

**MARINE CORPS ASSOCIATION AND  
MARINE CORPS ASSOCIATION FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

Draft

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
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## INDEPENDENT AUDITORS' REPORT

Board of Governors  
Marine Corps Association  
Marine Corps Association Foundation  
Quantico, Virginia

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of the Marine Corps Association and Marine Corps Association Foundation, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Board of Governors  
Marine Corps Association  
Marine Corps Association Foundation

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Marine Corps Association and Marine Corps Association Foundation as of December 31, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As discussed in Note 1 to the consolidated financial statements, the Marine Corps Association and Marine Corps Association Foundation have adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts and Customers*. Our opinion is not modified with respect to this matter.

**CliftonLarsonAllen LLP**

Arlington, Virginia  
REPORT DATE

Draft

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 1,943,174	\$ 864,394
Accounts Receivable, Net of Allowance for Bad Debt of \$20,000 at December 31, 2020 and 2019	467,380	435,981
Contributions Receivable	50,831	49,955
Inventory, Net of Allowance for Obsolete Inventory of \$60,000 at December 31, 2020 and 2019	2,237,643	2,758,128
Prepaid Expenses and Deposits	151,410	149,017
Total Current Assets	4,850,438	4,257,475
<b>INVESTMENTS</b>	10,480,242	9,960,355
<b>PROPERTY AND EQUIPMENT</b>		
Land	106,000	106,000
Building and Building Improvements	8,784,699	8,708,763
Furniture, Software, Equipment, and Vehicles	1,119,978	1,147,566
Total	10,010,677	9,962,329
Less: Accumulated Depreciation	7,095,824	6,922,205
Total Property and Equipment	2,914,853	3,040,124
<b>OTHER ASSETS</b>	40,000	40,000
Total Assets	\$ 18,285,533	\$ 17,297,954
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 886,049	\$ 1,164,591
Capital Lease Obligations	17,801	6,870
Deferred Revenue:		
Subscriptions	1,130,684	1,393,210
Other	32,605	47,250
Total Deferred Revenue	1,163,289	1,440,460
Total Current Liabilities	2,067,139	2,611,921
<b>LINE OF CREDIT</b>	-	500,000
<b>CAPITAL LEASE OBLIGATIONS, Net of Current Portion</b>	99,377	-
<b>DEFERRED SUBSCRIPTIONS REVENUE, Net of Current Portion</b>	804,242	965,909
Total Liabilities	2,970,758	4,077,830
<b>NET ASSETS</b>		
Without Donor Restrictions	14,747,294	12,749,477
With Donor Restrictions:		
Time or Purpose Restrictions	512,381	415,547
Perpetual in Nature	55,100	55,100
Total Net Assets	15,314,775	13,220,124
Total Liabilities and Net Assets	\$ 18,285,533	\$ 17,297,954

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>REVENUE</b>		
Retail Operations	\$ 5,734,134	\$ 7,005,397
Publications and Membership	2,390,701	2,659,666
Contributions	2,023,040	1,248,525
Sponsorships	1,511,751	1,378,389
Group Benefit Programs and Royalties	141,511	153,749
Other	103,257	138,939
Interest, Dividends, and Realized (Loss) Gains, Net of Fees	37,936	899,634
Net Assets Released from Restrictions - Awards	262,801	402,537
Total Revenue	12,205,131	13,886,836
<b>EXPENSES</b>		
Retail Operations	5,549,451	6,501,566
Publications and Membership	1,650,570	1,675,501
Awards and Other	817,347	1,032,171
Professional Development	407,752	693,854
Management and General	2,261,352	2,835,496
Fundraising	568,976	470,578
Total Expenses	11,255,448	13,209,166
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE UNREALIZED GAIN ON INVESTMENTS</b>	949,683	677,670
Unrealized Gain on Investments	1,048,134	439,397
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	1,997,817	1,117,067
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	359,635	365,657
Net Assets Released from Restrictions - Awards	(262,801)	(402,537)
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	96,834	(36,880)
<b>CHANGE IN NET ASSETS</b>	2,094,651	1,080,187
Net Assets - Beginning of Year	13,220,124	12,139,937
<b>NET ASSETS - END OF YEAR</b>	\$ 15,314,775	\$ 13,220,124

