



Marine Corps Heritage Foundation

Audited Consolidated Financial Statements

*Years ended December 31, 2007 and 2006
with Report of Independent Auditors*

Marine Corps Heritage Foundation
Audited Consolidated Financial Statements
Years ended December 31, 2007 and 2006

Contents

Report of Independent Auditors.....	1
Audited Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows.....	4
Notes to Consolidated Financial Statements.....	5 - 12
Other Financial Information	
Consolidated Statements of Functional Expense	13 - 14
Consolidating Statement of Financial Position.....	15
Consolidating Statement of Activities	16

Report of Independent Auditors

Board of Directors
Marine Corps Heritage Foundation
Quantico, VA

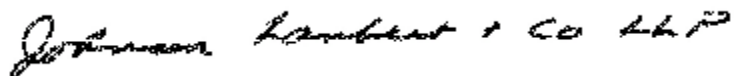
We have audited the accompanying consolidated statements of financial position of the Marine Corps Heritage Foundation as of December 31, 2007 and 2006 and the related consolidated statements of activities, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Marine Corps Heritage Foundation at December 31, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the financial statements, the Foundation changed its method of accounting for the National Museum of the Marine Corps.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated statements of functional expenses and the consolidating financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements of the Foundation. This information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



Falls Church, Virginia
May 21, 2008

Marine Corps Heritage Foundation

Consolidated Statements of Financial Position

	December 31,	
	2007	2006
Assets		
Cash and cash equivalents	\$ 3,444,422	\$ 3,086,609
Investments	5,881,536	3,048,874
Pledges receivable, net of discount	12,242,142	12,203,823
Grant receivable	228,000	409,091
Accounts receivable	48,374	62,666
Inventory	853,972	476,912
Construction in progress	2,810,777	449,201
The National Museum of the Marine Corps	58,523,836	56,411,219
Fixed assets, net	344,246	340,630
Prepaid expenses	55,424	15,957
Deposits	12,389	5,700
Total assets	\$ 84,445,118	\$ 76,510,682
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 1,090,348	\$ 900,824
Notes payable	13,129,590	15,629,590
Other payable	106,105	215,413
Annuity payable	18,273	22,423
Agency funds	20,628	22,643
Total liabilities	14,364,944	16,790,893
Net assets		
Unrestricted net assets	1,764,873	(3,361,890)
Temporarily restricted net assets	67,883,370	62,649,748
Permanently restricted net assets	431,931	431,931
Total net assets	70,080,174	59,719,789
Total liabilities and net assets	\$ 84,445,118	\$ 76,510,682

See accompanying notes to the financial statements.

Marine Corps Heritage Foundation

Consolidated Statements of Activities

	Year ended December 31,	
	2007	2006
Change in unrestricted net assets:		
Revenue, gains and other support		
Net sales	\$ 2,913,396	\$ 977,707
Less: Cost of sales	(1,212,058)	(398,560)
Total gross profit on sales	1,701,338	579,147
Membership dues	-	450
Contributions	5,339,025	973,287
Fundraising events	262,002	840,423
Program revenue	67,872	16,850
Donated professional services	210,000	221,184
Other income	85,233	78,247
Interest and dividends	317,346	236,634
Change in fair value of investments	(63,430)	94,431
Realized loss on investments	(4,301)	(1,868)
Net assets released from restrictions	3,515,440	4,159,432
Donor release of restrictions	-	50,194
Total revenue	11,430,525	7,248,411
Expenses		
Program services	\$ 2,139,192	\$ 4,781,245
Fundraising	2,868,917	2,606,440
General and administrative	1,295,653	679,334
Total expenses	6,303,762	8,067,019
Change in unrestricted net assets	5,126,763	(818,608)
Change in temporarily restricted net assets:		
Contributions	8,631,864	11,258,763
Royalty programs	-	5,984,810
Interest and dividends	117,198	26,093
Net assets released from restrictions	(3,515,440)	(4,159,432)
Change in temporarily restricted net assets	5,233,622	13,110,234
Change in permanently restricted net assets:		
Contributions	-	10,574
Donor release of restrictions	-	(50,194)
Change in permanently restricted net assets	-	(39,620)
Change in net assets	10,360,385	12,252,006
Net assets, beginning of year	59,719,789	47,467,783
Net assets, end of year	\$ 70,080,174	\$ 59,719,789

See accompanying notes to the financial statements.

