



Society of Defense Financial Management

Financial Statements
and
Independent Auditor's Report

June 30, 2024 and 2023



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Table of Contents

Independent Auditor's Report.....	1 - 2
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Audited Financial Statements

Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5 - 8
Statements of Cash Flows.....	9
Notes to the Financial Statements.....	10 - 21

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To the Board of Directors
Society of Defense Financial Management
Alexandria, Virginia

Opinion

We have audited the accompanying financial statements of Society of Defense Financial Management (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Society of Defense Financial Management as of June 30, 2024, and the changes in their net assets and their 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 Society of Defense Financial Management 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.

Prior Period Financial Statements

The financial statements of Society of Defense Financial Management, Inc. as of June 30, 2023, were audited by Sikich LLP, whose report dated December 7, 2023, expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

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 Defense Financial Management'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 Society of Defense Financial Management's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Society of Defense Financial Management'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.

Sikich CPA LLC

Alexandria, Virginia
November 12, 2024

Society of Defense Financial Management
Statements of Financial Position
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 717,260	\$ 68,554
Investments	2,504,445	3,805,994
Accounts receivable	1,288,394	1,271,696
Government grant receivable	231,138	-
Prepaid expenses	82,795	51,658
Property and equipment, net	2,486,484	2,030,831
Deposits	<u>4,000</u>	<u>4,000</u>
Total assets	<u>\$ 7,314,516</u>	<u>\$ 7,232,733</u>
Liabilities and Net Assets		
Accounts payable	\$ 463,415	\$ 340,685
Accrued compensation	249,577	242,488
Deferred revenue	<u>623,127</u>	<u>591,221</u>
Total liabilities	1,336,119	1,174,394
Net assets:		
Without donor restrictions	<u>5,978,397</u>	<u>6,058,339</u>
Total liabilities and net assets	<u>\$ 7,314,516</u>	<u>\$ 7,232,733</u>

See accompanying notes to the financial statements.

Society of Defense Financial Management
Statements of Activities
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues without donor restrictions:		
PDI income	\$ 5,385,286	\$ 4,369,465
Membership dues	640,273	557,886
Certification fees	533,449	583,639
Investment return, net	265,039	117,702
Government grant revenue	231,138	-
Contract revenue	94,000	-
PBS income	52,799	-
Advertising income	50,233	30,068
In-kind contribution	23,695	26,134
Other income	22,375	15,127
Royalty income	<u>3,054</u>	<u>597</u>
Total revenues without donor restrictions	<u>7,301,341</u>	<u>5,700,618</u>
Expenses:		
Program services:		
Professional development institute symposium	3,086,064	2,580,658
Education and professional development	1,174,417	1,196,097
Certified defense financial manager program	812,968	623,659
Membership services	424,055	588,072
Armed Forces Comptroller publication	<u>341,323</u>	<u>278,101</u>
Total program services	5,838,827	5,266,587
Management and general services:		
Administrative support	<u>1,542,456</u>	<u>1,244,740</u>
Total expenses	<u>7,381,283</u>	<u>6,511,327</u>
Change in net assets without donor restrictions	(79,942)	(810,709)
Net assets without donor restrictions, beginning of year	<u>6,058,339</u>	<u>6,869,048</u>
Net assets without donor restrictions, end of year	<u>\$ 5,978,397</u>	<u>\$ 6,058,339</u>

See accompanying notes to the financial statements.

