

Society of Defense Financial Management

Financial Statements
and Independent Auditor's Report

June 30, 2025 and 2024

Society of Defense Financial Management

Financial Statements
June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Society of Defense Financial Management

Opinion

We have audited the accompanying financial statements of Society of Defense Financial Management ("the Organization"), which comprise the statement of financial position as of June 30, 2025; 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 the Organization as of June 30, 2025, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Other Matter

The financial statements of the Organization as of June 30, 2024, were audited by other auditors whose report, dated November 12, 2024, expressed an unmodified opinion on those statements.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 Organization'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.

Handwritten signature of Rogers + Company PLLC in black ink.

Vienna, Virginia
February 10, 2026

Society of Defense Financial Management

Statements of Financial Position June 30, 2025 and 2024

	2025	2024
Assets		
Cash	\$ 285,716	\$ 717,260
Investments	1,553,344	2,504,445
Accounts receivable	80,680	1,288,394
Employee retention credit receivable	166,138	231,138
Interest receivable	3,611	-
Prepaid expenses	53,625	82,795
Property and equipment, net	2,481,655	2,486,484
Deposits	4,000	4,000
Total assets	<u>\$ 4,628,769</u>	<u>\$ 7,314,516</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 394,097	\$ 712,992
Deferred membership dues	575,612	623,127
Total liabilities	<u>969,709</u>	<u>1,336,119</u>
Net Assets		
Without donor restrictions	<u>3,659,060</u>	<u>5,978,397</u>
Total net assets	<u>3,659,060</u>	<u>5,978,397</u>
Total liabilities and net assets	<u>\$ 4,628,769</u>	<u>\$ 7,314,516</u>

See accompanying notes.

Society of Defense Financial Management

Statements of Activities For the Years Ended June 30, 2025 and 2024

	2025	2024
Revenue and Support		
Conference and meeting revenue:		
Professional Development Institute Symposium	\$ 319,031	\$ 5,385,286
Program/Budget Summit	52,232	52,799
Corporate dinner	27,000	20,900
Total conference and meeting revenue	398,263	5,458,985
Membership dues	830,748	640,273
Certification fees	561,711	533,449
Contract revenue	329,720	94,000
Advertising income	28,660	50,233
Royalty income	9,277	3,054
In-kind contributions	23,759	23,695
Investment return, net	198,899	265,039
Employee retention credit	-	231,138
Other income	11,691	1,475
Total revenue and support	2,392,728	7,301,341
Expenses		
Program services:		
Professional Development Institute Symposium	721,726	3,086,064
Education and professional development	900,706	1,174,417
Certified defense financial manager program	1,046,095	812,968
Membership services	805,507	424,055
Armed Forces Comptroller publication	164,151	341,323
Total program services	3,638,185	5,838,827
Supporting services:		
General and administrative	1,073,880	1,542,456
Total supporting services	1,073,880	1,542,456
Total expenses	4,712,065	7,381,283
Change in Net Assets	(2,319,337)	(79,942)
Net Assets, beginning of year	5,978,397	6,058,339
Net Assets, end of year	\$ 3,659,060	\$ 5,978,397

See accompanying notes.