Marine Corps Heritage Foundation

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 10,360,385	\$ 12,252,006
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,675	26,708
Change in fair value of investments	63,430	(94,431)
Realized loss on sales of investments	4,301	1,868
Donated marketable securities	(617,209)	(1,712,388)
Loss on disposal of fixed assets	131,994	2,357
Changes in operating assets and liabilities:		
Pledges receivable, net of discount	(38,319)	4,113,213
Grants receivable	181,091	17,576
Accounts receivable	14,292	(62,666)
Inventory	(377,060)	(249,682)
Prepaid expenses	(39,467)	(11,263)
Deposits	(6,689)	-
Accounts payable and accrued expenses	189,524	(910,329)
Other payable	(109,308)	(826,399)
Annuity payable	(4,150)	(4,150)
Net cash provided by operating activities	9,832,490	12,542,420
Cash flows from investing activities		
Payments for construction in progress	(2,361,576)	(449,201)
Purchases of investments	(11,396,501)	(1,266,777)
Proceeds from sales of investments	9,113,317	7,806,227
Purchases and costs of fixed assets	(2,327,902)	(16,077,658)
Net cash used in investing activities	(6,972,662)	(9,987,409)
Cash flows from financing activities		
Principal payments on note payable	(2,500,000)	-
Agency funds	(2,015)	-
Net cash used in financing activities	(2,502,015)	-
Increase in cash and cash equivalents	357,813	2,555,011
Cash and cash equivalents, beginning of year	3,086,609	531,598
Cash and cash equivalents, end of year	\$ 3,444,422	\$ 3,086,609

See accompanying notes to the financial statements.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements

Years ended December 31, 2007 and 2006

Note A - Organization and Summary of Significant Accounting Policies

The Marine Corps Heritage Foundation (the Foundation) was established to support the active duty Marine Corps by promoting the study and understanding of Marine Corps history. The Foundation operates a store that sells Marine Corps logo items. It also provides internships and fellowships for Marine Corps historical projects, sponsors writing competitions, and provides financial support to the History Division and Museums Division of Marine Corps University.

Over the past several years, the Foundation has been working with the United States Marine Corps to raise funds to build the National Museum of the Marine Corps (the Museum) devoted to depicting the Marine Corps history, professional military educational opportunities, and unique military events. An important mission of the Foundation is construction of the Museum and the Foundation will deed the Museum to the Marine Corps when no financial obligation remains with regard to the construction. Ground was broken on phase I in the spring of 2004 and the grand opening was in the fall of 2006. Phase II of the project is currently in the planning phase.

The consolidated financial statements include the assets, liabilities and activities of Heritage Center LLC (the Center). All significant intercompany transactions and balances have been eliminated in consolidation.

The Center was incorporated in Virginia on June 5, 2006 as a single member LLC. The Foundation is the member. The Center's purpose is to operate revenue producing units in the Museum. Such units include the Museum Store, and other interactive venues.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

Financial Statement Presentation

The Foundation reports information regarding its financial position and activities using three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Contributions and pledges are recorded at fair value when the donor makes a contribution or promise to give to the Foundation that is, in substance, unconditional.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Restricted Net Assets

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Foundation considers cash and cash equivalents to include only demand deposits and savings accounts. Certificates of deposit and other short-term, highly liquid investments purchased for its portfolio accounts and handled by its investment manager are treated as investments rather than cash equivalents.

Inventory Valuation

Inventories are stated at lower of cost or market, with cost determined on a first-in, first-out basis. The value of manufacturer's consigned inventory is offset by a liability which is included in accounts payable.

Investments

All investments in debt and equity securities are carried at fair value, with gains and losses included in the statement of activities. Gains and losses on investments reflected in the accompanying statements of activities include those realized upon sales and unrealized resulting from fluctuations in market values of investments. Gains and losses upon sales are calculated using the average cost method.

Furniture and Equipment

Furniture and equipment are recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated life of 3-7 years. Expenditures for maintenance and repairs are expensed as incurred; betterments which increase the value or materially extend the life of the related assets are capitalized.

Shipping and Handling Fees and Costs

The Foundation does not charge shipping and handling fees to customers. Shipping and handling costs associated with inbound freight are included in inventory and in cost of sales when sold. Shipping and handling costs associated with outbound freight are included in program expenses and totaled \$24,234 and \$20,005 for the years ended December 31, 2007 and 2006, respectively.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is required to pay Federal and state income taxes only on unrelated business income. The Center is a disregarded entity, which means for tax purposes it will not file its own tax return and will be consolidated into the Foundation's 990.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding valuation and classification. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of cash investments. The Foundation places its cash investments with high credit quality financial institutions. At times, such investments may be in excess of Federal Deposit Insurance, however, management monitors these balances and does not believe that they represent significant credit risk.

