

ARKANSAS NATIONAL GUARD FOUNDATION, INC.

Financial Statements

Year Ended June 30, 2022

**With Summarized Financial Information
For Year Ended June 30, 2021**



PriddyHolifieldAbles^{PA}
CPAs & Advisors

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Independent Auditors' Report

Board of Directors
Arkansas National Guard Foundation, Inc.
North Little Rock, Arkansas

Opinion

We have audited the accompanying financial statements of Arkansas National Guard Foundation, Inc. ("ANGF"), which comprise the statement of financial position as of June 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of ANGF as of June 30, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ANGF 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 ANGF's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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 ANGF'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 ANGF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited ANGF's June 30, 2021, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Priddy Holifield Ables, PA

North Little Rock, Arkansas

August 17, 2022

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets:		
Cash	\$ 127,560	\$ 10,039
Prepaid Expenses	10,539	-
Total Current Assets	138,099	10,039
Investments – Endowment Assets	1,306,497	1,541,510
Total Assets	\$ 1,444,596	\$ 1,551,549
Liabilities and Net Assets		
Current Liabilities:		
Scholarships Payable	\$ 42,000	\$ 39,000
Due to Others	3,844	3,226
Other Payables	300	900
Total Current and Total Liabilities	46,144	43,126
Net Assets:		
Without Donor Restriction	91,317	374,871
With Donor Restriction	1,307,135	1,133,552
Total Net Assets	1,398,452	1,508,423
Total Liabilities and Net Assets	\$ 1,444,596	\$ 1,551,549

See Accompanying Notes

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
Statement of Activities
Year Ended June 30, 2022, With Summarized Financial Information
For the Year Ended June 30, 2021

	Year Ended June 30, 2022			Year Ended June 30, 2021
	Without Donor Restriction	With Donor Restriction	Total	Summarized Total
Revenues, Gains, and Other Support:				
Contributions	\$ 17,941	\$ 43,591	\$ 61,532	\$ 546
Grant	-	100,000	100,000	-
Investment Return	-	(214,144)	(214,144)	331,019
Interest and Dividend Income	38	87,131	87,169	56,486
Miscellaneous	-	750	750	2,250
Net Assets Released from Restriction:				
Satisfaction of Donor Restriction	109,447	(109,447)	-	-
Total Revenue, Gains, and Other Support	127,426	(92,119)	35,307	390,301
Expenses:				
Program Services:				
Scholarships	38,328	-	38,328	37,638
Charitable Contributions	36,625	-	36,625	2,011
Fundraising	63,135	-	63,135	-
Support Services	7,190	-	7,190	6,937
Total Expenses	145,278	-	145,278	46,586
Change in Net Assets	(17,852)	(92,119)	(109,971)	343,715
Interfund Transfers	(265,702)	265,702	-	-
Net Assets, Beginning of Year	374,871	1,133,552	1,508,423	1,164,708
End of Year	\$ 91,317	\$ 1,307,135	\$ 1,398,452	\$ 1,508,423

See Accompanying Notes

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
Statements of Functional Expenses
Years Ended June 30, 2022 and 2021

June 30, 2022	Program Services			Fundraising	Support Services	Total Expenses
	Scholarships	Charitable Support	Total			
Direct Activities	\$ 37,500	\$ -	\$ 37,500	\$ -	\$ -	\$ 37,500
Contributions	-	35,400	35,400	-	-	35,400
Office Expense	41	61	102	20	81	203
Printing	-	-	-	2,800	-	2,800
Administrative Fees	-	-	-	-	1,000	1,000
Insurance	157	219	376	-	250	626
Management Fees	630	945	1,575	315	1,259	3,149
Professional Fees	-	-	-	60,000	4,600	64,600
Total Expenses	\$ 38,328	\$ 36,625	\$ 74,953	\$ 63,135	\$ 7,190	\$ 145,278

