interest in perpetual trust	\$ -	\$ 701,130
Donated securities held at December 31	<u>\$ 893,192</u>	<u>\$ -</u>

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

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

1. Organization and Summary of Significant Accounting Policies

Organization

The Mount Vernon Ladies' Association of the Union (the Association) is a 501(c)(3) nonprofit corporation founded in 1853 by Ann Pamela Cunningham. The mission of the Association is to preserve, restore and manage the estate of George Washington to the highest standards and to educate visitors and people throughout the world about the life and legacies of George Washington, so that his example of character and leadership will continue to inform and inspire future generations. All activities of the Association are funded primarily from contributions, admissions, product and food sales, and investment income.

Basis of Accounting

The financial statements have been prepared using the accrual basis of accounting. Revenue, other than contributions, is recognized when earned; expenses are recorded when the obligation is incurred. Unconditional contributions are recorded as without donor restrictions or with donor restrictions depending upon the existence and/or nature of donor-imposed restrictions. All donor-restricted contributions are reported initially as an increase in donor-restricted net assets and then reclassified to net assets without donor restrictions when restrictions have been met.

Cash Equivalents

Cash equivalents include demand deposits and money market accounts and all highly liquid investments with initial maturities of three months or less.

Accounts Receivable

Trade receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on the review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by reviewing all outstanding receivables for possible uncollectibility. Receivables are charged to the allowance account when deemed uncollectible.

Promises to Give

Unconditional promises to give are recorded at their fair value. For those due in more than one year, fair value is estimated by discounting estimated future cash flows at rates commensurate with risks involved. Management determines the allowance for doubtful pledges by reviewing all outstanding pledges for possible uncollectibility. Pledges are charged to the allowance account when deemed uncollectible.

Inventories

Inventories consist of gift shop and food service items and are valued at net realizable value. Management periodically adjusts the value for slow-moving or obsolete inventory.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

1. Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments consist of cash equivalents, fixed-income investments, equity investments, and hedge and private equity funds. These investments are recorded in the accompanying statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date. Purchases and sales are reflected on a trade date basis. Interest, dividends and realized gains or losses are recorded when earned. Changes in the fair value of the portfolio are recorded as unrealized gains or losses. Donated investments are recorded as contributions based on their fair value at the date of donation.

The Association maintains investment accounts for its endowment funds. Realized and unrealized gains and losses, and interest and dividends from the investment accounts, are allocated monthly to the individual endowment funds based on the relationship of the fair value of each endowment to the total fair value of the investment accounts, as adjusted for additions to or deductions from these accounts.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP) and requires disclosures about fair value measurement for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurement, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value:

Cash and cash equivalents – For cash and cash equivalents, the carrying amount, which is cost plus accrued interest, is a reasonable estimate of fair value.

Investments – For securities held for investment purposes, fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Certain hedge and private equity funds are reported at estimated fair values. The estimated fair value of investments in hedge and private equity funds, which are not readily marketable, is based on the ownership percentage of the underlying fund as of the measurement date. The funds value underlying securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investment funds, which may include private placements and other securities for which prices are not readily available, are determined by the investment manager of the fund, and may not reflect amounts that could be realized upon immediate sale nor amounts that may be ultimately realized. The Association follows the fair value measurement provisions of FASB ASC Topic 820, *Fair Value Measurement, Disclosures for Investments in Certain Entities That Calculate Net Asset Value (NAV) per Share (or Its Equivalent)*, and therefore has not classified its investment funds measured at a NAV equivalent within the fair value hierarchy.

Promises to give – Fair value is estimated based on the donor's verifiable pledge. For pledges due in greater than one year, fair value is estimated by discounting estimated future cash flows at rates approximating commensurate with risks involved on the date of the gift. Fair value is adjusted for the allowance for doubtful promises to give.

Bonds payable – The fair value of the variable-rate bonds is the amount payable at the reporting date.

Interest rate swap agreement – The fair value of the interest rate swap agreement is estimated using valuation methodologies with current market interest rate data adjusted for interest credit risk.