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,094,651	\$ 1,080,187
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	330,716	327,820
Unrealized Gain on Investments	(1,048,134)	(439,397)
Realized Loss (Gain) on Sales of Investments	277,972	(639,799)
Loss on Disposal of Property and Equipment	24,510	62,132
Change in Assets and Liabilities:		
Accounts Receivable	(31,399)	(176,093)
Contributions Receivable	(876)	(11,287)
Inventory	520,485	(640,565)
Prepaid Expenses and Deposits	(2,393)	93,047
Accounts Payable and Accrued Expenses	(278,542)	319,403
Deferred Revenue	(438,838)	(518,832)
Net Cash Provided by (Used in) Operating Activities	1,448,152	(543,384)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Investments	(2,905,542)	(23,119,358)
Sales and Maturities of Investments	3,155,817	23,414,516
Purchases of Property and Equipment	(103,248)	(154,106)
Net Cash Provided by Investing Activities	147,027	141,052
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Line of Credit Advances	-	500,000
Line of Credit Payments	(500,000)	-
Payments on Capital Lease Obligations	(16,399)	(24,759)
Net Cash Used in (Provided by) Financing Activities	(516,399)	475,241
<b>NET INCREASE IN CASH</b>	1,078,780	72,909
Cash - Beginning of Year	864,394	791,485
<b>CASH - END OF YEAR</b>	\$ 1,943,174	\$ 864,394
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ -	\$ 13,360
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Equipment Financed through Capital Lease Obligation	\$ 126,707	\$ -

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Marine Corps Association (MCA), a nonprofit organization as defined under Section 501(c)(19) of the Internal Revenue Code, was formed in 1913 and incorporated in the District of Columbia in 1972. MCA is the preeminent association devoted to providing professional development and selected services to Marines. The Association disseminates knowledge of the military arts and sciences among its Marines, provides opportunities for professional development for Marines, and fosters the spirit and preserves the traditions of the Marine Corps.

To effect the above, MCA produces two monthly publications, the Marine Corps Gazette and the Leatherneck Magazine of the Marines (included in Publications and Membership). The Marine Corps Gazette's mission has remained unchanged during its 104 years of publication: that is "to provide a forum for the exchange of ideas that will advance knowledge, interest, and esprit in the Marine Corps." Leatherneck Magazine continues its commitment to telling the Corps' story with articles on its illustrious history, current operations and exercises, continuing updates on the organization and equipment of Marines, and plans for the future. These magazines are offered as part of the benefits of MCA membership.

Since the MCA is the premier provider of all in-print books listed on the Marine Corps professional reading program, it operates a retail book service (both online and through brick and mortar stores) for the convenience of members in building their own professional libraries. The Marine Shop is located in Quantico, Virginia. The mail order service is located in Quantico, Virginia, in the MCA headquarters. With the purchase of The Marine Shop in Quantico, Virginia, in January 2007, MCA is now able to offer quality uniforms, accessories, and services to all Marines. These products and services complement MCA's other professional offerings and enable MCA to better serve all Marines' needs.

Approximately one-third of MCA's members are active duty Marines. The remainder are primarily retired or veteran Marines. In addition to sending members their choice of the magazines described above, MCA provides member value by offering its members participation in its professional development events, member value pricing on MCA merchandise, and sponsoring a group benefit program for its members that includes group term life insurance, various group health care plans and affinity programs, such as a low-interest credit card.

In April 2009, the Marine Corps Association Foundation (MCAF), a nonprofit organization as defined under Section 501(c)(3) of the Internal Revenue Code, was formed to support and expand the programs and activities of the Marine Corps Association. MCA and MCAF sponsor a large range of professional military education (PME) presentations developed to provide educational experiences for Marines on topics most critical to the Marine Corps. MCAF sponsors the attendance of active duty Marines at MCA&F events where they have an opportunity to come together for lively discussions and listen to noteworthy key speakers.



**MARINE CORPS ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Organization (Continued)**

MCAF is also committed to providing well-earned recognition to superior performing Marines as well as emerging leaders at the USNA and NROTC units across the nation through the Marine Excellence Award Program. The Organization is the largest provider of awards to Marines in the world, with more than 4,600 Excellence Awards and 77 Writing Awards given to Marines in 2020, recognizing scholastic, leadership, and technical skill accomplishments.