June 30, 2021	Program Services			Support Services	Total Expenses
	Scholarships	Charitable Support	Total		
Direct Activities	\$ 37,500	\$ -	\$ 37,500	\$ -	\$ 37,500
Contributions	-	1,873	1,873	-	1,873
Office Expense	108	108	216	869	1,085
Administrative Fees	-	-	-	1,000	1,000
Insurance	30	30	60	243	303
Professional Fees	-	-	-	4,825	4,825
Total Expenses	\$ 37,638	\$ 2,011	\$ 39,649	\$ 6,937	\$ 46,586

See Accompanying Notes

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (109,971)	\$ 343,715
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Investment Depreciation/(Appreciation)	214,144	(331,019)
Increase in Prepaid Expenses	(10,539)	-
Increase in Contributions Payable	3,000	-
Decrease in Due to NGAA	(600)	(5,314)
Increase in Due to Others	618	3,226
Net Cash Provided by/(Used in) Operating Activities	96,652	10,608
Cash Flows from Investing Activities:		
Purchases of Investments – Endowment Assets	(389,291)	(435,996)
Proceeds From Sale of Investments – Endowment Assets	410,160	429,710
Net Cash Provided by/(Used in) Investing Activities	20,869	(6,286)
Net Increase/(Decrease) in Cash, Cash Equivalents, and Restricted Cash	117,521	4,322
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	10,039	5,717
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 127,560	\$ 10,039

See Accompanying Notes

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
Notes to the Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Nature of Organization

The Arkansas National Guard Foundation, Inc. (“the Foundation”) was established in 2013 by the National Guard Association of Arkansas (“NGAA”) and the Enlisted Association of the Arkansas National Guard (“EAANG”) for the purpose of meeting the charitable objectives of each entity, including a scholarship program for members of NGAA and EAANG or their dependents.

The Foundation maintains a separate board of directors consisting of members of the board of directors of NGAA and EAANG, and operates separately from either association; however, NGAA approves a majority of the members of the Foundation’s board of directors and the Executive Director and President of NGAA are, by definition, members of the Foundation’s board. As it is possible for NGAA to exercise management control over the Foundation, it is possible that the net assets or financial position of the Foundation could be significantly different than those if it were autonomous.

The Foundation has no restriction as to its beneficiaries and may choose to provide support to either or both NGAA and EAANG or to any other entity to fulfill its charitable purposes.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (“GAAP”). The Foundation follows the recommendations of the Financial Accounting Standards Board (“FASB”) in the Not-For-Profit Entities Topic of the Accounting Standards Codification (“ASC”). Under these recommendations, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets with donor restriction – net assets that are subject to donor stipulations that will be met by actions of the Foundation and/or passage of time.

Net assets without donor restriction – net assets not subject to donor-imposed stipulations.

The 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 ANGF’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Changes in Accounting Principles

During the year ended June 30, 2022, the Foundation adopted Accounting Standards Update Number (“ASU”) 2020-07, Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The key provision in this ASU provides granularity around contributions. Contributions must be presented as contributions of cash and other financial assets and nonfinancial assets for goods and services received.

The Foundation adopted the ASU as of July 1, 2021, utilizing the modified retrospective approach. Analysis of various provisions of this ASU resulted in no significant change in the way the Foundation recognizes nonfinancial contributions; therefore, no changes were made to previously issued audited financial statements.

Cash and Cash Equivalents

The Foundation’s cash consists of cash on deposit with regional banks. Cash equivalents represent money market funds or short-term investments with a remaining maturity of three months or less when purchased, unless included in the Endowment Assets.

Investments – Endowment Assets

Investments are in marketable securities, mutual funds, and fixed income securities and are reported at fair value with unrealized and realized gains and losses reported in the Statement of Activities. Donated investments are recorded at fair value at the date of donation and are thereafter carried in conformity with the stated policy. Investment return is reported net of external expenses.

Revenue Recognition

Contributions are recognized as revenue when they are received. Contributions are reported as increases in net assets without donor-imposed restriction unless use of the related assets is limited by the donor. When a donor stipulation expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported as assets released from restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are reported as revenues without donor restriction.