Property and Equipment and Related Depreciation and Amortization

Property and equipment used to conduct the business of the Association are recorded on the statement of financial position of the Association at cost, with depreciation computed on a straight-line basis over the estimated useful life of each asset. The Association capitalizes all buildings, building improvements and exhibitions with an original cost of \$250,000 or greater and equipment, furniture and computer software with an original cost of \$125,000 or greater and a useful life of more than one year. The cost of property and equipment retired or disposed of is removed from the accounts along with the related accumulated depreciation or amortization, and any gain or loss is reflected in revenue and support, or expenses, in the accompanying statement of activities. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

1. Organization and Summary of Significant Accounting Policies (continued)

Capital Projects in Process

Capital projects in process consist of various construction projects and are stated at cost.

Impairment of Long-Lived Assets

The Association reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying value of an asset, an impairment loss is recognized for the difference. The Association did not record an impairment loss during the year ended December 31, 2022.

Split-Interest Agreements

The Association's split-interest agreements with donors consist of charitable gift annuities, a pooled income fund and a perpetual trust held by a third party.

The Association initially records revenue from charitable annuity contributions in the year in which the agreement is executed. The amount of the revenue recognized in the first year is the difference between the amount of the assets received and the fair value of the future cash flows expected to be paid to the designated beneficiaries. In succeeding years, revenue is recorded for the reduction in the present value of future cash payments to the beneficiaries.

The charitable gift annuity assets are included in investments and the liabilities are included in other liabilities in the accompanying statement of financial position.

Historical Properties and Collections

Historical properties and collections owned by the Association have been acquired through purchases and contributions since the Association's inception. These historical properties and collections are not included as assets in the statement of financial position. The cost of the properties is not readily available, and the Association is of the opinion that, because of the intrinsic value of the properties, it is impractical to assign values to the components.

In conformity with accounting policies generally followed for historical properties, the value of collections as well as repairs and improvements to historical properties have been excluded from the statements of financial position.

Purchases of collection items are recorded as decreases in net assets without donor restriction in the year in which the items are acquired, or as decreases in net assets with donor restriction if the assets used to purchase the items are restricted by donors. The financial statements do not reflect any contributed collection items.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

1. Organization and Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments and Hedging Activities

During the year ended December 31, 2022, the Association had an interest rate swap outstanding that is used to mitigate the economic impact of changes in interest rates. The Association does not enter into derivative transactions for trading or other speculative purposes. The swap is designated as a cash flow hedge and is being used to offset the risk of changes in cash flows associated with benchmark interest payments on its variable rate bonds.

Classification of Net Assets

The Association's net assets, support and revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association are classified and reported as follows:

- *Without donor restrictions* – Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Association at the discretion of the Association's management and the Board of Directors (the Board). The Board has designated a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. The Board has designated \$48,227,206 of net assets without donor restrictions to secure the Association's long-term financial viability.
- *With donor restrictions* – Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for specific periods of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Revenue Recognition

The Association recognizes all unconditional promises to give in the period in which the commitment is made and the value is measurable. Unconditional contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions. All unconditional promises to give are considered to be available for use unless specifically noted by the donor. Amounts received that are designated for future periods or restricted for specific purposes are recorded with donor restrictions. Membership dues are treated as contributions as the Association has determined there is not an exchange of direct commensurate value and therefore these amounts are included in contributions in the accompanying statement of activities.

Unconditional promises to give that are expected to be collected within a year are recorded at their fair value. Unconditional promises to give that are expected to be collected in future years are recorded at their estimated fair value by discounting expected future cash flows at rates approximating the rate commensurate with risks involved. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return or release – are not recognized until the conditions on which they depend have been met.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Association recognizes revenue from ticket sales at the time of admission. Product sales and food sales are recognized at the time the products and food are provided to customers. Any unredeemed gift cards, advance ticket sales, and food sales related to future events are recorded as deferred income in the accompanying statement of financial position.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional category of the Association are reported as expenses of that functional category, while shared costs that benefit multiple functional categories, which include depreciation and amortization, repairs and maintenance and utilities and telecommunications, have been allocated among the functional categories based on estimates determined by management to be equitable. Costs of goods sold primarily consist of cost of products and food sold to customers.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services and Donated Assets

A substantial number of unpaid volunteers have made significant contributions of their time and skills to supplement the Association's programs, principally in educational, archaeological and maintenance projects, as well as in certain administrative functions. The value of this contributed time is not reflected in these statements.

Measurement of Operations

Operating revenue and expenses generally reflect those revenues and expenses that management can influence, including annual authorized operating support from the endowment based on the spending formula established by the Association's Board.

