



CONSOLIDATED FINANCIAL STATEMENTS
WITH CONSOLIDATING INFORMATION

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Society of American Military Engineers
Alexandria, Virginia

Opinion

We have audited the accompanying financial statements of Society of American Military Engineers, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Society of American Military Engineers as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Society of American Military Engineers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Society of American Military Engineers' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Society of American Military Engineers' 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 Society of American Military Engineers' 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Wegner CPAs, LLP
Alexandria, Virginia
May 2, 2024

SOCIETY OF AMERICAN MILITARY ENGINEERS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	2023	2022
ASSETS		
Cash	\$ 2,300,407	\$ 1,596,082
Accounts receivable, net	124,237	129,585
Unconditional promises to give	-	57,895
Investments	10,004,655	8,906,025
Investments held for posts	2,567,854	1,988,524
Prepaid expenses	428,733	283,586
Property and equipment, net	1,373,868	1,502,053
Operating lease right-of-use assets	1,290,499	1,358,859
Total assets	\$ 18,090,253	\$ 15,822,609
LIABILITIES		
Accounts payable and accrued expenses	\$ 470,270	\$ 610,864
Accrued payroll liabilities	137,051	130,177
Deferred revenue	1,646,759	1,000,298
Funds held for posts	2,567,854	1,988,524
Operating lease liabilities	1,941,964	2,040,342
Total liabilities	6,763,898	5,770,205
NET ASSETS		
Without donor restrictions	10,915,439	9,699,786
With donor restrictions	410,916	352,618
Total net assets	11,326,355	10,052,404
Total liabilities and net assets	\$ 18,090,253	\$ 15,822,609

See accompanying notes.

SOCIETY OF AMERICAN MILITARY ENGINEERS
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Conference registrations and sponsorships	\$ 7,470,335	\$ -	\$ 7,470,335	\$ 6,279,155	\$ -	\$ 6,279,155
Membership dues	2,196,333	-	2,196,333	2,261,343	-	2,261,343
Advertising	723,488	-	723,488	727,643	-	727,643
Other income	92,508	-	92,508	53,750	-	53,750
Contributions	221,879	50,000	271,879	276,600	20,000	296,600
Grants	60,000	-	60,000	-	-	-
Forgiveness of Paycheck Protection Program loan	-	-	-	312,500	-	312,500
Investment return, net	1,077,696	33,298	1,110,994	(1,342,559)	(43,951)	(1,386,510)
Total support and revenue	11,842,239	83,298	11,925,537	8,568,432	(23,951)	8,544,481
EXPENSES						
Program Services						
Conferences and Meetings	5,864,470	-	5,864,470	6,050,675	-	6,050,675
Society Publications	1,003,206	-	1,003,206	850,501	-	850,501
Membership Activities	554,858	-	554,858	540,443	-	540,443
Post Operations	564,757	-	564,757	457,562	-	457,562
Continuing Education	629,202	-	629,202	489,450	-	489,450
Foundation	37,599	-	37,599	154,164	-	154,164
Total program services	8,654,092	-	8,654,092	8,542,795	-	8,542,795
Supporting Activities						
Management and General	1,948,294	-	1,948,294	1,429,580	-	1,429,580
Fundraising	49,200	-	49,200	46,892	-	46,892
Total expenses	10,651,586	-	10,651,586	10,019,267	-	10,019,267
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of purpose restrictions	25,000	(25,000)	-	-	-	-
Change in net assets	1,215,653	58,298	1,273,951	(1,450,835)	(23,951)	(1,474,786)
Net assets at beginning of year	9,699,786	352,618	10,052,404	11,150,621	376,569	11,527,190
Net assets at end of year	<u>\$ 10,915,439</u>	<u>\$ 410,916</u>	<u>\$ 11,326,355</u>	<u>\$ 9,699,786</u>	<u>\$ 352,618</u>	<u>\$ 10,052,404</u>

See accompanying notes.