Donated Services

Donated services are recognized as contributions, if they create or enhance non-financial assets or require specialized skills and are performed by people with those skills, and would otherwise be purchased by the Foundation.

Change in Accounting Principle

The Foundation changed its classification of the National Museum of the Marine Corps from unrestricted to temporarily restricted net assets. This is considered a change in accounting principle in accordance with generally accepted accounting principles (GAAP). The fixed assets and related construction in progress were previously classified as unrestricted net assets. When the Museum is complete and no financial obligation related to construction exists, the Foundation will deed the Museum to the Marine Corps. The Foundation believes that this presentation method is preferable since it presents a clearer picture of the Foundation's financial position with respect to donor restrictions on the use of the Foundation's resources.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note A - Organization and Summary of Significant Accounting Policies (Continued)

The following is the effect of the change on beginning unrestricted and temporarily restricted net assets for the year-ended December 31, 2006:

	Impact on Unrestricted Net Assets	Impact on Tempo
Reclassification of costs for National Museum	\$ (39,396,331)	\$ 39,396,331

Note B - Pledges Receivable

Pledges receivable consist of the following at December 31:

Amounts due in:	<u>2007</u>	<u>2006</u>
Less than one year	\$ 3,911,696	\$ 5,321,916
One to five years	6,579,006	7,537,730
More than five years	<u>3,101,810</u>	<u>715,500</u>
Total Pledges	13,592,512	13,575,146
Less an allowance and discount	<u>(1,350,370)</u>	<u>(1,371,323)</u>
Pledges net of allowance and discount	<u>\$ 12,242,142</u>	<u>\$ 12,203,823</u>

Pledges receivable that are due beyond one year are carried at the estimated present value of the future receipts.

Note C - Investments

Investments consist of marketable, publicly traded securities stated at fair value and include the following at December 31:

	<u>2007</u>	<u>2006</u>
Short-term investments	\$ 3,976,096	\$ 173,063
Equity securities	1,401,245	1,141,543
Fixed income securities	<u>504,195</u>	<u>1,734,268</u>
Total investments	<u>\$ 5,881,536</u>	<u>\$ 3,048,874</u>

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounted to \$44,882 and \$32,422 for the years ended December 31, 2007 and 2006, respectively.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note D - Fixed Assets

Fixed assets of the Foundation consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Equipment and software	\$ 280,583	\$ 350,055
Leasehold improvements	53,473	-
Vehicles	20,636	-
Furniture and fixtures	98,446	49,962
	<u>453,138</u>	<u>400,017</u>
Accumulated Depreciation	<u>(108,892)</u>	<u>(59,387)</u>
Fixed assets, net	<u>\$ 344,246</u>	<u>\$ 340,630</u>

Depreciation expense amounted to \$79,675 and \$26,708 for the years ended December 31, 2007 and 2006, respectively.

Note E - Agency Funds

The Foundation is the repository for discretionary funds donated for the purpose of enhancing and maintaining the condition of the Commandant's house, the official residence of the Commandant of the Marine Corps. These funds are included in the investments of the organization and also shown as a liability since the Foundation functions only as an intermediary in the holding and disbursement of these funds. Investment income on these funds increases the asset and related liability, and is not included as part of investment income of the Foundation.

Note F - National Museum of the Marine Corps

As mentioned in Note A, over the past several years, the Foundation has been working with the United States Marine Corps to raise funds to build the National Museum of the Marine Corps. The Museum is located on a 135 acre site in Quantico, Virginia. The entire project consists of multiple phases, the first of which was a 115,000 square foot building which opened in November 2006. More than 107,000 donors have contributed to the construction of the complex. Costs associated with the construction of the building (phase I) have been capitalized and the Museum was opened in November 2006. Costs associated with phase II have been capitalized and are included as construction in progress on the statement of financial position as of December 31, 2007.