Nonoperating activities include investment returns, endowment fund appropriations, unrealized gains or losses from the interest rate swap agreement, and the change in value of split-interest agreements.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

2. Promises to Give

Unconditional promises to give as of December 31, 2022 and 2021, were for the following:

	<u>2022</u>	<u>2021</u>
General endowment	\$ 1,524,481	\$ 4,549,541
Future operating expenses	2,134,500	3,517,600
Capital projects and other	268,487	1,605,694
Life insurance	2,050,000	2,050,000
Preservation	2,758,416	2,480,100
Education	<u>6,797,689</u>	<u>2,052,100</u>
Promises to Give Before		
Unamortized Discount	15,533,573	16,255,035
Less: Unamortized Discounts		
between 3.99% and 4.73%	<u>(1,110,598)</u>	<u>(610,461)</u>
Promises to Give, Net	<u>\$ 14,422,975</u>	<u>\$ 15,644,574</u>
	<u>2022</u>	<u>2021</u>
Amounts due in:		
Less than one year	\$ 7,665,658	\$ 5,474,142
One to five years	5,291,977	8,510,942
Thereafter	<u>1,465,340</u>	<u>1,659,490</u>
Total	<u>\$ 14,422,975</u>	<u>\$ 15,644,574</u>

A significant portion of promises to give are concentrated among seven and five donors, making up 51% and 52% of the promises to give as of December 31, 2022 and 2021. All unconditional promises to give were deemed to be fully collectible as of December 31, 2022 and 2021.

3. Investments

Investments consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 7,266,254	\$ 5,538,023
Fixed-income investments	30,487,268	35,526,256
Equity investments	163,408,676	193,275,727
Hedge and private equity funds	<u>4,975,986</u>	<u>5,276,063</u>
Total Investments	<u>\$ 206,138,184</u>	<u>\$ 239,616,069</u>

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

3. Investments (continued)

The following summarizes investment return and its classification in the statement of activities, in accordance with the Association's endowment spending policy as disclosed in Note 12, for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Realized and unrealized (losses) gains	\$ (46,550,753)	\$ 18,976,444
Interest and dividends, net	<u>7,512,466</u>	<u>10,836,519</u>
Investment (Loss) Return	<u>\$ (39,038,287)</u>	<u>\$ 29,812,963</u>

Interest and dividend income is presented net of \$102,385 and \$102,227 of investment expenses for the years ended December 31, 2022 and 2021, respectively.

4. Property and Equipment and Accumulated Depreciation and Amortization

The Association's property and equipment consisted of the following as of December 31, 2022 and 2021:

	<u>Estimated Useful Lives</u>	<u>2022</u>	<u>2021</u>
Buildings	40 years	\$ 87,939,298	\$ 87,939,298
Building improvements	10-20 years	31,921,803	31,921,803
Exhibitions	2-10 years	7,476,413	5,695,091
Equipment and furniture	5-7 years	44,126,860	44,126,860
Computer software	3-4 years	2,156,541	2,156,541
Land		<u>637,798</u>	<u>637,798</u>
Total Property and Equipment		174,258,713	172,477,391
Less: Accumulated Depreciation and Amortization		<u>(99,122,853)</u>	<u>(94,497,188)</u>
Property and Equipment, Net		<u>\$ 75,135,860</u>	<u>\$ 77,980,203</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$4,625,665 and \$4,516,631, respectively.

Land held for sale of \$2,520,542, included in prepaid expenses and other assets on the statement of financial position as of December 31, 2021, is excluded from the table above. On June 25, 2021, the Association finalized the sale of the land to Fairfax County for \$2,600,000.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

NOTES TO FINANCIAL STATEMENTS

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(With Summarized Financial Information for the Year Ended December 31, 2021)

5. Historical Properties and Collections

The Association's collections consist of land, the mansion and related historic outbuildings, decorative arts collections, historic books and manuscripts, memorabilia, and support buildings that are held for the preservation and educational purposes of the Association. Each of the items is preserved and cared for, and assessments of their condition are performed continually. In accordance with the Association's policies various items held in the collections were deaccessioned and sold at auction during the years ended December 31, 2022, and 2021. All proceeds from the sale of deaccessioned collections items are recorded as with donor restriction and are expended to purchase new items or to conserve items in the collections.