SOCIETY OF AMERICAN MILITARY ENGINEERS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

	Program Services						Supporting Activities		
	Conferences and Meetings	Society Publications	Membership Activities	Post Operations	Continuing Education	Foundation	Management and General	Fundraising	Total
<u>2023</u>									
Personnel	\$ 1,296,004	\$ 586,241	\$ 378,926	\$ 379,190	\$ 242,754	\$ -	\$ 658,019	\$ 34,448	\$ 3,575,582
Conferences and meetings	4,119,230	-	2,000	83,437	22,913	9,751	49,158	-	4,286,489
Professional fees	46,887	141,077	-	45,074	58,054	8,100	160,586	1,500	424,561
Computer expense	89	7,872	-	-	3,003	8,814	329,410	-	349,188
Rent and utilities	200,056	22,662	14,938	14,664	9,332	-	90,107	-	351,759
Advertising commissions and other	18,366	6,821	80,791	872	5,391	589	982	-	113,812
Credit card and bank fees	-	-	-	-	-	-	245,268	8,269	290,254
Production and printing	28,992	154,213	2,998	1,486	-	8,136	1,789	-	197,614
Repairs and maintenance	-	-	-	-	-	-	4,432	-	4,432
Miscellaneous	-	-	-	-	-	-	3,750	-	3,750
Office expenses	7,613	3,981	2,378	2,378	2,013	-	20,645	216	39,224
Taxes and licenses	-	-	-	-	-	2,202	249,551	-	251,753
Depreciation and amortization	53,098	25,790	16,688	16,688	10,620	-	27,307	1,517	151,708
Travel	56,114	269	3,082	7,901	21,419	-	50,039	-	138,824
Postage and delivery	1,217	54,280	4,707	895	-	-	10,007	3,250	74,356
Insurance	32,789	-	-	-	12,580	-	29,960	-	75,329
Awards	4,015	-	48,350	12,143	241,123	7	16,262	-	321,900
Cost of promotion items	-	-	-	29	-	-	1,022	-	1,051
Total expenses	<u>\$ 5,864,470</u>	<u>\$ 1,003,206</u>	<u>\$ 554,858</u>	<u>\$ 564,757</u>	<u>\$ 629,202</u>	<u>\$ 37,599</u>	<u>\$ 1,948,294</u>	<u>\$ 49,200</u>	<u>\$ 10,651,586</u>
	Program Services						Supporting Activities		
	Conferences and Meetings	Society Publications	Membership Activities	Post Operations	Continuing Education	Foundation	Management and General	Fundraising	Total
<u>2022</u>									
Personnel	\$ 1,115,697	\$ 507,587	\$ 328,439	\$ 328,492	\$ 209,747	\$ -	\$ 623,866	\$ 31,701	\$ 3,145,529
Conferences and meetings	4,169,534	-	4,502	2,696	28,027	94,496	77,442	-	4,376,697
Professional fees	224,072	12,498	5,197	17,649	145,633	16,538	291,766	950	714,303
Computer expense	109,403	51,662	33,429	33,429	21,273	-	54,700	-	303,896
Rent and utilities	223,322	29,362	18,999	18,999	12,090	-	33,885	-	336,657
Advertising commissions and other	17,350	-	60,281	300	4,148	-	24,604	-	106,683
Credit card and bank fees	-	-	-	-	-	-	235,727	7,027	242,754
Production and printing	25,423	148,529	2,914	-	-	8,553	10,363	-	195,782
Repairs and maintenance	20	-	-	-	-	-	10,080	-	10,100
Miscellaneous	3,224	1,523	985	985	10,627	1,875	3,267	-	22,486
Office expenses	41,978	19,823	12,827	12,827	8,162	-	19,817	1,956	117,390
Taxes and licenses	30,357	14,335	9,276	9,276	5,903	-	16,249	-	85,396
Depreciation and amortization	36,264	17,125	11,081	11,081	7,051	-	15,436	2,695	100,733
Postage and delivery	1,031	39,889	-	-	-	-	3,142	2,563	46,625
Insurance	48,156	8,168	5,285	5,285	3,363	-	8,649	-	78,906
Awards	4,844	-	47,228	16,239	33,426	32,702	-	-	134,439
Cost of promotion items	-	-	-	304	-	-	587	-	891
Total expenses	<u>\$ 6,050,675</u>	<u>\$ 850,501</u>	<u>\$ 540,443</u>	<u>\$ 457,562</u>	<u>\$ 489,450</u>	<u>\$ 154,164</u>	<u>\$ 1,429,580</u>	<u>\$ 46,892</u>	<u>\$ 10,019,267</u>

See accompanying notes.