MCAF provides grants and assists Commanders in developing and providing forum opportunities specifically tailored to enhance their Marines' and Sailors' knowledge of the operational matters from a historical, cultural, and operational perspective. In 2020, 48 forums served almost 3,800 Marine leaders. These forums are normally more than twice as many annually, serving over double the number of Marine leaders, but COVID impacts on travel and large group gatherings impacted the ability to provide them. Grants are also provided to commanders to establish and sustain 186 professional libraries. 54,000 Marines were served in 2020 through these libraries.

While MCA and MCAF, collectively referred to as "the Organizations", operate as separate entities, the financial reporting of the entities is required to be consolidated under accounting standards as both entities share a common board of directors. Significant intercompany accounts and transactions have been eliminated in consolidation.

**Basis of Accounting**

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with U.S. generally accepted accounting principles. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Tax Status**

MCA and MCAF are tax-exempt but are both subject to income taxes on unrelated business activities.

MCA and MCAF have adopted the guidance on the income tax standard regarding the recognition and measurement of uncertain tax positions. The adoption of this standard had no impact on the consolidated financial statements. Both Organizations file as a tax-exempt organization.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTES 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. All accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the allowance for doubtful accounts or bad debt expense. MCA maintained an allowance for doubtful account provision of \$20,000 as of December 31, 2020 and 2019, in the event that certain receivables are not collectible.

**Inventory**

Inventory consists of professional books, manuscripts, Marine Corps memorabilia and Marine Corps uniforms and accessories for resale and is stated at the lower of cost or net realizable value using the average cost method of valuation. A \$60,000 allowance for obsolete inventory was recorded as of December 31, 2020 and 2019, to recognize the possible write-offs due to dated and obsolete items.

**Investments**

Investments in equity and fixed income securities are carried at fair value as determined by quoted market prices. Changes in fair value are recognized in the consolidated statements of activities. Net investment return/(loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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

**Property and Equipment**

Property and equipment are stated at cost and are depreciated using the straight-line method. Included in property and equipment are computer hardware and software costs and vehicles. Assets with a cost of \$1,500 or more and useful lives of at least one year are capitalized. The MCA building is being depreciated over the life of the lease of the land on which it is located; the annex building is being depreciated over 25 years; and the Marine Shop is being depreciated over 40 years. Furniture, equipment, software, and vehicles are depreciated over their estimated useful lives, ranging from three to ten years.

**MARINE CORPS ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Net Assets**

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organizations, their net assets and revenue have been classified into net asset groups based on the existence or absence of donor-imposed restrictions. The classes of net assets are as follows:

Net Assets without Donor Restrictions – Represents resources of the Organizations available to support general operations.

Net Assets with Donor Restrictions – Represents resources that result from contributions and investment income limited to use by donor-imposed or time stipulations, primarily for the MCAF awards and events programs. Such restrictions either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Perpetual in Nature – Represents Endowment Funds to be held in perpetuity by MCA. Investment income earned on these endowment funds is temporarily restricted for their purposes. The “Major General Richard C. Schulze Memorial Essay Fund” and the “Colonel Francis Fox Parry Award Fund” support an annual Memorial Essay contest and an award for the best combat initiative article, respectively. Both writings are published in the *Marine Corps Gazette*. The “Colonel Phil Yeckel Award Fund” supports the honor graduate of each class in the Marine Corps Officer Candidate School.

**Retail Operations**

The Marine Shop and retail book service includes sales of uniforms, accessories, books, and Marine Corps memorabilia. Such sales are recognized as revenue at the time of sale.

**Publications and Membership**

Memberships are accounted for on an anniversary-date basis and are recognized as revenue ratably over the membership period since performance obligations are delivered to members throughout the membership period. Advanced payments on memberships represent unearned revenue that are expected to be earned within the next one to forty-six years are reflected as deferred revenue on the accompanying consolidated statements of financial position. A significant portion of the memberships are recognized over one to three-year periods; and life memberships are recognized as revenue over eighteen to forty-six-year periods.