6. Bonds and Mortgage Payable

In June 2007, the Fairfax County Economic Development Authority (FCEDA) issued \$15,000,000 in variable rate unsecured revenue bonds, expiring in June 2037, for the benefit of the Association. The bonds bear interest at a weekly variable rate. The net proceeds of the bonds are restricted for financing all or part of (i) refund of the FCEDA Series 1998 revenue bonds used for cost of construction, renovation, acquisition and capital improvements at Mount Vernon; \$2,143,956 of bonds payable that was outstanding as of December 31, 2006, and was repaid during this \$15,000,000 bond issuance; (ii) reimbursing the borrower for capital expenditures from September 1, 2006, through the date of issuance related to the construction, renovation, acquisition and capital improvement costs; (iii) financing new cost of construction and (iv) other associated expenditures to the extent that they can be refinanced, including costs of issuance and credit enhancements. To facilitate the issuance of the bonds, FCEDA entered into an agreement with U.S. Bank (Trustee) and Truist Bank (the credit facility), such that the bonds would be payable from an irrevocable direct-pay letter of credit, issued by Truist Bank. The letter of credit is guaranteed by the Association. At December 31, 2022 and 2021, the amount of the letter of credit was \$15,200,000. The letter of credit, among other provisions, requires the Association to meet certain financial ratio tests, restricts liens of any kind and the acquisition of additional loans, and expires in December 2029. The Association is in compliance with these financial covenants.

In connection with the bond issuance, the Association entered into a floating-to-fixed interest rate swap agreement with Truist Bank, providing for an interest rate no higher than 3.86% applied to a notional amount equal to \$15,000,000. The underlying rate is based upon 67% of monthly USD British Bankers' Association London Interbank Offered Rate. The swap was effective on July 1, 2007, and terminates July 1, 2037. The interest rate swap qualifies as a derivative financial instrument, and is used to mitigate the effect of interest rate fluctuations. The swap is reported at fair value on the statement of financial position as a liability in the amount of \$2,527,264 and \$6,017,911 as of December 31, 2022 and 2021, respectively. During the years ended December 31, 2022 and 2021, the Association recorded a noncash gain of \$3,490,647 and \$1,302,661, respectively, on the change in derivative valuation due to interest rate fluctuations.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

6. Bonds and Mortgage Payable (continued)

The outstanding bonds payable of \$15,000,000 as of December 31, 2022 and 2021, are due in one lump sum payment in June 2037. Interest expense for the Association for the years ended December 31, 2022 and 2021, was \$560,104 and \$580,929, respectively.

In January 2020, the Association acquired a \$1,875,000 mortgage in association with a purchase of land. In June 2021, the Association sold the land to Fairfax County and the mortgage was paid-off from the sales proceeds at the time of the sale. Interest expense was \$0 and \$23,610 for the years ended December 31, 2022 and 2021, respectively.

7. Gift Annuities

The Association has received a number of gift annuities from various donors over the years. Under the terms of annuity agreements, each donor will receive a fixed quarterly payment over the term of the donor's life. As of December 31, 2022 and 2021, the Association has recorded a liability totaling \$567,076 and \$770,109, respectively, which is equal to the present value of the future distributions payable to the various donors. This amount is included in other liabilities in the statements of financial position as of December 31, 2022 and 2021.

8. Pooled Income Fund

The Association is a trustee for the Pooled Income Fund (the Fund), a fund within the meaning of Section 642(c)(5) of the Internal Revenue Code (the IRC) of 1986. The Fund makes it possible for those interested in the advantages of life income gifts (charitable remainder trusts) to fund such gifts initially with \$10,000 or more and to make additions to such gifts in amounts of \$5,000 or more. The Fund provides a way for individuals to make gifts to the Association while allowing the donor, or designated beneficiary of the donor, to receive lifetime income earned on the donated funds. In the statements of financial position, the assets of the fund are included in split-interest agreements at their fair value and the liabilities are included in other liabilities at their net present value using discount rates between 2% and 2.2%. The net balance as of December 31, 2022 and 2021, was \$462,811 and 625,077, respectively.