SOCIETY OF AMERICAN MILITARY ENGINEERS
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,273,951	\$ (1,474,786)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	151,708	100,733
Net realized and unrealized (gain) loss on investments	(871,538)	1,539,969
Change in allowance for credit losses	(28,957)	8,957
Amortization of operating lease right-of-use assets	189,193	172,717
Forgiveness of Paycheck Protection Program loan	-	(312,500)
(Increase) decrease in assets		
Accounts receivable	34,305	32,185
Unconditional promises to give	57,895	(36,905)
Prepaid expenses	(145,147)	203,509
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(140,594)	352,760
Accrued payroll liabilities	6,874	7,124
Deferred revenue	646,461	(130,688)
Operating lease liabilities	(219,211)	(207,810)
Net cash flows from operating activities	954,940	255,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	1,000,000
Purchases of and interest and dividends retained in investments	(227,092)	(2,206,774)
Purchases of property and equipment	(23,523)	(570,422)
Net cash flows from investing activities	(250,615)	(1,777,196)
Change in cash	704,325	(1,521,931)
Cash at beginning of year	1,596,082	3,118,013
Cash at end of year	<u>\$ 2,300,407</u>	<u>\$ 1,596,082</u>

See accompanying notes.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Society of American Military Engineers (the Society) was founded in 1920 and incorporated in Washington, D.C. Its mission is to provide education and support to the engineering components of the military and uniformed services, and other federal, state and local government agencies responsible for the nation's infrastructure; and to advance the partnership between government and the architecture, engineering and construction industry in the interest of national security. The Society is supported primarily by conference registrations, sponsorships, membership dues, and advertising.

The Society of American Military Engineers Foundation (the Foundation) was founded in 2016 and incorporated in Washington, D.C. The Foundation provides a secure and beneficial repository for charitable contributions and other bequests from members of the Society and the public at large, in furtherance of the purposes and objectives of the Society. The Foundation's purpose is to foster engineering leadership for the nation, specifically focusing on supporting military engineers; science, technology, engineering and mathematics (STEM) programs; and national security. The Foundation is supported primarily by contributions.

Principles of Consolidation

The consolidated financial statements include the activities of the Society and the Foundation (hereafter, SAME) as the Society has common control and an economic interest in the Foundation. Significant intra-entity accounts and transactions, if any, have been eliminated in consolidation.

SAME has a network of Posts throughout the United States and in several countries internationally that provide members with opportunities to connect face-to-face. An economic interest and common control does not exist between SAME and the Posts and, therefore, the activities of the Posts are not consolidated with the activities of SAME.

Accounts Receivable

Accounts receivable consist primarily of amounts owed from customers as a result of the sale of advertising and hotel rebates from SAME's annual meeting. SAME uses historical loss information based on the aging of accounts receivable as the basis to determine expected credit losses for accounts receivable and believes the composition of accounts receivable at the end of the year is consistent with historical conditions because credit terms and practices and overall customer base has not changed significantly. As of December 31, 2023, SAME considers all amounts collectable and thus, no allowance for credit losses have been recorded. As of December 31, 2022, SAME has an allowance for credit losses totaling \$28,957.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At December 31, 2023 and 2022, all unconditional promises to give are collectable within one year.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized and realized gains and losses are included in the consolidated statements of activities in the period in which such changes occur. Interest and dividends are recorded when earned.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

SAME holds investments on behalf of certain Posts. As these investments belong to the Posts, they are not available for use by SAME. SAME maintains these investments within its investment portfolio and, as such, the investments are shown separately on the consolidated statements of financial position. A corresponding liability has also been recorded and is shown as Funds Held for Posts on the consolidated statements of financial position.