In addition to contributions, the museum construction costs have been defrayed by royalties from sales by the United States Mint of a commemorative silver dollar celebrating the 230th birthday of the United States Marine Corps. Sales of the special coin began in July 2005, with \$10 of the sales price of each coin going to museum support. The royalties from the sales were paid to the Foundation during 2006 in two installments totaling \$5,984,810. This amount is included in the 2006 statement of activities as temporarily restricted support.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note G - Restricted Net Assets

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions. In addition, in 2006, \$50,194 of permanently restricted net assets were released by donors and reclassified as unrestricted. Net assets released from restriction are as follows:

	2007	2006
National Museum of the Marine Corps	\$ 3,377,380	\$ 4,135,366
Awards and fellowships programs	28,682	9,366
Support programs	108,028	-
Monuments	1,350	14,700
Total assets released from restriction	\$ 3,515,440	\$ 4,159,432

At December 31, temporarily restricted net assets consist of funds available for the following purposes:

	2007	2006
National Museum of the Marine Corps	\$ 67,268,461	\$ 62,145,301
Awards and fellowships programs	231,637	175,425
Support programs	380,918	325,318
Monuments	2,354	3,704
Total temporarily restricted assets	\$ 67,883,370	\$ 62,649,748

Temporarily restricted net assets consist of funds to support various programs of the Foundation, including awards and fellowships and the construction of the National Museum of the Marine Corps. During 2007, a donor of one of the temporarily restricted endowments withdrew the temporary restriction. As a result, the amount of the previous contribution, \$66,339, is shown as released from restrictions under change in temporarily restricted net assets in the statement of activities and included in unrestricted net assets as of December 31, 2007. As of December 31, 2007, permanently restricted net assets consisted of three permanent endowment funds totaling \$431,931.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note H - Notes Payable

The Foundation entered into a loan agreement with Wachovia Bank, N.A. to borrow up to \$23,000,000 for use in the construction of the National Museum of the Marine Corps. In November 2006, an agreement was signed that converted the debt instrument into a term loan in the amount of \$15,700,000. This agreement also provided for an additional borrowing in the form of a revolving line of credit up to \$6,000,000. The term loan bears interest at the floating monthly LIBOR rate plus 1.0% and calls for principal payments every May 31 and November 30 beginning in May 2007 and ending on the maturity date of November 30, 2011. Interest is due and payable on the last day of each month through the maturity date. The line of credit bears interest at the floating monthly LIBOR rate plus 1.3%. As of December 31, 2007 and 2006 there have been no draws on the line of credit.

Payment commitments on the term loan by year are as follows:

Year ending December 31:		
2008	\$	3,100,000
2009		3,100,000
2010		3,500,000
2011		<u>3,429,590</u>
Total:	\$	<u>13,129,590</u>

During the years ended December 31, 2007 and 2006, total interest costs incurred amounted to \$830,650 and \$1,379,660, respectively. All interest incurred since inception has been capitalized.

Note I - Charitable Gift Annuity

The Foundation received \$50,000 from a donor in order to establish a charitable gift annuity. The charitable gift annuity agreement requires the Foundation to make monthly payments of \$346 to the donor for the remainder of the individual's life. This annuity is not transferable and terminates at the donor's death. At the date of the gift, the Foundation calculated a liability of \$33,200 based on estimated future payments. The difference between the initial gift and the calculated liability was recorded as a contribution during the year ended December 31, 2004.

Note J - Retirement Plan

The Foundation provides a salary deferral arrangement which is qualified under Section 403(b) of the Internal Revenue Code. Employees may begin making elective contributions upon reaching age 21 and completing 90 days of service. The Foundation matches 50% of the amount deferred by participants. Pension expense for the years ended December 31, 2007 and 2006 were \$62,462 and \$0, respectively.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note K - Contributed Services

The Foundation received substantial benefit from services provided by members who serve in administrative and management capacities. Management estimates the fair value of those services to be \$210,000 and \$221,184 for the years ended December 31, 2007 and 2006, respectively. These amounts are reflected in the statements of activities as revenue and expense.

Note L - Commitments

The Foundation is obligated under various operating leases for office space and equipment. The current monthly charges are \$12,939. Minimum future rental payments under noncancellable operating leases as of December 31, 2007 are:

2008	\$	155,268
2009		113,568
2010		116,976
2011		120,492
2012		<u>124,104</u>
Total	\$	<u>630,408</u>

Rent expense for the years ended December 31, 2007 and 2006 was \$83,975 and \$87,022, respectively.

Note M - Allocation of Joint Costs

The Foundation conducted activities which incurred joint costs for distribution of direct-mail fundraising appeals and program information. Total joint costs of \$1,643,455 included allocated amounts of \$328,691 to program services and \$1,314,764 to fundraising for the year ended December 31, 2007. Total joint costs of \$1,507,102 included allocated amounts of \$301,420 to program and \$1,205,682 to fundraising for the year ended December 31, 2006.