9. Net Assets

Net Assets Without Donor Restrictions

As of December 31, 2022 and 2021, the Association's net assets without donor restrictions were composed of:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ 10,805,588	\$ 12,252,953
Investment in property and equipment and capital projects in process	<u>75,844,325</u>	<u>78,839,798</u>

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

9. Net Assets (continued)

Net Assets Without Donor Restrictions (continued)

	<u>2022</u>	<u>2021</u>
<i>(continued)</i>		
Board-designated:		
Quasi-endowment	\$ 45,740,119	\$ 47,871,701
Preservation	<u>2,487,087</u>	<u>1,898,904</u>
Board-Designated Subtotal	<u>48,227,206</u>	<u>49,770,605</u>
Total Net Assets Without Donor Restrictions	<u>\$134,877,119</u>	<u>\$140,863,356</u>

During 2022 and 2021, the Board approved net transfers from the Board quasi-endowment of \$1,384,586 and \$1,614,977, respectively, to support operations. Per board policy, realized undesignated bequests of \$809,304 and \$453,850, were transferred into the Board quasi-endowment in 2022 and 2021, respectively.

Net Assets With Donor Restrictions

As of December 31, 2022, net assets with donor restrictions were restricted for the following purposes or period:

	Restricted In Perpetuity Subject To Spending Policy	Subject To Purpose Restriction	Subject To Release For Specific Event	Subject To Time Restriction	Total
Education	\$ 105,241,119	\$ 15,657,876	\$ -	\$ -	\$ 120,898,995
Preservation	17,920,711	7,490,564	-	-	25,411,275
Operations	23,947,774	-	1,833,237	2,134,500	27,915,511
Capital projects	<u>-</u>	<u>1,002,472</u>	<u>-</u>	<u>-</u>	<u>1,002,472</u>
Total	<u>\$ 147,109,604</u>	<u>\$ 24,150,912</u>	<u>\$ 1,833,237</u>	<u>\$ 2,134,500</u>	<u>\$ 175,228,253</u>

As of December 31, 2021, net assets with donor restrictions were restricted for the following purposes or period:

	Restricted In Perpetuity Subject To Spending Policy	Subject To Purpose Restriction	Subject To Release For Specific Event	Subject To Time Restriction	Total
Education	\$ 130,642,130	\$ 6,077,662	\$ -	\$ -	\$ 136,719,792
Preservation	23,408,168	6,902,678	-	-	29,609,716

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

9. Net Assets (continued)

Net Assets With Donor Restrictions (continued)

	Restricted In Perpetuity Subject To Spending Policy	Subject To Purpose Restriction	Subject To Release For Specific Event	Subject To Time Restriction	Total
(continued)					
Operations	\$ 27,420,078	\$ -	\$ 1,995,502	\$ 3,517,600	\$ 32,933,180
Capital projects	-	1,387,171	-	-	1,387,171
Total	<u>\$ 181,470,376</u>	<u>\$ 14,367,511</u>	<u>\$ 1,995,502</u>	<u>\$ 3,517,600</u>	<u>\$ 201,350,989</u>

Education – The majority of these funds are donor-restricted funds solicited for the operation of the Fred W. Smith National Library for the Study of George Washington, the operation of the Ford Orientation Center and Donald W. Reynolds Museum and Education Center, the George Washington Teacher's Institute, the acquisition of historical books, and various education and leadership programs.

Preservation – These funds represent donations to support (1) various efforts related to preserving the mansion and adjoining structures and other historic buildings and areas; and (2) acquisition, conservation and preservation of decorative arts, artifacts, manuscripts and other collection items.

Operations – These funds are available to be spent toward the general operations of the Association.

Capital projects – These funds represent donations to support capital projects and significant repair work related to the mansion and other areas.

10. Availability of Resources and Liquidity

The Association regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Association's available financial assets as of December 31, 2022 and 2021 were:

<u>Available Financial Assets:</u>	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 28,956,789	\$ 26,226,517
Investments redeemable in one year	201,162,198	234,340,006
Accounts receivable	1,630,350	1,318,137
Pledges receivable	14,422,975	15,644,574
Split-interest agreements	<u>3,086,418</u>	<u>3,947,267</u>
Total Available Financial Assets	249,258,730	281,476,501

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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(With Summarized Financial Information for the Year Ended December 31, 2021)

10. Availability of Resources and Liquidity (continued)

	<u>2022</u>	<u>2021</u>
(continued)		
Less:		
Financial assets unavailable for general expenditure within one year:		
Financial assets with donor restrictions	\$(175,228,253)	\$(201,350,989)
Financial assets unavailable without Board approval	<u>(46,850,206)</u>	<u>(48,385,605)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 27,180,271</u>	<u>\$ 31,739,907</u>

The Association has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Association throughout the year. This is done through regular monitoring and reviewing the Association's cash flow needs. As a result, management is aware of the cyclical nature of the Association's cash flow related to the Association's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of the Association's liquidity plan, excess cash is invested in publicly traded investment vehicles, including mutual funds and equity securities, or available to support organizational initiatives. The Association can liquidate the majority of its investments anytime, and therefore those investments are available to meet current cash flow needs. Additionally, the Association has board-designated net assets that could be available for current operations with Board approval.