Society of Defense Financial Management

Statement of Functional Expenses

For the Year Ended June 30, 2024

	Professional development institute symposium	Education and professional development	Certified defense financial manager program	Membership services	Armed Forces Comptroller publication	Total program services
Advertising and publicity	\$ -	\$ -	\$ 16,843	\$ -	\$ -	\$ 16,843
Bank charges and fees	-	8,426	9,432	19,661	-	37,519
Certification	-	-	98,605	-	-	98,605
Charitable contributions	25,974	-	-	-	-	25,974
Conference entertainment	262,467	-	-	-	-	262,467
Conference food & beverage	1,387,258	-	348	-	-	1,387,606
Conference miscellaneous	104,913	-	-	-	-	104,913
Conference space	776,663	-	-	-	-	776,663
Contract services	81,761	766,902	244,531	-	34,540	1,127,734
Depreciation and amortization	-	-	-	-	-	-
Education and training expenses	184,595	157,476	-	19,000	-	361,071
Employee professional development	-	-	6,362	610	-	6,972
Equipment rental and maintenance	-	-	-	-	-	-
Facility maintenance	-	-	-	-	-	-
Information management	-	-	-	-	61,548	61,548
In-kind legal services	-	-	-	-	-	-
Insurance and taxes	-	-	-	-	-	-
Membership and chapter development	-	-	-	13,240	-	13,240
Miscellaneous expenses	-	-	-	-	-	-
Office supplies and equipment	-	-	187	-	-	187
Payroll taxes and benefits	45,719	41,992	74,777	60,383	12,489	235,360
Postage and delivery	-	-	1,275	1,260	12,331	14,866
Printing and copying	-	-	3,510	16,528	99,175	119,213
Professional services	-	-	-	750	61,977	62,727
Salaries	193,772	177,976	316,933	255,924	52,932	997,537
Travel expenses	-	572	2,640	6,398	66	9,676
Allocation of facility services	<u>22,942</u>	<u>21,073</u>	<u>37,525</u>	<u>30,301</u>	<u>6,265</u>	<u>118,106</u>
Total expenses	<u>\$ 3,086,064</u>	<u>\$ 1,174,417</u>	<u>\$ 812,968</u>	<u>\$ 424,055</u>	<u>\$ 341,323</u>	<u>\$ 5,838,827</u>

See accompanying notes to the financial statements.

Society of Defense Financial Management
Statement of Functional Expenses
For the Year Ended June 30, 2024

	<u>Management and general</u>			
	Administrative support	Facility services	Total management and general services	Total expenses
Advertising and publicity	\$ 381,632	\$ -	\$ 381,632	\$ 398,475
Bank charges and fees	257	-	257	37,776
Certification	-	-	-	98,605
Charitable contributions	-	-	-	25,974
Conference entertainment	599	-	599	263,066
Conference food & beverage	15,170	-	15,170	1,402,776
Conference miscellaneous	-	-	-	104,913
Conference space	1,320	-	1,320	777,983
Contract services	62,097	-	62,097	1,189,831
Depreciation and amortization	2,375	29,426	31,801	31,801
Education and training expenses	600	-	600	361,671
Employee professional development	23,163	-	23,163	30,135
Equipment rental and maintenance	368	6,210	6,578	6,578
Facility maintenance	691	61,805	62,496	62,496
Information management	268,416	-	268,416	329,964
In-kind legal services	23,695	-	23,695	23,695
Insurance and taxes	34,388	30,305	64,693	64,693
Membership and chapter development	-	-	-	13,240
Miscellaneous expenses	3,692	-	3,692	3,692
Office supplies and equipment	21,871	-	21,871	22,058
Payroll taxes and benefits	88,527	7,344	95,871	331,231
Postage and delivery	9,367	-	9,367	24,233
Printing and copying	8,324	-	8,324	127,537
Professional services	156,075	-	156,075	218,802
Salaries	375,212	31,125	406,337	1,403,874
Travel expenses	16,508	-	16,508	26,184
Allocation of facility services	<u>48,109</u>	<u>(166,215)</u>	<u>(118,106)</u>	<u>-</u>
Total expenses	\$ <u>1,542,456</u>	\$ <u>-</u>	\$ <u>1,542,456</u>	\$ <u>7,381,283</u>

See accompanying notes to the financial statements.