Society of Defense Financial Management

Statement of Functional Expenses
For the Year Ended June 30, 2025

	Program Services						Supporting Services		
	Professional Development Institute Symposium	Education and Professional Development	Certified Financial Manager Program	Membership Services	Armed Forces Comptroller Publication	Total Program Services	General and Administrative	Total Supporting Services	Total Expenses
Salaries	\$ 220,094	\$ 202,152	\$ 359,986	\$ 290,689	\$ 60,122	\$ 1,133,043	\$ 393,318	\$ 393,318	\$ 1,526,361
Payroll taxes and benefits	52,496	48,217	85,862	69,334	14,340	270,249	93,813	93,813	364,062
Advertising and publicity	47,363	43,502	77,468	62,555	12,938	243,826	84,641	84,641	328,467
Bank charges and fees	6,670	6,126	10,909	8,809	1,822	34,336	11,919	11,919	46,255
Certification	-	-	63,222	-	-	63,222	-	-	63,222
Conference miscellaneous	120,800	-	-	-	-	120,800	-	-	120,800
Contract services	116,688	107,176	190,854	154,115	31,875	600,708	208,526	208,526	809,234
Depreciation and amortization	24,619	22,612	40,267	32,515	6,725	126,738	43,995	43,995	170,733
Education and training expenses	-	338,063	-	-	-	338,063	-	-	338,063
Employee professional development	-	10,703	-	-	-	10,703	-	-	10,703
Equipment rental and maintenance	278	255	455	367	76	1,431	497	497	1,928
Facility maintenance	10,387	9,540	16,988	13,718	2,837	53,470	18,561	18,561	72,031
Information management	73,894	67,871	120,862	97,596	20,185	380,408	132,053	132,053	512,461
Insurance and taxes	8,976	8,245	14,682	11,856	2,452	46,211	16,041	16,041	62,252
Membership and chapter development	-	-	-	11,837	-	11,837	-	-	11,837
Miscellaneous expenses	202	186	330	267	55	1,040	360	360	1,400
Office supplies and equipment	4,405	4,046	7,204	5,817	1,203	22,675	7,871	7,871	30,546
Postage and delivery	2,197	2,017	3,593	2,901	600	11,308	3,925	3,925	15,233
Printing and copying	2,968	2,726	4,854	3,920	811	15,279	5,304	5,304	20,583
Professional services	27,541	25,296	45,046	36,374	7,523	141,780	49,217	49,217	190,997
Travel expenses	2,148	1,973	3,513	2,837	587	11,058	3,839	3,839	14,897
Total Expenses	\$ 721,726	\$ 900,706	\$ 1,046,095	\$ 805,507	\$ 164,151	\$ 3,638,185	\$ 1,073,880	\$ 1,073,880	\$ 4,712,065

See accompanying notes.

Society of Defense Financial Management

Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services						Supporting Services		
	Professional Development Institute Symposium	Education and Professional Development	Certified Financial Manager Program	Membership Services	Armed Forces Comptroller Publication	Total Program Services	General and Administrative	Total Supporting Services	Total Expenses
Salaries	\$ 198,068	\$ 181,922	\$ 323,960	\$ 261,598	\$ 54,105	\$ 1,019,653	\$ 384,221	\$ 384,221	\$ 1,403,874
Payroll taxes and benefits	46,733	42,923	76,435	61,722	12,766	240,579	90,652	90,652	331,231
Advertising and publicity	-	-	16,843	-	-	16,843	381,632	381,632	398,475
Bank charges and fees	-	8,426	9,432	19,661	-	37,519	257	257	37,776
Certification	-	-	98,605	-	-	98,605	-	-	98,605
Charitable contributions	25,974	-	-	-	-	25,974	-	-	25,974
Conference entertainment	262,467	-	-	-	-	262,467	599	599	263,066
Conference food and beverage	1,387,258	-	348	-	-	1,387,606	15,170	15,170	1,402,776
Conference miscellaneous	104,913	-	-	-	-	104,913	-	-	104,913
Conference space	776,663	-	-	-	-	776,663	1,320	1,320	777,983
Contract services	81,761	766,902	244,531	-	34,540	1,127,734	62,097	62,097	1,189,831
Depreciation and amortization	4,062	3,731	6,643	5,364	1,109	20,909	10,892	10,892	31,801
Education and training expenses	184,595	157,476	-	19,000	-	361,071	600	600	361,671
Employee professional development	-	-	6,362	610	-	6,972	23,163	23,163	30,135
Equipment rental and maintenance	857	787	1,402	1,132	234	4,412	2,166	2,166	6,578
Facility maintenance	8,530	7,836	13,953	11,267	2,330	43,916	18,580	18,580	62,496
Information management	-	-	-	-	61,548	61,548	268,416	268,416	329,964
Insurance and taxes	4,183	3,842	6,842	5,525	1,142	21,534	43,159	43,159	64,693
Membership and chapter development	-	-	-	13,240	-	13,240	-	-	13,240
Miscellaneous expenses	-	-	-	-	-	-	3,692	3,692	3,692
Office supplies and equipment	-	-	187	-	-	187	21,871	21,871	22,058
Postage and delivery	-	-	1,275	1,260	12,331	14,866	9,367	9,367	24,233
Printing and copying	-	-	3,510	16,528	99,175	119,213	8,324	8,324	127,537
Professional services	-	-	-	750	61,977	62,727	179,770	179,770	242,497
Travel expenses	-	572	2,640	6,398	66	9,676	16,508	16,508	26,184
Total Expenses	\$ 3,086,064	\$ 1,174,417	\$ 812,968	\$ 424,055	\$ 341,323	\$ 5,838,827	\$ 1,542,456	\$ 1,542,456	\$ 7,381,283

See accompanying notes.