11. Concentration of Risk

Credit Risk

Financial instruments, which potentially subject the Association to a concentration of credit risk, consist principally of cash balances maintained at various creditworthy financial institutions. While the amount at a given financial institution at times exceeds the amount guaranteed by the Federal Deposit Insurance Corporation and, therefore, bears some risk, the Association has not experienced, nor does it anticipate, any losses on those funds. As of December 31, 2022 and 2021, the amount in excess of the insured limit of \$250,000 was approximately \$22,065,000 and \$16,116,000, respectively.

Financial Risk

The Association invests in a professionally managed investment portfolio that is exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

12. Endowment Funds

The Association's endowment consists of many individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

Interpretation of Relevant Law

The Virginia General Assembly issued the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA). Unless there are explicit donor instructions, this law gives the boards of nonprofit associations the flexibility to determine the appropriate use of endowment principal and related investment income.

Boards should consider the following factors in determining a prudent use of investment income and endowment principal:

- 1) The duration and preservation of the fund
- 2) The purpose of the Association and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Association
- 7) The investment policies of the Association.

The Board of the Association continually reviews its policies regarding the use of endowment principal and makes any necessary modifications to the investment policy statement.

Return Objectives and Spending Policy

The Association has adopted an investment policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to increase the long-term purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The current investment policy of the Association anticipates that its endowment funds' annual real total return (net of investment management fees) will be equal to or greater than the spending rate over the long term, with moderate return volatility. The Board annually reviews this policy, based on current market conditions and advice from its outside investment professionals, and makes any necessary changes.

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(With Summarized Financial Information for the Year Ended December 31, 2021)

12. Endowment Funds (continued)

Return Objectives and Spending Policy (continued)

The investment policy of the Association allows the Board to approve spending up to 5% of the spending base of each endowment annually. The spending base is equal to the average fair value of the 12 quarters ending on June 30. The Board-approved spending policy was 4% of its operating endowments for both of the years ended December 31, 2022 and 2021. The Board approves spending on program-restricted endowments as part of its annual budget approval process. The average approved spending on program-restricted endowments was 4% and 5% for the years ended December 31, 2022 and 2021.

In addition, the Board periodically approves the expenditure of additional board-designated funds for capital improvements, collection acquisitions or special projects.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association 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.

Changes in Endowment Net Assets

The changes in endowment net assets for the years ended December 31, 2022 and 2021, were:

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 49,770,605	\$181,470,376	\$ 231,240,981
Investment loss	(8,169,993)	(29,435,604)	(37,605,597)
Contributions and transfers	8,011,180	528,633	8,539,813
Appropriation of endowment assets for expenditure	<u>(1,384,586)</u>	<u>(5,453,801)</u>	<u>(6,838,387)</u>
Endowment Net Assets, End of Year	<u>\$ 48,227,206</u>	<u>\$147,109,604</u>	<u>\$ 195,336,810</u>
	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 43,876,008	\$163,740,872	\$ 207,616,880
Investment return	6,253,173	22,548,088	28,801,261

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

12. Endowment Funds (continued)

Changes in Endowment Net Assets (continued)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
(continued)			
Contributions and transfers	\$ 1,256,401	\$ 1,248,880	\$ 2,505,281
Appropriation of endowment assets for expenditure	<u>(1,614,977)</u>	<u>(6,067,464)</u>	<u>(7,682,441)</u>
Endowment Net Assets, End of Year	<u>\$ 49,770,605</u>	<u>\$181,470,376</u>	<u>\$ 231,240,981</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 require the Association to retain as a fund of perpetual duration. The Association has a policy that permits spending from underwater endowment funds. As of December 31, 2022, and 2021 the Association's underwater funds were:

	2022	2021
Original gift corpus	\$ 5,440,591	\$ 127,123
Fair value of endowment funds underwater	<u>(4,848,753)</u>	<u>(118,915)</u>
Underwater Deficiency	<u>\$ 591,838</u>	<u>\$ 8,208</u>

13. Fair Value Measurement

The tables below summarize, by level within the fair value hierarchy, the Association's assets and liabilities as of December 31, 2022 and 2021:

	2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
Investments:				
Cash equivalents	\$ 7,266,254	\$ 7,266,254	\$ -	\$ -
Fixed-income investments:				
Developed markets mutual funds	29,886,629	29,886,629	-	-

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

13. Fair Value Measurement (continued)

	2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(continued)</i>				
Assets measured at fair value:				
Investments:				
Fixed-income investments:				
Corporate bonds	\$ 570,286	\$ -	\$ 570,286	\$ -
State bonds	<u>30,353</u>	<u>-</u>	<u>30,353</u>	<u>-</u>
Total Fixed-Income Investments	<u>30,487,268</u>	<u>29,886,629</u>	<u>600,639</u>	<u>-</u>
Equity investments:				
Developed markets mutual funds	<u>163,408,676</u>	<u>163,408,676</u>	<u>-</u>	<u>-</u>
Total Investments in the Fair Value Hierarchy	201,162,198	<u>200,561,559</u>	<u>600,639</u>	<u>-</u>
Other investments measured at NAV ^(a)	<u>4,975,986</u>			
Total Investments	206,138,184	200,561,559	600,639	-
Other assets:				
Cash equivalents	13,198,180	13,198,180	-	-
Split-interest agreements	<u>3,086,418</u>	<u>488,890</u>	<u>-</u>	<u>2,597,528</u>
Total Assets	<u>\$ 222,422,782</u>	<u>\$ 214,248,629</u>	<u>\$ 600,639</u>	<u>\$ 2,597,528</u>
Liabilities measured at fair value:				
Interest rate swap agreement	\$ 2,527,264	\$ -	\$ 2,527,264	\$ -
Split-interest agreements	<u>593,155</u>	<u>-</u>	<u>593,155</u>	<u>-</u>
Total Liabilities	<u>\$ 3,120,419</u>	<u>\$ -</u>	<u>\$ 3,120,419</u>	<u>\$ -</u>

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

13. Fair Value Measurement (continued)

	2021			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
Investments:				
Cash equivalents	\$ 5,538,023	\$ 5,538,023	\$ -	\$ -
Fixed-income investments:				
Developed markets mutual funds	34,852,280	34,852,280	-	-
Corporate bonds	641,700	-	641,700	-
State bonds	32,276	-	32,276	-
Total Fixed-Income Investments	35,526,256	34,852,280	673,976	-
Equity investments:				
Developed markets mutual funds	193,275,727	193,275,727	-	-
Total Investments in the Fair Value Hierarchy	234,340,006	233,666,030	673,976	-
Other investments measured at NAV ^(a)	5,276,063			
Total Investments	239,616,069	233,666,030	673,976	-
Other assets:				
Cash equivalents	14,453,499	14,453,499	-	-
Split-interest agreements	3,947,267	651,155	-	3,296,112
Total Assets	\$ 258,016,835	\$ 248,770,684	\$ 673,976	\$ 3,296,112
Liabilities measured at fair value:				
Interest rate swap agreement	\$ 6,017,911	\$ -	\$ 6,017,911	\$ -
Split-interest agreements	796,188	-	796,188	-
Total Liabilities	\$ 6,814,099	\$ -	\$ 6,814,099	\$ -

(a) These investments are measured at NAV or its equivalent as a practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The level 3 assets are comprised of interests in two perpetual trusts that had unrealized (losses) gain of (\$698,584) and \$287,967 during the years ended December 31, 2022 and 2021. During the year ended December 31, 2021, the Association received additions of \$701,130.