Society of Defense Financial Management

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Professional development institute symposium	Education and professional development	Certified defense financial manager program	Membership services	Armed Forces Comptroller publication	Total program services
Advertising and publicity	\$ -	\$ -	\$ 6,494	\$ -	\$ -	\$ 6,494
Armed Forces Comptroller Journal	-	1,000	-	-	3,955	4,955
Bank charges and fees	-	10,869	9,691	18,810	-	39,370
Certification	-	-	73,599	-	-	73,599
Charitable contributions	31,165	-	-	-	-	31,165
Conference entertainment	247,042	15,250	-	-	-	262,292
Conference food & beverage	996,065	-	-	-	-	996,065
Conference miscellaneous	79,612	-	-	-	-	79,612
Conference space	643,251	58,749	-	-	-	702,000
Contract services	46,776	779,566	139,586	-	52,160	1,018,088
Depreciation and amortization	-	-	-	-	-	-
Education and training expenses	259,915	100,894	-	37,750	-	398,559
Employee professional development	-	2,173	5,903	303	-	8,379
Equipment rental and maintenance	-	-	-	-	-	-
Facility maintenance	-	-	-	-	-	-
Information management	-	50	-	3,085	-	3,135
In-kind legal services	-	-	-	-	-	-
Insurance and taxes	-	-	-	-	-	-
Membership and chapter development	-	-	-	42,212	-	42,212
Miscellaneous expenses	-	-	114	-	-	114
Office supplies and equipment	68	-	-	-	433	501
Payroll taxes and benefits	47,511	38,142	66,193	72,250	13,854	237,950
Postage and delivery	-	-	997	4,000	51,596	56,593
Printing and copying	-	2,988	5,140	9,390	90,355	107,873
Professional services	2,500	-	-	54,685	-	57,185
Salaries	201,003	161,366	280,043	305,669	58,614	1,006,695
Travel expenses	1,479	5,566	2,084	3,008	56	12,193
Allocation of facility services	24,271	19,484	33,815	36,910	7,078	121,558
Total expenses	<u>\$ 2,580,658</u>	<u>\$ 1,196,097</u>	<u>\$ 623,659</u>	<u>\$ 588,072</u>	<u>\$ 278,101</u>	<u>\$ 5,266,587</u>

See accompanying notes to the financial statements.

Society of Defense Financial Management
Statement of Functional Expenses
For the Year Ended June 30, 2023

	<u>Management and general</u>			
	Administrative support	Facility services	Total management and general services	Total expenses
Advertising and publicity	\$ 275,136	\$ -	\$ 275,136	\$ 281,630
Armed Forces Comptroller Journal	-	-	-	4,955
Bank charges and fees	120	-	120	39,490
Certification	-	-	-	73,599
Charitable contributions	504	-	504	31,669
Conference entertainment	-	-	-	262,292
Conference food & beverage	9,679	-	9,679	1,005,744
Conference miscellaneous	-	-	-	79,612
Conference space	-	-	-	702,000
Contract services	61,967	-	61,967	1,080,055
Depreciation and amortization	1,500	28,987	30,487	30,487
Education and training expenses	4,290	-	4,290	402,849
Employee professional development	12,950	-	12,950	21,329
Equipment rental and maintenance	204	4,212	4,416	4,416
Facility maintenance	787	64,579	65,366	65,366
Information management	223,717	-	223,717	226,852
In-kind legal services	26,134	-	26,134	26,134
Insurance and taxes	34,682	30,790	65,472	65,472
Membership and chapter development	-	-	-	42,212
Miscellaneous expenses	655	-	655	769
Office supplies and equipment	27,506	-	27,506	28,007
Payroll taxes and benefits	73,477	6,467	79,944	317,894
Postage and delivery	11,327	-	11,327	67,920
Printing and copying	8,563	-	8,563	116,436
Professional services	103,884	-	103,884	161,069
Salaries	310,859	27,364	338,223	1,344,918
Travel expenses	15,958	-	15,958	28,151
Allocation of facility services	40,841	(162,399)	(121,558)	-
Total expenses	\$ <u>1,244,740</u>	\$ <u>-</u>	\$ <u>1,244,740</u>	\$ <u>6,511,327</u>

See accompanying notes to the financial statements.

Society of Defense Financial Management
Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ <u>(79,942)</u>	\$ <u>(810,709)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	31,801	30,487
Unrealized gain on investments	(200,370)	(110,796)
Realized (gain) loss on investment	(83,989)	87,057
Decrease (increase) in assets:		
Accounts receivable	(16,698)	(384,979)
Government grant receivable	(231,138)	-
Prepaid expenses	(31,137)	(9,186)
Increase (decrease) in liabilities:		
Accounts payable	122,730	(52,703)
Accrued compensation	7,089	56,032
Deferred revenue	31,906	90,937
Security deposits, tenants	<u>-</u>	<u>(3,450)</u>
Total adjustments	<u>(369,806)</u>	<u>(296,601)</u>
Net cash used in operating activities	<u>(449,748)</u>	<u>(1,107,310)</u>
Cash flows from investing activities:		
Purchases of investments	(1,534,426)	(5,456,370)
Proceeds from sales of investments	3,120,334	6,387,406
Purchases of property and equipment	<u>(487,454)</u>	<u>(257,852)</u>
Net cash provided by investing activities	<u>1,098,454</u>	<u>673,184</u>
Net increase (decrease) in cash	648,706	(434,126)
Cash, beginning of year	<u>68,554</u>	<u>502,680</u>
Cash, end of year	<u>\$ 717,260</u>	<u>\$ 68,554</u>

See accompanying notes to the financial statements.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

1. Organization

Society of Defense Financial Management (the Organization) was established in 1948 and operates as a nonprofit professional society headquartered in Alexandria, 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

a. Basis of presentation

The Organization's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion.
- *Net Assets With Donor Restrictions* represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, donor restricted net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying statements of activities.