Property and Equipment

SAME capitalizes all expenditures for property and equipment in excess of \$1,500 with expected useful lives greater than one year. Purchases of property and equipment are carried at cost. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, ranging from five to twenty-five years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term of the estimated useful lives of the improvements.

Leases

SAME does not recognize short-term leases in the statements of financial position. For these leases, SAME recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. SAME also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, SAME uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

SAME's earned revenue streams primarily consist of membership dues, conferences and sponsorships, and advertising. SAME's revenue is recognized when a performance obligation is satisfied, either over a period of time or at a point in time. SAME's contracts include no significant financing components nor variable considerations.

Annual membership dues are recognized monthly over the calendar year as benefits are provided ratably over the membership period. SAME bills for membership dues in advance of the membership period. Membership dues paid in advance of the membership period are recorded as deferred revenue.

Conferences and sponsorships are recognized over the time the meeting or event takes place. Advertising revenue is recognized at a point in time when the advertisement and publication is published.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions depending on the existence of any donor restrictions. When a 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 and reported in the consolidated statements of activities as net assets released from restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, rent and utilities, office expenses, depreciation and amortization, and postage and delivery, which are allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are expensed in the period incurred.

Income Tax Status

The Society and Foundation are exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. However, the Society is subject to income taxes on its unrelated business activities (primarily advertising). For the years ending December 31, 2023 and 2022, income tax from unrelated business income totaled approximately \$80,000 and \$120,000, respectively.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through May 2, 2024, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

SAME maintains its cash balances in a financial institution located in Alexandria, Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023 and 2022, SAME's uninsured cash balances totaled approximately \$1,768,000 and \$1,008,000, respectively.

NOTE 3 – INVESTMENTS

Investments are comprised of the following:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 138,465	\$ 668,505
Mutual funds	10,096,249	7,018,345
Exchange traded funds	2,337,795	2,017,011
Fixed income securities	<u>-</u>	<u>1,190,688</u>
Investments	<u><u>\$ 12,572,509</u></u>	<u><u>\$ 10,894,549</u></u>

Fair values of mutual funds and exchange traded funds are valued at the closing price reported on the active market on which the funds are traded and are considered Level 1 fair value measurements. Fair values of fixed income securities are determined using a market approach on yields currently available on comparable securities or issuers with similar credit ratings, which are Level 2 fair value measurements.

NOTE 4 – RETIREMENT PLANS

SAME has established a 401(k) plan for its employees. Employees may elect to make voluntary pretax contributions under a salary deferral agreement. Employees are immediately vested in all contributions made by SAME. Employer contributions to the plan for the years ended December 31, 2023 and 2022 were \$98,484 and \$91,102, respectively.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 583,691	\$ 583,691
Association management software	1,334,172	1,334,172
Furniture and equipment	198,948	175,425
Accumulated depreciation and amortization	<u>(742,943)</u>	<u>(591,235)</u>
Property and equipment, net	<u>\$ 1,373,868</u>	<u>\$ 1,502,053</u>

NOTE 6 – COMMITMENT

SAME has entered into agreements to reserve space for future conferences through 2031. These agreements indicated that SAME would be liable for certain cancellation fees and liquidated damages in the event of cancellation. If cancellations occur, SAME could be liable for up to approximately \$3,023,000.