Advertising sales from the monthly publications, *Marine Corps Gazette* and the *Leatherneck Magazine of the Marines*, are recognized as revenue upon distribution of publications. Amounts received for subsequent years are reflected as deferred revenue on the accompanying consolidated statements of financial position.

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Sponsorships and Contributions**

Revenues from contributions and sponsorships are recognized as revenue when an unconditional pledge is received or when cash is received if no pledge exists. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met. The Organizations report contributions with donor restrictions if they are received with donor stipulations, such as time restrictions or restrictions as to the nature of the program that limit the use of the contributions. When a donor restriction expires (i.e., when a stipulated time restriction ends or a 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.

**Group Benefit Programs and Royalties**

Group benefit insurance and credit card programs revenue consists of royalties. Royalty revenue is earned and recognized as revenue when received throughout the calendar year.

All other revenues are recognized when earned.

**Shipping and Handling Costs**

MCA classifies shipping and handling costs as cost of goods sold and such costs are included in the Retail Operations expense line item in the accompanying consolidated statements of activities. The shipping and handling costs included in cost of goods sold total to approximately \$360,800 and \$420,900, for the years ended December 31, 2020 and 2019, respectively.

**Advertising Costs**

Advertising costs, which include media and print advertising, supplies and complimentary material for direct mail to new and existing members, plus catalogs and postage, are expensed as incurred. Advertising costs charged to expense totaled approximately \$71,100 and \$100,000 for the years ended December 31, 2020 and 2019, respectively.

**Measure of Operations**

The Organization considers unrealized gain on investments to be an item not included in operations.

**MARINE CORPS ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

MCA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. MCA accounts for certain financial assets and liabilities at fair value under various accounting literature. MCA also accounts for certain assets at fair value under applicable industry guidance.

**Fair Value Hierarchy**

MCA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the consolidated statement of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that MCA has the ability to access. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange. MCA's Level 1 securities consist of fixed income and equities securities.

*Level 2* – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in nonactive markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

MCA's investments did not include any Level 2 funds at December 31, 2020 and 2019.

**MARINE CORPS ASSOCIATION  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Hierarchy (Continued)**

*Level 3* – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. MCA does not have any Level 3 investments.

**Adoption of Recent Accounting Pronouncements**

During the year ended December 31, 2020, MCA and MCAF adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 606, *Revenue from Contract with Customers* (ASC 606), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance addresses the complexity and understandability of revenue recognition and provides sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Organizations' consolidated financial statements reflect the application of ASC 606 beginning in 2020. No cumulative effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact MCA and MCAF's reported historical revenue.

**Subsequent Events**

In accordance with generally accepted accounting principles, management has evaluated subsequent events involving MCA and MCAF for potential recognition or disclosure in the accompanying consolidated financial statements. Subsequent events are events or transactions which occurred after December 31, 2020 up through REPORT DATE, the date the consolidated financial statements were available to be issued.

**Reclassifications**

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements. The reclassifications had no impact on previously reported net assets.

**MARINE CORPS ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and Cash Equivalents	\$ 1,430,793	\$ 448,847
Accounts Receivable	467,380	435,981
Investments	10,425,142	9,905,255
Contributions Receivable	50,831	49,955
Total	<u>\$ 12,374,146</u>	<u>\$ 10,840,038</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of MCA's liquidity management plan, cash in excess of daily requirements are invested in CDs and money market funds.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

**Credit Risk**

Financial instruments that subject the Organizations to a concentration of credit risk consist of demand deposits placed with financial institutions which may, at times, exceed federally insured limits.

**NOTE 4 INVESTMENTS AND FAIR VALUE**

Investments are recorded at fair value and are classified as long-term assets based on the intentions of MCA. The investment strategies and asset allocation have been selected with the goal of attaining a growth of principal that will, at a minimum, maintain a constant level of purchasing power. Investments consist of the following at December 31:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 31,636	\$ 31,636	\$ 53,364	\$ 53,364
Money Market	106,672	106,672	694,182	694,182
Mutual Funds - Equities	5,420,931	6,425,210	5,057,209	5,148,093
ETF - Equities	1,076,825	1,212,271	1,066,227	1,108,006
Mutual Funds - Fixed Income	2,652,623	2,704,453	2,908,142	2,916,811
ETF - Fixed Income	-	-	37,810	39,899
Total	<u>\$ 9,288,687</u>	<u>\$ 10,480,242</u>	<u>\$ 9,816,934</u>	<u>\$ 9,960,355</u>