Society of Defense Financial Management

Statements of Cash Flows For the Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ (2,319,337)	\$ (79,942)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	170,733	31,801
Net realized and unrealized gain on investments	(162,865)	(201,466)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	1,207,714	(16,698)
Employee retention credit receivable	65,000	(231,138)
Interest receivable	(3,611)	-
Prepaid expenses	29,170	(31,137)
(Decrease) increase in:		
Accounts payable and accrued expenses	(318,895)	129,819
Deferred membership dues	(47,515)	31,906
Net cash used in operating activities	<u>(1,379,606)</u>	<u>(366,855)</u>
Cash Flows from Investing Activities		
Purchase of investments	(137,489)	(1,617,319)
Proceeds from sales of investments	1,251,455	3,120,334
Purchases of property and equipment	<u>(165,904)</u>	<u>(487,454)</u>
Net cash provided by investing activities	<u>948,062</u>	<u>1,015,561</u>
Net (Decrease) Increase in Cash	(431,544)	648,706
Cash, beginning of year	<u>717,260</u>	<u>68,554</u>
Cash, end of year	<u><u>\$ 285,716</u></u>	<u><u>\$ 717,260</u></u>

See accompanying notes.

Society of Defense Financial Management

Notes to Financial Statements

June 30, 2025 and 2024

1. Nature of Operations

Society of Defense Financial Management (“the Organization”) was established in 1948 and operates as a nonprofit professional society headquartered in Virginia. The Organization promotes the education and training of its members and supports the development and advancement of the profession of military comptrollership. The Organization changed its name from American Society of Military Comptrollers to Society of Defense Financial Management in 2024.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Organization’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. There are no net assets with donor restrictions as of June 30, 2025 and 2024.

Society of Defense Financial Management

Notes to Financial Statements

June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses, net of investment fees, are reported in net investment return in the accompanying statements of activities. Money market and short-term investment funds, held as a portion of the Organization's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

Accounts Receivable

The Organization's accounts receivable are all due in less than one year and are recorded at net realizable value. Accounts receivable are presented net of an allowance of credit losses resulting from the inability of payors to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. The Organization historically has insignificant write-offs due to bad debts, and current conditions indicate all receivables are fully collectible. Therefore, no allowance for credit losses has been recognized at June 30, 2025 and 2024.

Property and Equipment

Property and equipment acquisitions with a cost greater than \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Expenditures for repairs and maintenance over \$10,000 are capitalized when the transaction extends the useful life of the property and equipment. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which is as follows:

Building and improvements	10-40 years
Furniture and fixtures	10 years
Computer equipment and software	5 years
Website	5 years
Office equipment	5 years

Society of Defense Financial Management

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Economic factors are driven by customer confidence, employment, inflation, and other world events that impact timing and level of cash received and revenue recognized by the Organization. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Organization. The Organization did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgments affecting the determination of the amount and timing of revenue from contracts with customers.

The timing of revenue recognition may differ from the Organization's right to invoice customers. Accounts receivable are recorded when the Organization has an unconditional right to consideration, regardless of whether revenue has been recognized. When consideration is received or due in advance of revenue recognition, the Organization records a contract liability (deferred revenue). Conversely, when revenue is recognized prior to the right to invoice, the Organization records a contract asset (unbilled receivable). Membership dues are invoiced annually; certification fees and advertising income are invoiced as incurred; contract revenue is invoiced upon milestone completion; and PDI and PBS sponsorships are invoiced upon commitment. Payments are generally due within 30 days. Beginning contract balances as of July 1, 2023, were \$1,271,696 for accounts receivable and \$591,221 for deferred revenue.

Society of Defense Financial Management

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Specifically, for the various types of contracts, the Organization recognizes revenue as follows:

Professional Development Institute (PDI) Symposium income: The Organization holds an annual PDI symposium. Performance obligations include providing attendees access to the event and providing sponsor recognition at the event. Revenue is recognized at a point in time when the performance obligations are satisfied, which occurs when the event takes place. Refunds, although infrequent, are permitted and are recognized as reductions of revenue when issued. The PDI symposium was not held during the year ended June 30, 2025.

Program & Budget Summit (PBS) income: The Organization holds an annual PBS event. Performance obligations include providing attendees access to the event and providing sponsor recognition at the event. Revenue is recognized at a point in time when the performance obligations are satisfied, which occurs when the event takes place. Amounts received in advance are recorded as deferred revenue until the event occurs. Refunds, although infrequent, are permitted and are recognized as reductions of revenue when issued.