Marine Corps Heritage Foundation

Consolidated Statement of Functional Expenses

Year ended December 31, 2007

	<u>Program</u> <u>services</u>	<u>General an</u> <u>administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting and auditing	\$ -	\$ 50,505	\$ -	\$ 50,505
Advertising	15,662	-	5,287	20,949
Awards	81,310	-	-	81,310
Bank charges	-	4,261	-	4,261
Catalog	69,440	-	-	69,440
Consulting	-	-	219,220	219,220
Credit card fees	105,349	4,940	-	110,289
Depreciation	27,174	52,501	-	79,675
Direct mailing	328,691	-	1,314,764	1,643,455
Dues and subscriptions	-	1,939	-	1,939
Facilities development	38,883	-	-	38,883
Gifts	-	22,612	-	22,612
Insurance	12,330	67,072	-	79,402
Investment fees	-	44,882	-	44,882
Loss on disposal of asset	-	131,994	-	131,994
Maintenance	21,380	21,380	-	42,760
Marine Band	4,818	-	-	4,818
Marketing	-	-	466,383	466,383
Meetings	18,445	19,389	36,890	74,724
Miscellaneous	24,513	-	-	24,513
Monuments and memorials	1,350	-	-	1,350
Museum expenses - MCHF	28,627	-	-	28,627
Museum expenses - LLC	18,639	-	-	18,639
Museum support	312,028	-	-	312,028
Office expense	40,575	40,575	40,575	121,725
Postage and shipping	19,993	19,993	7,875	47,861
Printing	14,794	14,794	14,794	44,382
Professional fees	106,242	-	302,532	408,774
Rent	34,174	49,801	-	83,975
Research	-	-	17,850	17,850
Salaries, taxes, and benefits	671,585	671,585	401,609	1,744,779
Software lease	-	17,256	-	17,256
Special events	80,501	-	11,360	91,861
Staff training	8,302	8,302	-	16,604
Taxes and licenses	4,145	461	-	4,606
Telephone and utilities	33,635	33,635	12,002	79,272
Travel	5,349	6,518	6,518	18,385
Website and internet	11,258	11,258	11,258	33,774
Total	<u>\$ 2,139,192</u>	<u>\$ 1,295,653</u>	<u>\$ 2,868,917</u>	<u>\$ 6,303,762</u>

Marine Corps Heritage Foundation

Consolidated Statement of Functional Expenses

Year ended December 31, 2006

	<u>Program</u> <u>services</u>	<u>General an</u> <u>administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting and auditing	\$ -	\$ 48,406	\$ -	\$ 48,406
Advertising	14,198	-	14,198	28,396
Awards	98,295	-	-	98,295
Bank charges	-	4,018	-	4,018
Catalog	72,822	-	-	72,822
Consulting	-	-	212,437	212,437
Credit card fees	29,836	9,945	-	39,781
Depreciation	-	26,708	-	26,708
Direct mailing	301,420	-	1,205,682	1,507,102
Facilities development	355,789	-	-	355,789
Gifts	-	11,260	-	11,260
Insurance	-	24,044	-	24,044
Investment fees	-	32,422	-	32,422
Maintenance	-	9,688	-	9,688
Marketing	-	-	470,558	470,558
Meetings	4,158	4,158	8,316	16,632
Museum dedication	2,727,163	-	-	2,727,163
Miscellaneous	7,504	-	-	7,504
Monuments and memorials	14,700	-	-	14,700
Museum support	569,665	-	-	569,665
Museum expenses - LLC	60,473	-	-	60,473
Newsletter	9,264	-	-	9,264
Office expense	12,047	12,047	12,047	36,141
Postage and shipping	16,375	16,375	16,375	49,125
Printing	5,438	5,438	5,438	16,314
Professional fees	39,503	-	289,691	329,194
Rent	-	88,179	-	88,179
Research	-	-	7,405	7,405
Salaries, taxes, and benefits	339,684	339,684	339,684	1,019,052
Software lease	-	15,409	-	15,409
Special events	79,739	-	-	79,739
Staff training	2,750	2,750	-	5,500
Taxes and licenses	-	4,194	-	4,194
Telephone and utilities	17,584	17,584	17,584	52,752
Travel	-	4,187	4,187	8,374
Website and internet	2,838	2,838	2,838	8,514
Total	<u>\$ 4,781,245</u>	<u>\$ 679,334</u>	<u>\$ 2,606,440</u>	<u>\$ 8,067,019</u>

