

ARKANSAS NATIONAL GUARD FOUNDATION, INC.

Financial Statements

Year Ended June 30, 2021

**With Summarized Financial Information
For Year Ended June 30, 2020**



PriddyHolfieldAbles^{PA}
CPAs & Advisors

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INDEPENDENT AUDITORS' REPORT

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

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, 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.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ANGF as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited ANGF's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 5, 2021

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets		
Cash	\$ 10,039	\$ 5,717
Total Current Assets	10,039	5,717
Investments – Endowment Assets	1,541,510	1,204,205
Total Assets	\$ 1,551,549	\$ 1,209,922
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Scholarships Payable	\$ 39,000	\$ 39,000
Due to Others	3,226	-
Other Payables	900	6,214
Total Current and Total Liabilities	43,126	45,214
Net Assets:		
Without Donor Restriction	374,871	33,406
With Donor Restriction	1,133,552	1,131,302
Total Net Assets	1,508,423	1,164,708
Total Liabilities and Net Assets	\$ 1,551,549	\$ 1,209,922

See Accompanying Notes

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021, WITH SUMMARIZED
FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

	Year Ended June 30, 2021			Year Ended
	Without Donor Restriction	With Donor Restriction	Total	June 30, 2020 Summarized Total
Revenues, Gains, and Other Support:				
Contributions	\$ 546	\$ -	\$ 546	\$ 3,262
Investment Return	-	331,019	331,019	(138,156)
Interest and Dividend Income	13	56,473	56,486	35,691
Miscellaneous	-	2,250	2,250	-
Net Assets Released from Restriction:				
Satisfaction of Donor Restriction	<u>387,492</u>	<u>(387,492)</u>	<u>-</u>	<u>-</u>
Total Revenue, Gains, and Other Support	<u>388,051</u>	<u>2,250</u>	<u>390,301</u>	<u>(99,203)</u>
Expenses:				
Program Services:				
Scholarships	37,638	-	37,638	37,580
Charitable Contributions	2,011	-	2,011	9,608
Support Services	<u>6,937</u>	<u>-</u>	<u>6,937</u>	<u>10,426</u>
Total Expenses	<u>46,586</u>	<u>-</u>	<u>46,586</u>	<u>57,614</u>
Change in Net Assets	341,465	2,250	343,715	(156,817)
Net Assets:				
Beginning of Year	<u>33,406</u>	<u>1,131,302</u>	<u>1,164,708</u>	<u>1,321,525</u>
End of Year	<u>\$ 374,871</u>	<u>\$ 1,133,552</u>	<u>\$ 1,508,423</u>	<u>\$ 1,164,708</u>

See Accompanying Notes

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

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 Fee	-	-	-	1,000	1,000
Insurance	30	30	60	243	303
Professional Fees	-	-	-	4,825	4,825
Total Expenses	<u>\$ 37,638</u>	<u>\$ 2,011</u>	<u>\$ 39,649</u>	<u>\$ 6,937</u>	<u>\$ 46,586</u>

June 30, 2020	Program Services			Support Services	Total Expenses
	Scholarships	Charitable Support	Total		
Direct Activities	\$ 37,500	\$ -	\$ 37,500	\$ -	\$ 37,500
Contributions	-	9,528	9,528	-	9,528
Office Expense	16	16	32	123	155
Administrative Fee	-	-	-	1,365	1,365
Insurance	64	64	128	512	640
Professional Fees	-	-	-	8,426	8,426
Total Expenses	<u>\$ 37,580</u>	<u>\$ 9,608</u>	<u>\$ 47,188</u>	<u>\$ 10,426</u>	<u>\$ 57,614</u>

See Accompanying Notes

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 343,715	\$ (156,817)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Investment (Appreciation)/Depreciation	(331,019)	138,156
Increase in Contributions Payable	-	1,500
Decrease in Due to NGAA	(5,314)	-
Increase in Due to Others	3,226	-
Increase in Other Payable	-	5,814
Net Cash Provided by/(Used in) Operating Activities	10,608	(11,347)
Cash Flows from Investing Activities		
Purchases of Investments – Endowment Assets	(435,996)	(31,754)
Proceeds From Sale of Investments – Endowment Assets	429,710	-
Net Cash Used in Investing Activities	(6,286)	(31,754)
Net Increase/(Decrease) in Cash and Cash Equivalents	4,322	(43,101)
Cash and Cash Equivalents, Beginning of Year	5,717	48,818
Cash and Cash Equivalents, End of Year	\$ 10,039	\$ 5,717

See Accompanying Notes

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Arkansas National Guard Foundation, Inc. (“ANGF”) was established in 2014 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.