Membership dues: Membership dues consist of exchange elements based on the value of benefits provided to members. The Organization provides members with continuous access to content, platforms, education, and networking opportunities. These benefits are considered a single performance obligation because the services are substantially the same and have a similar pattern of transfer. The Organization recognizes membership dues revenue ratably over the membership period using the time-elapsed method, which best depicts the simultaneous receipt and consumption of the services by members. Membership fees are nonrefundable and are generally received in advance. Amounts received in advance that relate to future periods are recorded as deferred membership dues in the accompanying statements of financial position and recognized as revenue in the periods to which they relate.

Society of Defense Financial Management

Notes to Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Certification fees: Certification fees include examination fees, renewal fees, education course fees, and related materials. The performance obligation for examination and renewal fees is providing access to the exam, which is satisfied at a point in time upon registration. Education course fees are recognized ratably over the course period using the time-elapsing method which best depicts the simultaneous receipt and consumption of the services. Fees for educational materials are recognized at a point in time when the materials are provided to the customer. Amounts received in advance of the service period are recorded as deferred revenue and recognized as revenue in the periods to which they relate.

Contract revenue: The Organization entered into a fixed-price, milestone-based contract for the development of a certification examination. The contract is accounted for as a single performance obligation, as the promised goods and services are not separately identifiable. Revenue is recognized over time because control of the services transfers continuously to the customer. Progress toward completion is measured using an output method based on the achievement of contractual milestones, which best depicts the value of services transferred to the customer. Amounts received in advance of performance are recorded as deferred revenue and recognized as revenue as the related milestones are achieved.

Advertising income: As part of their membership, members of the Organization receive a subscription to *The Armed Forces Comptroller Journal*. The Organization runs various advertising within each issue of the journal. Advertising rates are established based on the size of the advertisement. Advertising revenue is recognized at a point in time when the advertisement is published in the journal. Amounts received in advance of publication are recorded as deferred revenue and recognized as revenue in the period in which the advertisement is published.

Society of Defense Financial Management

Notes to Financial Statements June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

In-Kind Contributions

The value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reported as in-kind contributions. In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used. The Organization received donated legal services valued at \$23,759 and \$23,695, that benefit supporting services, for the years ended June 30, 2025 and 2024, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and Publicity Costs

Advertising and publicity costs are expensed as incurred. Advertising and publicity expenses totaled \$328,467 and \$398,475 for the years ended June 30, 2025 and 2024, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2024 financial statements have been reclassified to conform to the 2025 presentation. These reclassifications have no effect on the change in net assets previously reported.

Society of Defense Financial Management

Notes to Financial Statements June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 10, 2026, the date the financial statements were available to be issued.

Subsequent to year end, on August 1, 2025, the Organization classified its property located in Alexandria, Virginia as held for sale. See Note 6 for more information.

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover six months of general expenditures. As part of this liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments. Management periodically reviews the Organization's liquid asset needs and adjusts the cash balance as necessary.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	2025	2024
Cash	\$ 285,716	\$ 717,260
Investments	1,553,344	2,504,445
Accounts receivable	80,680	1,288,394
Employee retention credit receivable	166,138	231,138
Interest receivable	3,611	-
Total available for general expenditures	<u>\$ 2,089,489</u>	<u>\$ 4,741,237</u>

Society of Defense Financial Management

Notes to Financial Statements

June 30, 2025 and 2024

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The Organization invests in certificates of deposit, which are valued based on quoted prices for instruments that are identical or similar in markets that are not active and for which all significant inputs are observable, either directly or indirectly, in active markets. As such, these assets are classified as Level 2.

Society of Defense Financial Management

Notes to Financial Statements June 30, 2025 and 2024

5. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at June 30, 2025:

	Level 1	Level 2	Level 3	Total
Exchange traded funds:				
Equities	\$ 936,304	\$ -	\$ -	\$ 936,304
Fixed income	566,727	-	-	566,727
Money market funds	50,313	-	-	50,313
Total investments	<u>\$ 1,553,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,553,344</u>

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Exchange traded funds:				
Equities	\$ 991,723	\$ -	\$ -	\$ 991,723
Fixed income	614,569	-	-	614,569
Certificates of deposit	-	871,493	-	871,493
Money market funds	26,660	-	-	26,660
Total investments	<u>\$ 1,632,952</u>	<u>\$ 871,493</u>	<u>\$ -</u>	<u>\$ 2,504,445</u>

Net investment return consists of the following for the years ended June 30:

	2025	2024
Interest and dividends	\$ 52,272	\$ 63,573
Net realized and unrealized gain	162,865	220,786
Less: investment fees	<u>(16,238)</u>	<u>(19,320)</u>
Total investment return, net	<u>\$ 198,899</u>	<u>\$ 265,039</u>