NOTE 7 – PAYCHECK PROTECTION PROGRAM LOANS

SAME received loans totaling \$643,795 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan accrues interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. SAME has received preliminary forgiveness from the SBA on both of its PPP loans. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by SAME during the covered period. Eligible expenses may include payroll costs, rent, and utilities. Any unforgiven portion is payable over five years. SAME must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review SAME's good-faith certification concerning the necessity of its loan request, whether SAME calculated the loan amount correctly, whether SAME used loan proceeds for the allowable uses specified in the CARES Act, and whether SAME is entitled to loan forgiveness in the amount claimed on its application. If SBA determines SAME was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 8 – LIQUIDITY AND AVAILABILITY

The following reflects SAME's financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for general expenditures within one year of the date of the consolidated statements of financial position because of donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Financial assets at end of year		
Cash	\$ 2,300,407	\$ 1,596,082
Accounts receivable, net	124,237	129,585
Unconditional promises to give	-	57,895
Investments	10,004,655	8,906,025
Investments held for posts	<u>2,567,854</u>	<u>1,988,524</u>
Total financial assets	14,997,153	12,678,111
Less amounts unavailable for general expenditures within one year:		
Investments held for posts	(2,567,854)	(1,988,524)
Restricted by donors with purpose restrictions	<u>(410,916)</u>	<u>(352,618)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 12,018,383</u>	<u>\$ 10,336,969</u>

As part of SAME'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. SAME 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. SAME 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 SAME throughout the year. This is done through monitoring and reviewing SAME's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of SAME's cash flow related to SAME's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, excess cash is invested in publicly traded investment vehicles. SAME can liquidate its investments anytime, and therefore the investments are available to meet current cash flow needs.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 9 – LEASES

SAME has an operating lease for office space, which expires in August 2035. SAME also entered into operating lease agreements for two copiers, which expire at various dates through March 2027. There are no variable lease components associated with any of SAME's leases.

For the years ended December 31, 2023 and 2022, lease expense totaled \$189,192 and \$172,717, respectively.

Other information related to leases are as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 219,211	\$ 162,947
Right-of-use assets obtained in exchange for new operating lease liabilities	-	57,284
Weighted average remaining lease term		
Operating leases	11.39 years	12.39 years
Weighted average discount rate		
Operating leases	6.00%	6.00%

The maturities of lease liabilities as of December 31, 2023 are as follows:

Year ending December 31:	
2024	\$ 224,882
2025	175,663
2026	236,697
2027	231,076
2028	176,479
Thereafter	<u>1,687,950</u>
Total minimum lease payments	2,732,747
Imputed interest	<u>(790,783)</u>
Total lease liabilities	<u>\$ 1,941,964</u>

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 10 – NET ASSETS

Net assets with donor restrictions are comprised of the following:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
STEM camp support	\$ 24,393	\$ 49,393
Leadership Development Program	50,000	-
Subject to SAME's spending policy and appropriation		
Education and Mentoring Endowment Fund	<u>336,523</u>	<u>303,225</u>
Net assets with donor restrictions	<u>\$ 410,916</u>	<u>\$ 352,618</u>

NOTE 11 – ENDOWMENT

Endowment Fund: SAME's donor-restricted net assets for the Education and Mentoring Endowment Fund (the E&M Fund) meet the definition of endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions or by the designation of the Board. The Board requires 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. SAME classifies the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment made in accordance with the direction of the applicable donor. Investment income earned from the donor-restricted endowment fund is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by SAME in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Interpretation of Relevant Law: In accordance with UPMIFA, unless there are explicit donor instructions, the boards of nonprofit organizations have the flexibility to determine the appropriate use of endowment principal and related investment income. UPMIFA suggests that boards consider the following factors in determining prudent use of investment income and endowment principal:

1. The duration and preservation of the fund;
2. The purpose of the organization 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 organization; and
7. The investment policies of the organization.

SOCIETY OF AMERICAN MILITARY ENGINEERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 11 – ENDOWMENT (continued)

Investment Return Objectives, Risk Parameters, and Spending Policy: Assets are invested in a managed portfolio with mutual funds and exchanged traded funds, with an emphasis on preserving capital. SAME has approved investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the program supported by its endowment, while seeking to maintain the purchasing power of the endowment assets over the long term. Annually, the Foundation's Board of Directors approves the appropriation of endowment funds through the budget process.

Funds with Deficiencies: From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires SAME to retain as a fund of perpetual duration. There were no fund deficiencies as December 31, 2023 and 2022.