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 4 INVESTMENTS AND FAIR VALUE (CONTINUED)**

The following table presents MCA's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019:

	2020			Total
	Level 1	Level 2	Level 3	
Money Market	\$ 106,672	\$ -	\$ -	\$ 106,672
Mutual Funds - Equities	6,425,210	-	-	6,425,210
ETF - Equities	1,212,271	-	-	1,212,271
Mutual Funds - Fixed Income	2,704,453	-	-	2,704,453
ETF - Fixed Income	-	-	-	-
Total	<u>\$ 10,448,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,448,606</u>

  

	2019			Total
	Level 1	Level 2	Level 3	
Money Market	\$ 694,182	\$ -	\$ -	\$ 694,182
Mutual Funds - Equities	5,148,093	-	-	5,148,093
ETF - Equities	1,108,006	-	-	1,108,006
Mutual Funds - Fixed Income	2,916,811	-	-	2,916,811
ETF - Fixed Income	39,899	-	-	39,899
Total	<u>\$ 9,906,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,906,991</u>

Return on investments consists of the following at December 31:

	2020	2019
Interest and Dividends, Net of Fees	\$ 315,908	\$ 259,835
Realized (Loss) Gain	(277,972)	639,799
Total	37,936	899,634
Unrealized Gain	1,048,134	439,397
Total	<u>\$ 1,086,070</u>	<u>\$ 1,339,031</u>

**NOTE 5 CAPITAL LEASES**

MCA entered into leases for a new copier machine during 2016 and other equipment in prior years under long-term lease agreements, which are classified as capital leases. These leases were replaced with two new capital leases during the year ended December 31, 2020. The value of the copier machine and other equipment have been capitalized and recorded as furniture and equipment within the consolidated statements of financial position and is being depreciated on a straight-line basis. As of December 31, 2020, the cost of the capitalized equipment and the related accumulated amortization totaled \$92,208 and \$11,096, respectively. As of December 31, 2019, the cost of the capitalized equipment and the related accumulated amortization totaled \$96,187 and \$90,590, respectively. Imputed interest rates ranging from 2.0% to 16% are being amortized over the lease terms.



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**NOTE 5 CAPITAL LEASES (CONTINUED)**

Future minimum lease payments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 34,691
2022	34,440
2023	25,640
2024	20,040
2025	9,058
Total Minimum Lease Payments	123,869
Less: Amount Representing Interest	(6,691)
Present Value of Minimum Lease Payments	117,178
Less: Current Maturities	(17,801)
Noncurrent Portion of Obligations Under Capital Lease	<u>\$ 99,377</u>

**NOTE 6 LINE OF CREDIT**

MCA had a \$500,000 revolving line of credit with a financial institution, secured by cash balances. As of December 31, 2019, MCA withdrew the full \$500,000 available, bearing interest at 4.185%. This line of credit was paid in full and closed in June 2020.

In April 2020, MCA entered into a \$6,000,000 revolving line of credit with another financial institution. The line of credit is secured by MCA's investment accounts held with the financial institution. MCA did not withdraw funds from its line of credit as of December 31, 2020. Borrowings under this line of credit at December 31, 2020 bear interest at 2.01%. The line of credit does not expire.

**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Commanders' Forum Program	\$ 67,933	\$ 34,514
Marine Excellence Awards Program	144,344	64,579
Marine Writing Awards Program	72,932	74,119
Wounded Marine Support Program	20,852	22,404
Events	206,076	218,006
Commander's Unit Library	244	1,925
Total	<u>\$ 512,381</u>	<u>\$ 415,547</u>

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**NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2020	2019
Time and Purpose Restriction	\$ 262,801	\$ 402,537

**NOTE 8 ENDOWMENTS**

Endowments (the Endowment) consist of approximately three individual funds established by donors to provide annual funding for specific activities. The Endowment also includes certain unrestricted net assets designated for endowment by the Board of Governors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Governors has interpreted the Virginia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, we classify as perpetual in nature net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowments are to be held in perpetuity and the net earnings may be used for the following Award Programs as of December 31, 2020 and 2019:

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**NOTE 8 ENDOWMENTS (CONTINUED)**

	<u>2020</u>	<u>2019</u>
Yeckel OCS Award	\$ 10,000	\$ 10,000
Schulze Essay Award	25,100	25,100
Parry Writing Award	<u>20,000</u>	<u>20,000</u>
Total	<u>\$ 55,100</u>	<u>\$ 55,100</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2020, funds with original gift values of \$55,100, fair values of \$55,100, and deficiencies of \$-0- were reported in net assets with donor restrictions.