The Organization has no net assets with donor restrictions at June 30, 2024 and 2023.

b. Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with U.S. GAAP.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

c. Use of estimates

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

d. Fair value measurements

U.S. GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. U.S. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

Valuation Techniques

Following is a description of the valuation techniques used for assets and liabilities measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended June 30, 2024 and 2023.

- Exchange-traded funds: Valued at the closing quoted price in an active market.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

e. Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. The Organization is not classified as a private foundation for tax reporting purposes.

The Organization is not aware of any activities that would jeopardize their tax exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of June 30, 2024, the Organization had no uncertain tax positions which should be recognized as a liability. The Organization is no longer subject to U.S. federal or state examinations by tax authorities for tax years prior to 2020.

f. Cash

The Organization classifies demand deposits as cash. However, cash held temporarily within the investment portfolio is considered a part of investments on the statement of financial position.

g. Accounts receivable

Accounts receivable are due in less than one year and stated at their net realizable value.

h. Allowance for credit losses

The allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. Management has determined that the allowance for credit losses is immaterial to the financial statements and no allowance for credit losses has been applied.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

The Organization writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election. There were no write-offs during the year ended June 30, 2024 and 2023.

i. Government grants receivable

Government grants receivable represent amounts due from the Employee Retention Credit ("ERC") under the CARES Act. Government grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. All government grants receivable outstanding are considered collectible. Accordingly, no allowance for doubtful accounts has been recorded at June 30, 2024.

j. Investments

Investments are reported at fair value and interest, dividends, realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by the donor or law. Investment return is reported net external and direct internal investment expenses. The Organization invests in a variety of investments that are exposed to various risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

k. Allowance for credit losses: Held-to-maturity securities

Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type. The held-to-maturity securities held by the Organization consist of certificates of deposit with maturity dates greater than 90 days. The Organization estimates an allowance for credit losses based on past credit history with the financial institution, historical experience, the current economic environment, and management's expectations of future economic conditions based on reasonable and supportable forecasts. The Organization has not experienced historical losses on its certificates of deposit and believes that it is not exposed to any significant credit risk with respect to certificates of deposit. Therefore, the Organization expects zero credit loss and believes no allowance for credit losses is required.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

I. Property and equipment, net

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets 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

The Organization's policy is to capitalize major additions and improvements over \$5,000. Repairs and maintenance transactions over \$10,000 are capitalized when the transaction extends the useful life of the property and equipment.

m. Revenue recognition

Professional Development Institute (PDI) income: The Organization holds an annual PDI conference. Performance obligations include entrance to the event or recognition at the event. Income is recognized at the point in time that performance obligations are satisfied, which is when the event takes place. Refunds, although rarely used, are permitted. Fees received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

Membership dues: Membership dues are comprised of exchange elements based on the value of benefits provided. The Organization allows continuous access to content, platforms, education and networking opportunities. These are the primary and material benefits provided as part of the membership dues and are considered to be one performance obligation, as the included services are substantially the same and have a similar pattern of transfer. The Organization recognizes membership dues ratably over the membership period using the time elapse method, an input measure, as it best depicts the simultaneous consumption and delivery of these services. The annual membership fee is nonrefundable and received in advance. Dues received in advance that are applicable to future periods are included in deferred revenue in the accompanying statements of financial position.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

Certification fees: Certification fees include examination fees, renewals, educational courses and related materials. The performance obligation for examination fees and renewals is access to the exam, which is satisfied at the point in time of registration. The Organization recognizes course fees ratably over the course period using the time elapse method, an input measure, as it best depicts the simultaneous consumption and delivery of these services. Fees received for educational materials are recognized at the point in time when educational materials are provided. Fees received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