Endowment net asset composition by type of fund as of December 31, 2023 and 2022 is as follows:

	2023	2022
Donor-restricted endowment funds:		
Original donor-restricted amount	\$ 274,226	\$ 274,226
Accumulated investment gains	62,297	28,999
Total endowment funds	<u>\$ 336,523</u>	<u>\$ 303,225</u>

Changes in endowment net assets for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Endowment net assets at beginning of year	\$ 303,225	\$ 347,176
Investment return, net	33,298	(43,951)
Endowment net assets at end of year	<u>\$ 336,523</u>	<u>\$ 303,225</u>

SOCIETY OF AMERICAN MILITARY ENGINEERS
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2023

	SAME	SAME Foundation	Eliminations	Consolidating Total
ASSETS				
Cash	\$ 1,747,151	\$ 553,256	\$ -	\$ 2,300,407
Accounts receivable, net	124,237	-	-	124,237
Due from affiliate	97,610	32,397	(130,007)	-
Investments	8,660,406	1,344,249	-	10,004,655
Investments held for posts	-	2,567,854	-	2,567,854
Prepaid expenses	428,733	-	-	428,733
Property and equipment, net	1,373,868	-	-	1,373,868
Operating lease right-of-use asset	1,290,499	-	-	1,290,499
Total assets	\$ 13,722,504	\$ 4,497,756	\$ (130,007)	\$ 18,090,253
LIABILITIES				
Accounts payable and accrued expenses	\$ 468,770	\$ 1,500	\$ -	\$ 470,270
Accrued payroll liabilities	137,051	-	-	137,051
Due to affiliate	32,397	97,610	(130,007)	-
Deferred revenue	1,646,759	-	-	1,646,759
Funds held for posts	-	2,567,854	-	2,567,854
Operating lease liability	1,941,964	-	-	1,941,964
Total liabilities	4,226,941	2,666,964	(130,007)	6,763,898
NET ASSETS				
Without donor restrictions	9,495,563	1,419,876	-	10,915,439
With donor restrictions	-	410,916	-	410,916
Total net assets	9,495,563	1,830,792	-	11,326,355
Total liabilities and net assets	\$ 13,722,504	\$ 4,497,756	\$ (130,007)	\$ 18,090,253

SOCIETY OF AMERICAN MILITARY ENGINEERS
CONSOLIDATING SCHEDULE OF ACTIVITIES
Year Ended December 31, 2023

	SAME	SAME Foundation	Eliminations	Consolidating Total
SUPPORT AND REVENUE				
Conference registrations and sponsorships	\$ 7,470,335	\$ -	\$ -	\$ 7,470,335
Membership dues	2,196,333	-	-	2,196,333
Advertising	723,488	-	-	723,488
Other income	92,508	-	-	92,508
Contributions	157,000	271,879	(157,000)	271,879
Grants	35,000	50,000	(25,000)	60,000
Investment return, net	947,933	163,061	-	1,110,994
Total support and revenue	11,622,597	484,940	(182,000)	11,925,537
EXPENSES				
Program Services				
Conferences and Meetings	5,864,470	-	-	5,864,470
Society Publications	1,003,206	-	-	1,003,206
Membership Activities	554,858	-	-	554,858
Post Operations	564,757	-	-	564,757
Continuing Education	629,202	-	-	629,202
Foundation	2,208	217,391	(182,000)	37,599
Total program services	8,618,701	217,391	(182,000)	8,654,092
Supporting Activities				
Management and General	1,939,065	9,229	-	1,948,294
Fundraising	49,200	-	-	49,200
Total expenses	10,606,966	226,620	(182,000)	10,651,586
Change in net assets	1,015,631	258,320	-	1,273,951
Net assets at beginning of year	8,479,932	1,572,472	-	10,052,404
Net assets at end of year	<u>\$ 9,495,563</u>	<u>\$ 1,830,792</u>	<u>\$ -</u>	<u>\$ 11,326,355</u>