**NOTE 9 OFFICE SUBLEASES**

MCA subleases certain office space to multiple tenants in its Headquarters building under operating leases expiring in various years through May 2025. Future minimum sublease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 88,860
2022	7,260
2023	7,260
2024	7,260
2025	<u>3,025</u>
	<u>\$ 113,665</u>

**NOTE 10 GROUP BENEFIT PROGRAMS**

**Group Term Life Insurance Plan**

MCA sponsors a group term life insurance plan for its members through Hartford Life Insurance, which is administered by a third-party administrator. Under the plan, MCA receives a royalty fee of 7% of the annual premiums. For the years ended December 31, 2020 and 2019, royalties totaled \$47,056 and \$48,390, respectively.

**Group Health Care Plans**

MCA also sponsors various types of health insurance plans for its members which are underwritten by various insurance companies and administered by a third-party administrator. Under the agreements with the third-party administrator, MCA receives a royalty fee of 1% - 10% of annual premiums. For the years ended December 31, 2020 and 2019, royalty fees totaled \$29,462 and \$45,414, respectively.

MCA also received dividends of \$9,993 and \$3,980 from the insurance carriers for the years ended December 31, 2020 and 2019, respectively, as a result of the plans' claims experience being lower than anticipated.

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**NOTE 11 RETIREMENT PLAN**

MCA sponsors a 401(k) plan which covers all employees who meet certain eligibility requirements. Under the plan, MCA matches contributions up to 5% of an employee's annual wages. The employees in the plan become fully vested after three years of service. Retirement plan expense for the years ended December 31, 2020 and 2019, totaled \$147,081 and \$153,082, respectively.

**NOTE 12 FUNCTIONAL EXPENSES**

The Organizations are required to disclose their direct and indirect expenses on a functional basis. As a result, the Organizations have allocated their indirect expenses to the program and supporting services benefited on the basis of estimated time worked in each area. Fully allocated expenses, by function, are as follows for the years ended December 31:

The tables below present expenses by both their nature and function for the years ended December 31, 2020 and 2019:

	2020		Program Services				Support Services		Total Expenses
	Retail Operations	Publications and Membership	Awards and Other	Professional Development	Total Program Expenses	Management and General	Fundraising		
	Salaries and Benefits	\$ 899,570	\$ 840,935	\$ 302,284	\$ 204,062	\$ 2,246,851	\$ 1,512,868	\$ 138,703	
Direct Expenses	149,396	8,851	500,956	187,858	847,061	80,671	282	928,014	
Cost of Goods Sold	3,635,287	558,585	-	-	4,193,872	-	-	4,193,872	
Professional Services	-	-	-	-	-	103,241	75,000	178,241	
Office and Occupancy	777,985	175,176	12,222	15,744	981,127	392,493	352,563	1,726,183	
Depreciation	87,213	67,023	1,885	88	156,209	172,079	2,428	330,716	
<b>Total Expenses</b>	<b>\$ 5,549,451</b>	<b>\$ 1,650,570</b>	<b>\$ 817,347</b>	<b>\$ 407,752</b>	<b>\$ 8,425,120</b>	<b>\$ 2,261,352</b>	<b>\$ 568,976</b>	<b>\$ 11,255,448</b>	

  