Functional Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management’s estimate of the programs and supporting services benefited.

Income Tax Status

The Foundation is a not-for-profit corporation chartered in Arkansas that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has been classified as an entity that is a private foundation and qualifies for deductible contributions.

In accordance with the Accounting for Income Taxes Topic of the ASC, the Foundation would recognize, if any, accrued interest and penalties associated with the uncertain tax positions as an income tax provision. The past three years of tax returns, along with the current year tax return, are subject to potential examination by taxing authorities.

Use of Estimates

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

2. Concentrations

Cash accounts, not held as endowment assets, are insured by the Federal Deposit Insurance Company up to \$250,000 at June 30, 2022, and June 30, 2021.

3. Investments – Endowment Assets

ANGF accounts for endowments using the applicable topics of ASC as well as UPMIFA.

As of June 30, 2022 and 2021, ANGF has an endowment account which is donor restricted. As required by ASC, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. ANGF has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, donor restricted net assets are comprised of (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The amount of net assets with donor restriction in the donor restricted endowment fund is reduced when the governing body appropriates for expenditure funds from the endowment fund. Upon appropriation for expenditure, the restriction expires to the extent a request is made and the purpose for the funds is met. At that time, the appropriated amount is reclassified from net assets with donor restriction to net assets without donor restriction. However, the appropriated assets will remain in donor restriction until requested for an approved purpose.

ANGF's Board of Directors manages the endowment, creates and approves investment guidelines, monitors investment decisions, and defines the spending rates that provides for the appropriation of the funds.

In accordance with UPMIFA, ANGF considers the following factors in deciding to appropriate or accumulate the donor-restricted endowment fund:

- a) The duration and preservation of the fund;
- b) The purposes of the Foundation and the donor-restricted endowment fund;
- c) General economic conditions;
- d) The possible effect of inflation and deflation;
- e) The expected total return from income and the appreciation of investments;

- f) Other resources of the Foundation; and
- g) The investment and spending policies of the Foundation.

Endowment fund composition as of June 30 was as follows:

	Board Designated Endowment	Donor Restricted Endowment	Total
<u>2022</u>			
Without Donor Restriction	\$ 99,362	\$ -	\$ 99,362
With Donor Restriction	<u>75,597</u>	<u>1,131,538</u>	<u>1,207,135</u>
Investment - Endowment Assets	<u>\$ 174,959</u>	<u>\$1,131,538</u>	<u>\$1,306,497</u>
<u>2021</u>			
Without Donor Restriction	\$ 404,512	\$ 3,446	\$ 407,958
With Donor Restriction	<u>68,552</u>	<u>1,065,000</u>	<u>1,133,552</u>
Investment - Endowment Assets	<u>\$ 473,064</u>	<u>\$1,068,446</u>	<u>\$1,541,510</u>

As of June 30, 2022, there was a \$114,452 fund deficiency due to unfavorable market fluctuations in the second half of the Foundation's fiscal year. For June 30, 2022, the endowment assets with donor restriction will be reported at their required original restricted amount and the \$114,452 deficiency will be reported in endowment assets without donor restriction. There was no fund deficiency as of June 30, 2021.

To satisfy its long-term rate-of-return objectives, ANGF 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). ANGF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints. The spending rate is set annually by the Board using the average market value of the endowment assets based on the market value as of the three preceding fiscal year-ends. This policy can be revised at the discretion of the board of directors. For the year ended June 30, 2022, the Board approved a tiered spend plan where the Diamond Fund received 6.75%; NGAA, EAANG, and the Museum each received 5.5%; and allocation for scholarships doubled to \$75,000, making available appropriations of \$83,562. For the year ended June 30, 2021, the Board approved a spend plan of 4.34% making \$50,548 available for appropriation.