ANGF 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 ANGF’s board of directors and the Executive Director and President of NGAA are, by definition, members of ANGF’s board. As it is possible for NGAA to exercise management control over ANGF, it is possible that the net assets or financial position of ANGF could be significantly different than those if it were autonomous.

ANGF 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.

As of April 1, 2014, two trusts of NGAA, which were terminated, gifted their assets to ANGF. Assets totaling \$1,000,000 were gifted for the purpose of creating an endowment to provide a permanent source of earnings for ANGF to use for any of its charitable purposes.

Financial Statement Presentation

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 generally accepted accounting principles of the United States. Accordingly, such information should be read in conjunction with ANGF’s financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, ANGF considers all short-term investments with a remaining maturity of three months or less when purchased to be cash equivalents, unless included in the Endowment Assets. Cash equivalents within the Endowment fund were deemed to be unrestricted for the years ended June 30, 2021 and 2020.

Investments – Endowment Assets

Investments are carried at fair value determined by quoted prices, as available. Donated investments are initially valued at the fair value at time of donation. Investment return includes dividends, interest, and realized and unrealized gains and losses.

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Investments – Endowment Assets, Continued

Investment income and appreciation from donor restricted net assets is generally reported as restricted until these funds are appropriated for expenditure, generally when approved for spending. Investment income and appreciation from donor-restricted endowment funds, whose fair value has fallen below the fair value of the original gift, are reported as unrestricted until such deficiency is eliminated.

Net Assets and Contribution Revenue

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Foundation reports contributions of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Income Taxes

ANGF is exempt from income taxes under Internal Revenue Code (“IRC”) Section 501(c)(3) and a similar state statute and is not subject to tax at the entity level for Federal and state income tax purposes. Therefore, no provision or liability for income taxes is reflected in the accompanying financial statements. In addition, the Organization has not been classified as a private foundation within the meaning of section 509(a) of the IRC.

ANGF discloses uncertain tax positions in accordance with the provisions of FASB Codification Topic *Income Taxes* for accounting for uncertain tax provisions. FASB Codification Topic *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the organization to disclose the impact of a tax position taken or expected to be taken on a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the organization and determined that no positions exist that require disclosure under the provisions of FASB Codification Topic *Income Taxes*. The organization files informational *Return of Organization Exempt from Income Tax* (“Form 990”) in the U.S. Federal jurisdiction.

Spending Policy

ANGF’s spending is governed by the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which was approved by the Uniform Laws Commission to serve as a guideline for states to use in enacting legislation. The State of Arkansas has enacted UPMIFA, which requires nonprofit entities with donor restricted endowed funds to follow certain standards when making investment and spending policy decisions.

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Fair Value Measurement of Financial Instruments

Authoritative accounting literature establishes a framework for using fair value to measure assets and liabilities. Fair value is defined 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, including the assumptions about the risk inherent in a particular valuation technique.

The following methods and assumptions were used by ANGF in estimating its fair value disclosures for financial instruments:

Cash, Scholarships, and Other Payables: For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Investments – Endowment Assets: Fair values for investments are market prices as provided by recognized broker dealers. If a quoted market value is not available, fair value is estimated using quoted market prices of comparable instruments. For investment securities traded in a market that is not active, fair value is determined using unobserved inputs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States 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, 2021, and June 30, 2020.

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

3. INVESTMENTS – ENDOWMENT ASSETS

ANGF accounts for endowments using the applicable topics of the Financial Accounting Standards Codification (“Codification”) as well as UPMIFA.

As of June 30, 2021 and 2020, ANGF has an endowment account which is donor restricted. As required by the standards in the Codification, 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 making a determination to appropriate or accumulate the donor-restricted endowment fund:

- a) The duration and preservation of the fund;
- b) The purposes of the organization 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 organization; and
- g) The investment and spending policies of the organization.