Contract revenue: The Organization entered into a fixed price milestone-based contract for the development of certification examination. This contract is accounted for as a single unit of account (a single performance obligation) and is not segmented between different elements of the contract. Revenue is recognized over time, as performance obligations are satisfied due to the continuous transfer of control to the customer, and measured by the output method of completing the milestones as it directly measures the value of the services transferred to the customer. Revenue received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

Program & Budget Summit (PBS) income: The Organization holds an annual PBS event. Performance obligations include entrance to the event or recognition at the event. Income is recognized at the point in time that performance obligations are satisfied, which is when the event takes place. Refunds, although rarely used, are permitted. Income received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

Advertising income: As part of their membership, the Organization's members receive a subscription to *The Armed Forces Comptroller Journal*. The Organization runs various ads within each issue of the journal. The Organization sets the price for each advertisement based on the size of the advertisement and the term that it will be run. The performance obligation is the publishing of the advertisement and is recognized at the point in time the advertisement is published in the journal. Income received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

There were no significant judgments involved in the methodology used by the Organization to recognize revenue from contracts with customers.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

In-kind contributions: Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Government grant revenue: Government grant revenue consists of amounts expected to be collected from Employee Retention Credits ("ERC"). ERC are considered conditional contributions and are recognized at the end of each quarter in which the Organization experiences the qualifying decreases in gross receipts.

n. Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs, such as salaries and payroll taxes and benefits have been allocated among programs and administrative support services based on staff level of effort. Costs for facility services, such as depreciation and amortization, equipment rental and maintenance, facility maintenance, insurance and taxes, payroll taxes and benefits, and salaries have been allocated among programs and administrative support services based on staff level of effort. All other expenses are charged directly to the program or supporting service to which they relate.

o. Adoption of new accounting standard

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - *Credit Losses (Topic 326)*. This standard requires nonprofits to change their measurement of credit losses on financial instruments to be based on forward-looking estimates. ASU 2016-13, as amended by ASU No. 2019-10, is effective for non-public entities for the fiscal years beginning after December 15, 2022 and interim periods within fiscal years beginning after December 15, 2023. Financial assets held by the Organization that are subject to the guidance were accounts receivables and certificates of deposit. The Organization adopted the standard effective July 1, 2023. There was no material effect on the financial statements upon implementation of this new standard.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

3. Liquidity and Availability

The following represents the Organization's financial assets at June 30:

Financial assets at year end:	<u>2024</u>	<u>2023</u>
Cash	\$ 717,260	\$ 68,554
Investments	2,504,445	3,805,994
Accounts receivable	1,288,394	1,271,696
Government grant receivable	<u>231,138</u>	<u>-</u>
Total financial assets	<u>4,741,237</u>	<u>5,146,244</u>
Financial assets available to meet general expenditures within one year	\$ <u>4,741,237</u>	\$ <u>5,146,244</u>

The Organization considers general expenditures to be program service and administrative support expenses. The Organization's goal is generally to maintain financial assets to meet 6 months of operating expenses (approximately \$3,700,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

4. Concentrations of Credit Risk

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2024 and 2023, the Organization had bank deposits in excess of FDIC limits of \$599,517 and \$337,863, respectively. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

5. Investments and Fair Value Measurements

Assets measured at fair value on a recurring basis at June 30, 2024 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Exchange-traded funds	\$ <u>1,606,292</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,606,292</u>
Total assets	\$ <u>1,606,292</u>	\$ <u>-</u>	\$ <u>-</u>	1,606,292
Certificates of deposit, reported at amortized cost				871,493
Cash, reported at cost				<u>26,660</u>
Total investments				\$ <u>2,504,445</u>

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

Assets measured at fair value on a recurring basis at June 30, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Exchange-traded funds	\$ <u>2,037,520</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,037,520</u>
Total assets	\$ <u>2,037,520</u>	\$ <u>-</u>	\$ <u>-</u>	2,037,520
Certificates of deposit, reported at amortized cost				1,735,052
Cash, reported at cost				<u>33,422</u>
Total investments				\$ <u>3,805,994</u>

6. Property and Equipment, Net

The following is a summary of property and equipment held at June 30:

	<u>2024</u>	<u>2023</u>
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	915,530	548,076
Website	127,500	7,500
Office equipment	<u>15,601</u>	<u>15,601</u>
Property and equipment	3,330,967	2,843,513
Accumulated depreciation and amortization	<u>(844,483)</u>	<u>(812,682)</u>
Total property and equipment, net	\$ <u>2,486,484</u>	\$ <u>2,030,831</u>