Changes in endowment assets for the years ended June 30 were as follows:

	Board Designated Endowment	Donor Restricted Endowment	Total
Endowment Assets:			
Year Ended June 30, 2022:			
Beginning of Year	\$ 473,064	\$ 1,068,446	\$ 1,541,510
Contributions	-	-	-
Withdrawals	(108,000)	-	(108,000)
Assets Transferred			
by Board Designation	(265,702)	265,702	-
Investment Return:			
Interest and Dividends	-	87,131	87,131
Net Depreciation (Realized and Unrealized)	-	(214,144)	(214,144)
End of Year	<u>\$ 99,362</u>	<u>\$ 1,207,135</u>	<u>\$ 1,306,497</u>
Year Ended June 30, 2021:			
Beginning of Year	\$ 135,759	\$ 1,068,446	\$ 1,204,205
Contributions	-	-	-
Withdrawals	(50,187)	-	(50,187)
Assets Transferred			
by Board Designation	387,492	(387,492)	-
Investment Return:			
Interest and Dividends	-	56,473	56,473
Net Appreciation (Realized and Unrealized)	-	331,019	331,019
End of Year	<u>\$ 473,064</u>	<u>\$ 1,068,446</u>	<u>\$ 1,541,510</u>

4. Fair Value Measurements

Accounting standards define fair value as 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. They also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Following are the three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or other inputs that are observable or can be

corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2022 and 2021, there were no such transfers.

The following table represents the Foundation’s fair value hierarchy for its assets and liabilities measured at fair value on a recurring basis as of June 30:

	2022			
	Fair Value	Level 1	Level 2	Level 3
Endowment Assets:				
Cash and Cash Alternatives	\$ 99,491	\$ 99,491	\$ -	\$ -
Fixed Income	188,377	-	188,377	-
Exchange-Traded Products	191,065	191,065	-	-
Equities	827,564	827,564	-	-
	<u>\$1,306,497</u>	<u>\$1,118,120</u>	<u>\$ 188,377</u>	<u>\$ -</u>
	2021			
	Fair Value	Level 1	Level 2	Level 3
Endowment Assets:				
Cash and Cash Alternatives	\$ 22,425	\$ 22,425	\$ -	\$ -
Fixed Income	106,628	-	106,628	-
Exchange-Traded Products	308,112	308,112	-	-
Equities	1,104,345	1,104,345	-	-
	<u>\$1,541,510</u>	<u>\$1,434,882</u>	<u>\$ 106,628</u>	<u>\$ -</u>

5. Donor Restricted Net Assets

Donor restricted net assets at June 30 are available to ANGF for the following purposes:

	2022	2021
Scholarships	\$ 69,467	\$ 31,217
National Guard Association of Arkansas Education	40,827	37,335
Arkansas National Guard Museum Fund	90,711	65,000
Military Family Relief Fund	100,000	-
Survivor Outreach Services	6,130	-
Diamond Fund	1,000,000	1,000,000
Total Net Assets with Donor Restriction	<u>\$ 1,307,135</u>	<u>\$ 1,133,552</u>

At June 30, 2022 and 2021, income earned from the endowment fund is available to support any of ANGF's charitable purposes. Restricted cash for the year ended June 30, 2022, was \$100,000 held in a regional bank. There were no restricted cash within the endowment fund for the years ended June 30, 2022 and 2021.

6. Related Party Transactions

ANGF pays NGAA an administrative fee of \$250 per quarter totaling \$1,000 for the year ended June 30, 2022.

7. Liquidity Management

Financial Assets, at Year end	\$ 1,444,596
Less Restricted Funds	<u>(1,307,135)</u>
Financial Assets Available to Meet Cash Needs for	
General Expenditures Within One Year	<u>\$ 137,461</u>

ANGF is substantially supported by the return on its endowment fund. As part of ANGF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Except for the Military Family Relief Fund held in a regional bank, the restricted funds above are maintained within the endowment fund and are fully funded through mutual funds and investments managed by the Foundation's investment advisor. In addition, ANGF can draw upon its funds within the endowment fund that are not restricted to meet its liquidity needs.

8. Subsequent Events

Management of ANGF has evaluated subsequent events through August 17, 2022, the date these financial statements were available to be issued.