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

3. INVESTMENTS – ENDOWMENT ASSETS, CONTINUED

Endowment fund composition as of June 30 were as follows:

	<u>Board Designated Endowment</u>	<u>Donor Restricted Endowment</u>	<u>Total</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>
<u>2020</u>			
Without Donor Restriction	\$ 69,457	\$ 3,446	\$ 72,903
With Donor Restriction	<u>66,302</u>	<u>1,065,000</u>	<u>1,131,302</u>
Investment - Endowment Assets	<u>\$ 135,759</u>	<u>\$1,068,446</u>	<u>\$1,204,205</u>

From time to time, should the fair value of assets associated with individual donor restricted endowment funds fall below the level that the donor or UPMIFA requires ANGF to retain as a fund of perpetual duration, the deficiencies will be reported in net assets without donor restriction. There was no deficiency as of June 30, 2021; however, there was a \$25,188 deficiency as of June 30, 2020.

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, 2021 and 2020, the Board approved a 4.34% and 5% spend rate making available for appropriation \$50,548 and \$52,861, respectively.

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

3. INVESTMENTS – ENDOWMENT ASSETS, CONTINUED

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, 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)	<u>-</u>	<u>331,019</u>	<u>331,019</u>
End of Year	<u>\$ 473,064</u>	<u>\$ 1,068,446</u>	<u>\$ 1,541,510</u>
Year Ended June 30, 2020:			
Beginning of Year	\$ 114,545	\$ 1,196,062	\$ 1,310,607
Contributions	-	-	-
Withdrawals	(3,826)	-	(3,826)
Assets Transferred by Board Designation	50,228	(50,228)	-
Investment Return:			
Interest and Dividends	-	35,580	35,580
Net Depreciation (Realized and Unrealized)	<u>(25,188)</u>	<u>(112,968)</u>	<u>(138,156)</u>
End of Year	<u>\$ 135,759</u>	<u>\$ 1,068,446</u>	<u>\$ 1,204,205</u>

4. FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Generally accepted accounting principles 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.

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. FAIR VALUE MEASUREMENTS, CONTINUED

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ANGF can access.

Level 2 – Inputs to the valuation methodologies include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the assets or liabilities; and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobserved inputs.

Investments measured at fair value on a recurring basis at June 30, 2021, were as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Assets:				
Cash and Cash Alternatives	\$ 22,425	\$ 22,425	\$ -	\$ -
Fixed Income	106,628	106,628	-	-
Exchange-Traded Products	308,112	308,112	-	-
Equities	<u>1,104,345</u>	<u>1,104,345</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$1,541,510</u>	 <u>\$1,541,510</u>	 <u>\$ -</u>	 <u>\$ -</u>

Investments measured at fair value on a recurring basis at June 30, 2020, were as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Endowment Assets:				
Cash and Cash Alternatives	\$ 192,044	\$ 192,044	\$ -	\$ -
Fixed Income	261,727	261,727	-	-
Exchange-Traded Products	314,262	314,262	-	-
Equities	<u>436,172</u>	<u>436,172</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$1,204,205</u>	 <u>\$1,204,205</u>	 <u>\$ -</u>	 <u>\$ -</u>

ARKANSAS NATIONAL GUARD FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

5. DONOR RESTRICTED NET ASSETS

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

	2021	2020
Scholarships	\$ 31,217	\$ 28,967
National Guard Association of Arkansas Education	37,335	37,335
Arkansas National Guard Museum Fund	65,000	65,000
Diamond Fund	1,000,000	1,000,000
	\$ 1,133,552	\$ 1,131,302

At June 30, 2021 and 2020, income earned from the endowment fund is available to support any of ANGF's charitable purposes.

6. RELATED PARTY TRANSACTIONS

ANGF pays NGAA an administrative fee of \$250 per quarter. ANGF also made a charitable contribution to NGAA in the amount of \$5,814 during the year ended June 30, 2020. Outstanding fees and contributions to NGAA are reported in other payables, which were \$750 and \$6,064 at June 30, 2021 and 2020, respectively.

7. LIQUIDITY MANAGEMENT

Financial Assets, at Year end	\$ 1,551,549
Less Restricted Funds	(1,133,552)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 417,997

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. The restricted funds above are maintained within the endowment fund and are fully funded through money market and mutual funds that are managed by an 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 5, 2021, the date these financial statements were available to be issued.