	2019		Program Services				Support Services		Total Expenses
	Retail Operations	Publications and Membership	Awards and Other	Professional Development	Total Program Expenses	Management and General	Fundraising		
	Salaries and Benefits	\$ 1,008,252	\$ 883,597	\$ 257,737	\$ 225,346	\$ 2,374,932	\$ 1,771,168	\$ 116,447	
Direct Expenses	179,015	9,560	759,844	451,213	1,399,632	152,313	500	1,552,445	
Cost of Goods Sold	4,395,602	621,066	-	-	5,016,668	-	-	5,016,668	
Professional Services	-	-	-	-	-	40,891	75,000	115,891	
Office and Occupancy	771,074	152,843	14,177	15,288	953,382	705,152	275,261	1,933,795	
Depreciation	147,623	8,435	413	2,007	158,478	165,972	3,370	327,820	
<b>Total Expenses</b>	<b>\$ 6,501,566</b>	<b>\$ 1,675,501</b>	<b>\$ 1,032,171</b>	<b>\$ 693,854</b>	<b>\$ 9,903,092</b>	<b>\$ 2,835,496</b>	<b>\$ 470,578</b>	<b>\$ 13,209,166</b>	

**NOTE 13 INCOME TAXES**

MCA is subject to income taxes on its unrelated business income tax activities, which consist of advertising in its two monthly publications. Income tax expense was \$-0- for the years ended December 31, 2020 and 2019.

**MARINE CORPS ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 14 COMMITMENTS**

**Land Lease with U.S. Government**

The U.S. government provides 1.3957 acres of land at no monetary cost to MCA in exchange for the U.S. government's use of approximately 6,000 square feet of administrative space in MCA's building on that land. The terms of this agreement began on April 1, 2011 and end on June 30, 2026. In the event the U.S. government vacates the administrative space, MCA shall pay annual rent in the amount of \$14,000. As the substance of this agreement represents an arm's length transaction recorded at fair value for both parties, no contribution has been recorded on the consolidated statement of activities.

**Severance**

In the event of an involuntary termination due to a reduction in force or downsizing, change in company direction, or job elimination, MCA provides a severance benefit for the affected employees as part of a Separation Pay Agreement and Release. The rate of severance is based upon service with MCA.

**NOTE 15 PAYCHECK PROTECTION PROGRAM**

On April 6, 2020, MCA received proceeds in the amount of \$827,600 to fund payroll, rent, utilities and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan), a federal program authorized under the CARES Act of 2020. The PPP Loan may be forgiven by the U.S. Small Business Administration subject to certain performance barriers, as outlined in the loan agreement and the CARES Act.

MCA is following ASC 958-605, *Revenue Recognition (Not-for-Profit Entities)*, to account for the initial receipts related to the PPP Loan. Therefore, MCA has classified this loan as a conditional contribution for accounting purposes. MCA recognized \$827,600 of contributions revenue related to this agreement during the year ended December 31, 2020, which represents the PPP Loan funds for which the performance barriers have been met.

On May 14, 2021, the SBA processed the MCA's PPP Loan forgiveness application and notified United Bank that the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on MCA's financial position.



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Governors  
Marine Corps Association  
Marine Corps Association Foundation  
Quantico, Virginia

We have audited the consolidated financial statements of the Marine Corps Association and Marine Corps Association Foundation as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon dated REPORT DATE, which expressed an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