7. Paycheck Protection Program Loan

The Paycheck Protection Program (PPP) is a low-interest Small Business Administration (SBA) loan and generally covers two and a half months of payroll costs and may be forgiven entirely if the borrower maintains certain staffing levels and spends a certain amount of funds on salaries and other qualifying expenditures during the qualified period. The Organization was approved for a loan on February 27, 2021 under this program in the amount of \$163,893. The Organization received full loan forgiveness on December 3, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

8. Employee Retention Credit

The CARES Act provides an employee retention credit ("CARES Employee Retention Credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

The Organization is eligible for the Employee Retention Credit ("ERC") under the CARES Act. Government grant receivable and revenue for the ERC at and for the year ended June 30, 2024 is \$231,138 which represents refunds due on the 2020 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended June 30, 2020 and September 30, 2020 well as refunds due on the 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended March 31, 2021 and June 30, 2021.

The IRS has extended the statute of limitations to five years with respect to ERC claims. Should the IRS subsequently audit ERC amounts and determine the Organization did not meet the eligibility requirements, a legal liability for repayment of previously recognized ERC amounts could be incurred.

9. Commitments

The Organization has contractual commitments with several convention centers and hotels for its PDI symposiums from 2025 to 2026. As of November 12, 2024, which is the date the financial statements were available to be issued, the minimum commitments for PDI symposiums are as follows for the years ending June 30:

	<u>Rental fee</u>
2025	\$ 1,357,834
2026	<u>319,103</u>
Total	<u>\$ 1,676,937</u>

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

10. Disaggregation of Revenue and Contract Balances

Disaggregated revenue as of the years ended June 30 is as follows:

<u>Timing of Revenue Recognition:</u>	<u>2024</u>	<u>2023</u>
Goods and services transferred at a point in time	\$ 5,903,542	\$ 4,802,644
Services transferred over time	<u>852,498</u>	<u>738,414</u>
Total revenue	<u>\$ 6,756,040</u>	<u>\$ 5,541,058</u>

Various economic factors affect the recognition of revenue and cash flows, including the Organization's ability to hold events and provide education services. Any negative economic impact to these areas could significantly affect revenues and cash flows. For the years ended June 30, 2024 and 2023, the Organization was able to hold the PDI conference as a hybrid event and provide certification services. No significant events occurred that had a material impact on the Organization's revenue recognition or cash flows.

The timing of revenue recognition, billings and cash collections result in billed accounts receivable and deferred revenue (contract liabilities) on the statements of financial position. Deferred revenue is liquidated when services are performed or events have occurred. Membership dues are invoiced annually, certification fees and advertising income are invoiced as needed, contract revenue is invoiced upon milestone completion, PDI and PBS sponsorships are invoiced as committed. Payments are typically due within 30 days.

The beginning and ending contract balances were as follows at June 30:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 1,288,394	\$ 1,271,696	\$ 886,717
Deferred revenue	\$ 623,127	\$ 591,221	\$ 500,284

11. In-Kind Contributions

The Organization's financial statements include in-kind contributions revenue and support, and associated expense for services that would typically be solicited if not provided as an in-kind contribution. These services require specialized skill and are recognized at the fair value when pledged, and expenses when services are rendered. The Organization did not monetize any contributed nonfinancial assets.

The Organization received \$23,695 and \$26,134 in contributed legal services for the years ended June 30, 2024 and 2023. The unrestricted donated services were utilized by the Organization's management and general function. The fair value of these services is provided by the service provider and verified based on the date and the current rates for legal services in the market in which the service is rendered.

Society of Defense Financial Management
Notes to the Financial Statements
June 30, 2024 and 2023

12. Related Party

The Organization received \$20,532 and \$26,134 in contributed legal services from a board member during the years ended June 30, 2024 and 2023, respectively.

13. Advertising Expense

The Organization expenses the cost of advertising as incurred. Advertising expenses for the years ended June 30, 2024 and 2023 were \$398,475 and \$281,630, respectively.

14. 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, 2024 and 2023 was \$65,236 and \$63,129, respectively.

15. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date (that is, nonrecognized subsequent events).

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 12, 2024, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.