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Notes to Financial Statements June 30, 2025 and 2024

6. Property and Equipment

Property and equipment consists of the following at June 30:

	2025	2024
Land	\$ 1,192,595	\$ 1,192,595
Building and improvements	1,003,230	1,003,230
Furniture and fixtures	76,511	76,511
Computer equipment and software	1,081,434	915,530
Website	120,000	127,500
Office equipment	15,601	15,601
Total property and equipment	3,489,371	3,330,967
Less: accumulated depreciation and amortization	(1,007,716)	(844,483)
Property and equipment, net	<u>\$ 2,481,655</u>	<u>\$ 2,486,484</u>

Subsequent Event – Property Held for Sale

Subsequent to year end, the Organization committed to a plan to sell its property located in Alexandria, Virginia. Management evaluated the criteria for classification as held for sale under ASC 360, *Property, Plant, and Equipment*, and determined that the criteria were met after June 30, 2025. Accordingly, the property continued to be reported as property and equipment, net, in the accompanying statement of financial position as of June 30, 2025. The net carrying value of the property at June 30, 2025 was \$1,625,168.

The property was classified as held for sale on August 1, 2025 and remained on the market as of February 10, 2026. Because the decision to sell occurred after year end, this matter represents a nonrecognized subsequent event, and no adjustment has been made to the accompanying financial statements. Any resulting gain or loss, if any, on sale will be recognized in the statement of activities within non-operating activities in the year of sale.

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Notes to Financial Statements June 30, 2025 and 2024

7. Related Party Transactions

Board Contributions

During the years ended June 30, 2025 and 2024, the Organization received donated legal services from a Board member valued at \$23,759 and \$23,695, respectively, which are included in in-kind contributions in the accompanying statements of activities.

8. Commitments and Contingencies

The Organization has contractual commitments with several convention centers and hotels for its PDI symposiums. In the event that the Organization cancels these agreements, it can be held liable for liquidated damages up to the amount of lost profit less the venue's mitigation, depending upon the date of cancellation. As of February 10, 2026, the minimum commitments for PDI symposiums are as follows for the years ended June 30:

2026	\$ 790,243
2027	1,024,340
2028	187,050
2029	<u>179,186</u>
Total	<u><u>\$ 2,180,819</u></u>

9. Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The majority of expenses are recorded directly to specific programs and functions, using the direct allocation method. Expenses that are allocated include salaries and wages, payroll taxes and benefits, and overhead expenses, which are allocated on the basis of estimates of time and effort.

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Notes to Financial Statements

June 30, 2025 and 2024

10. Retirement Plan

The Organization maintains a 401(k) plan (“the Plan”) for all employees, with matching contributions of up to 6% of earnings for those who have completed six months of service and met the requirements below. Participants may make voluntary contributions to the Plan up to the maximum allowable by law. The Organization’s contributions to the Plan are at the discretion of management and vest immediately to the participants. Participants must have completed 1,000 hours of service and be employed on the last day of the Plan year to be eligible for the Organization’s contributions. Retirement plan expense for the years ended June 30, 2025 and 2024 was \$83,478 and \$65,236, respectively.

11. Employee Retention Credit

The Employee Retention Credit (ERC) was established by the CARES Act in March 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The CARES Act did not allow businesses that received Paycheck Protection Program (PPP) loans to also claim the ERC, but the Consolidated Appropriations Act, which was enacted at the end of 2020, retroactively removed the limitation so entities that had applied for or received PPP loans could still get the ERC.

The Organization was eligible for employee retention credits totaling \$231,138 for the year ended June 30, 2024, which is presented as employee retention credit revenue in the accompanying statement of activities. Outstanding credits totaled \$166,138 and \$231,138 at June 30, 2025 and 2024, respectively, and are included in the accompanying statements of financial position. During the year ended June 30, 2025, the Organization received \$65,000 of these credits.

The Organization recognized interest income related to the employee retention credit of \$10,686 during the year ended June 30, 2025, which is included in other income in the accompanying statement of activities. Outstanding interest receivable totaled \$3,611 at June 30, 2025 and is included in the accompanying statements of financial position.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization’s claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

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Notes to Financial Statements June 30, 2025 and 2024

12. Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes except for taxes on unrelated business activities. No provision for income taxes has been made, as there were no significant unrelated business activities for the years ended June 30, 2025 and 2024. Management evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require either recognition or disclosure in the accompanying financial statements.