MOUNT VERNON LADIES' ASSOCIATION OF THE UNION

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For the Year Ended December 31, 2022

(With Summarized Financial Information for the Year Ended December 31, 2021)

13. Fair Value Measurement (continued)

Quantitative information as of December 31, 2022 and 2021, with respect to assets and liabilities measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

	<u>Fair Value 2022</u>	<u>Fair Value 2021</u>	<u>Principle Valuation Techniques</u>	<u>Unobservable Inputs</u>
Perpetual trust	\$ 2,597,528	\$ 3,296,112	Market Approach	Percentage Interest; Fair Value of Trust

The following table discloses information concerning the fair value measurement of investments calculated using NAV per share as of December 31, 2022:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private equity funds ^(a)	\$ 4,975,986	\$ 977,064	N/A	N/A

The following table discloses information concerning the fair value measurement of investments calculated using NAV per share as of December 31, 2021:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Redemption Notice Period</u>
Private equity funds ^(a)	\$ 5,276,063	\$ 949,787	N/A	N/A

^(a) *Private equity funds* – This category includes investments in private equity funds. The fair values of the investments in this category have been estimated using the NAV per share of the investments. Investments in this category are not subject to redemption. The fund values are reduced through distributions that are received from liquidation of the underlying assets. As of December 31, 2022, it was estimated that the underlying assets of these funds will be liquidated over a period of 12 years.

On a recurring basis, the Association measures its interest rate swap at its estimated fair value. In determining the fair value of the interest rate swap derivative, the present value of expected cash flows is utilized, since the market observable interest rate yield curve is adjusted to appropriately reflect both its own nonperformance risk and that of the respective counterparty in

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For the Year Ended December 31, 2022

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13. Fair Value Measurement (continued)

the fair value measurement. The credit valuation adjustments utilize Level 3 inputs, such as estimates of current credit spreads, to evaluate the likelihood of default by either the respective counterparty or the Association. However, it was determined that as of December 31, 2022, the impact of the credit valuation adjustments was not significant to the overall valuation of the swap. As a result, the fair value of the swap is considered to be based primarily on Level 2 inputs. See Note 6 for additional information regarding the swap.

14. Retirement Plans

The Association sponsors a 403(b) plan (the Plan) for all employees that allows employees to defer compensation up to the limits of the Internal Revenue Service as of their date of hire. For employees who are 18 years old or older and have worked at least six months, the Association makes discretionary matching contributions of 50% of the participant contribution up to a maximum of 2% of a participant's eligible compensation. For those participants who have worked at least 1,000 hours during the plan year and are employed with the Association at the end of the year, the Association makes discretionary contributions up to a percentage of employees' eligible compensation. Participants are immediately vested in their own contributions. Participants vest in employer contributions at a rate of 20% per year and are 100% vested after five years of credited service. The Association made matching contributions to the 403(b) plan in the amount of \$324,511 and \$283,500 during the years ended December 31, 2022 and 2021, respectively. For the 2022 and 2021 plan years, the Association recorded a 6% discretionary contribution of \$991,607 and \$860,000 which are included in accounts payable and accrued expenses in the statements of financial position at December 31, 2022 and 2021.

15. Allocation of Joint Costs for Direct Mail

The Association conducts education program activities that include appeals for contributions, primarily direct mail campaigns, which qualify for allocation among the functions benefited. In 2022 and 2021 the Association incurred \$2,025,930 and \$1,572,039, respectively, of joint costs for these activities. Of these costs, \$1,054,880 and \$769,241 were allocated to the education program, \$27,357 and \$21,693 were allocated to management and general and administrative, and \$943,693 and \$781,105 were allocated to fundraising in 2022 and 2021, respectively.

16. Income Taxes

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the IRC and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes was required for the years ended December 31, 2022 and 2021, as the Association had no net unrelated business income.

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16. Income Taxes (continued)

The Association evaluated its uncertainty in income taxes for the years ended December 31, 2022 and 2021, and determined that there are no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2022, the statute of limitations remained open with the U.S. federal jurisdiction and/or the various states and local jurisdictions in which the Association files tax returns; however, there are currently no audits for any tax periods pending or in progress. It is the Association's policy to recognize interest and penalties related to uncertainty in income taxes, if any, in interest or income tax expense. As of December 31, 2022 and 2021, the Association had no accruals for interest and/or penalties.

17. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

18. Contingencies, Risks and Uncertainty

Litigation

In the ordinary course of business, the Association is involved in lawsuits, claims, and assessments. In the opinion of management, no loss contingencies are required to be recorded in the accompanying financial statements.

19. Reclassifications

Certain 2021 amounts have been reclassified to conform to the 2022 financial statement presentation.

20. Subsequent Events

The Association's management has evaluated subsequent events through July 13, 2023, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these financial statements.