### **CliftonLarsonAllen LLP**

Arlington, Virginia  
REPORT DATE

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

ASSETS	Consolidating Information			Consolidated Total
	MCA	MCAF	Eliminations	
<b>CURRENT ASSETS</b>				
Cash	\$ 1,680,301	\$ 262,873	\$ -	\$ 1,943,174
Accounts Receivable, Net of Allowance for Bad Debt of \$20,000 at December 31, 2020	507,542	-	(40,162)	467,380
Contributions Receivable	-	50,831	-	50,831
Inventory, Net of Allowance for Obsolete Inventory of \$60,000 at December 31, 2020	2,237,643	-	-	2,237,643
Prepaid Expenses and Deposits	106,339	45,071	-	151,410
Total Current Assets	<u>4,531,825</u>	<u>358,775</u>	<u>(40,162)</u>	<u>4,850,438</u>
<b>INVESTMENTS</b>	10,032,581	447,661	-	10,480,242
<b>PROPERTY AND EQUIPMENT</b>				
Land	106,000	-	-	106,000
Building and Building Improvements	8,784,699	-	-	8,784,699
Furniture, Software, Equipment, and Vehicles	1,096,969	23,009	-	1,119,978
Total	<u>9,987,668</u>	<u>23,009</u>	<u>-</u>	<u>10,010,677</u>
Less: Accumulated Depreciation	7,087,302	8,522	-	7,095,824
Total Property and Equipment	<u>2,900,366</u>	<u>14,487</u>	<u>-</u>	<u>2,914,853</u>
<b>OTHER ASSETS</b>	40,000	-	-	40,000
Total Assets	<u>\$ 17,504,772</u>	<u>\$ 820,923</u>	<u>\$ (40,162)</u>	<u>\$ 18,285,533</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 842,451	\$ 83,760	\$ (40,162)	\$ 886,049
Capital Lease Obligations	17,801	-	-	17,801
Deferred Revenue:				
Subscriptions	1,130,684	-	-	1,130,684
Other	-	32,605	-	32,605
Total Deferred Revenue	<u>1,130,684</u>	<u>32,605</u>	<u>-</u>	<u>1,163,289</u>
Total Current Liabilities	1,990,936	116,365	(40,162)	2,067,139
<b>CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION</b>	99,377	-	-	99,377
<b>DEFERRED SUBSCRIPTIONS REVENUE, Net of Current Portion</b>	<u>804,242</u>	<u>-</u>	<u>-</u>	<u>804,242</u>
Total Liabilities	2,894,555	116,365	(40,162)	2,970,758
<b>NET ASSETS</b>				
Without Donor Restrictions	14,327,944	419,350	-	14,747,294
With Donor Restrictions:				
Time or Purpose Restrictions	227,173	285,208	-	512,381
Perpetual in Nature	55,100	-	-	55,100
Total Net Assets	<u>14,610,217</u>	<u>704,558</u>	<u>-</u>	<u>15,314,775</u>
Total Liabilities and Net Assets	<u>\$ 17,504,772</u>	<u>\$ 820,923</u>	<u>\$ (40,162)</u>	<u>\$ 18,285,533</u>

**MARINE CORPS ASSOCIATION  
MARINE CORPS ASSOCIATION FOUNDATION  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Consolidating Information			Consolidated Total
	MCA	MCAF	Eliminations	
<b>REVENUE</b>				
Retail Operations	\$ 5,734,134	\$ -	\$ -	\$ 5,734,134
Publications and Membership	2,390,701	-	-	2,390,701
Contributions	641,809	1,391,231	(10,000)	2,023,040
Sponsorships	1,467,312	44,439	-	1,511,751
Group Benefit Programs and Royalties	141,511	-	-	141,511
Other	103,257	-	-	103,257
Interest, Dividends, and Realized Loss, Net of Fees	27,473	10,463	-	37,936
Net Assets Released from Restrictions - Awards	207,114	55,687	-	262,801
Total Revenue	<u>10,713,311</u>	<u>1,501,820</u>	<u>(10,000)</u>	<u>12,205,131</u>
<b>EXPENSES</b>				
Retail Operations	5,549,451	-	-	5,549,451
Publications and Membership	1,650,570	-	-	1,650,570
Awards and Other	-	817,347	-	817,347
Professional Development	407,752	-	-	407,752
Management and General	2,151,831	119,521	(10,000)	2,261,352
Fundraising	-	568,976	-	568,976
Total Expenses	<u>9,759,604</u>	<u>1,505,844</u>	<u>(10,000)</u>	<u>11,255,448</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE UNREALIZED GAIN ON INVESTMENTS</b>				
	953,707	(4,024)	-	949,683
Unrealized Gain on Investments	<u>1,021,847</u>	<u>26,287</u>	<u>-</u>	<u>1,048,134</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	1,975,554	22,263	-	1,997,817
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Contributions	191,676	167,959	-	359,635
Net Assets Released from Restrictions - Awards	<u>(207,114)</u>	<u>(55,687)</u>	<u>-</u>	<u>(262,801)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>(15,438)</u>	<u>112,272</u>	<u>-</u>	<u>96,834</u>
<b>CHANGE IN NET ASSETS</b>	1,960,116	134,535	-	2,094,651
Net Assets - Beginning of Year	<u>12,650,101</u>	<u>570,023</u>	<u>-</u>	<u>13,220,124</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 14,610,217</u>	<u>\$ 704,558</u>	<u>\$ -</u>	<u>\$ 15,314,775</u>