Marine Corps Heritage Foundation

Consolidating Statement of Financial Position

December 31, 2007

	<u>Foundation</u>	<u>Heritage Center, LLC</u>	<u>Reclassifications & Eliminations</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 3,098,475	\$ 345,947	\$ -	\$ 3,444,422
Investments	5,881,536	-	-	5,881,536
Investment in LLC	928,293	-	(928,293)	-
Pledges receivable, net of discount	12,242,142	-	-	12,242,142
Grant receivable	228,000	-	-	228,000
Accounts receivable	48,374	-	-	48,374
Due from LLC	328,546	-	(328,546)	-
Inventory	-	853,972	-	853,972
Construction in progress	2,810,777	-	-	2,810,777
The National Museum of the Marine Corps	58,523,836	-	-	58,523,836
Fixed assets, net	159,484	184,762	-	344,246
Prepaid expenses	41,256	14,168	-	55,424
Deposits	12,389	-	-	12,389
Total assets	<u>\$ 84,303,108</u>	<u>\$ 1,398,849</u>	<u>\$ (1,256,839)</u>	<u>\$ 84,445,118</u>
Liabilities and net assets				
Accounts payable and accrued expenses	\$ 948,338	\$ 142,010	\$ -	\$ 1,090,348
Due to Foundation	-	328,546	(328,546)	-
Notes payable	13,129,590	-	-	13,129,590
Other payable	106,105	-	-	106,105
Annuity payable	18,273	-	-	18,273
Agency funds	20,628	-	-	20,628
Total liabilities	<u>14,222,934</u>	<u>470,556</u>	<u>(328,546)</u>	<u>14,364,944</u>
Net assets/retained earnings:				
Unrestricted net assets	1,764,873	-	-	1,764,873
Retained earnings	-	928,294	(928,294)	-
Temporarily restricted net assets	67,883,370	-	-	67,883,370
Permanently restricted net assets	431,931	-	-	431,931
Total net assets/retained earnings	<u>70,080,174</u>	<u>928,294</u>	<u>(928,294)</u>	<u>70,080,174</u>
Total liabilities and net assets	<u>\$ 84,303,108</u>	<u>\$ 1,398,850</u>	<u>\$ (1,256,840)</u>	<u>\$ 84,445,118</u>

Marine Corps Heritage Foundation

Consolidating Statement of Activities

	Year ended December 31, 2007			
	Foundation	Heritage Center, LLC	Reclassifications & Eliminations	Total
Change in unrestricted net assets/retained earnings:				
Revenues, gains, and other support				
Net sales	\$ -	\$ 2,913,396	\$ -	\$ 2,913,396
Less: Cost of sales	-	(1,212,058)	-	(1,212,058)
Total gross profit on sales	-	1,701,338	-	1,701,338
Contributions	5,258,462	80,563	-	5,339,025
Fundraising events	176,705	85,297	-	262,002
Program revenue	-	67,872	-	67,872
Other income	25,044	60,189	-	85,233
Interest and dividends	314,319	3,027	-	317,346
Contributed services	210,000	-	-	210,000
Change in fair value of investments	(63,430)	-	-	(63,430)
Interest in the earnings of the LLC	690,943	-	(690,943)	-
Realized loss on investments	(4,301)	-	-	(4,301)
	6,607,742	1,998,286	(690,943)	7,915,085
Net assets released from restrictions	3,515,440	-	-	3,515,440
Total revenue	10,123,182	1,998,286	(690,943)	11,430,525
Expenses				
Program services	1,460,600	678,592	-	2,139,192
Fundraising	2,831,579	37,338	-	2,868,917
General and administrative	704,240	591,413	-	1,295,653
Total expenses	4,996,419	1,307,343	-	6,303,762
Change in unrestricted net assets/retained earnings	5,126,763	690,943	(690,943)	5,126,763
 Change in temporarily restricted net assets:				
Contributions	8,631,864	-	-	8,631,864
Interest and dividends	117,198	-	-	117,198
Net assets released from restrictions	(3,515,440)	-	-	(3,515,440)
Change in temporarily restricted net assets	5,233,622	-	-	5,233,622
Change in net assets/retained earnings	10,360,385	690,943	(690,943)	10,360,385
Net assets/member's equity, beginning of year	59,719,789	237,350	(237,350)	59,719,789
Net assets/member's equity, end of year	\$ 70,080,174	\$ 928,293	\$ (928,293)	\$ 70,080,174