

# **Marine Corps Heritage Foundation and Affiliate**

## **Consolidated Audited Financial Statements**

### **and Other Financial Information**

*Year ended December 31, 2025*  
*with Report of Independent Auditors*

Marine Corps Heritage Foundation and Affiliate

Consolidated Audited Financial Statements  
and Other Financial Information

Year ended December 31, 2025

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## Report of Independent Auditors

Board of Directors  
Marine Corps Heritage Foundation and Affiliate

### **Opinion**

We have audited the consolidated financial statements of Marine Corps Heritage Foundation and Affiliate (the Foundation), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position and Consolidating Schedule of Activities on pages 22 - 23 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.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia  
April 30, 2026

Marine Corps Heritage Foundation and Affiliate

Consolidated Statement of Financial Position

As of December 31, 2025

	<u>2025</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,715,724
Investments	23,437,503
Accounts receivable	206,037
Pledges receivable, net	3,013,987
Prepaid expenses	195,706
Heritage Center, net	72,029,759
Construction in progress	3,189,391
Fixed assets, net	224,507
Right-of-use assets - finance leases	7,012
Cash surrender value of life insurance policies	99,173
Retirement plan assets	413,201
Total assets	<u>\$ 105,532,000</u>
<b>Liabilities and net assets</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 395,196
Notes payable	100,000
Retirement plan liabilities	413,201
Lease liability - finance leases	6,844
Total liabilities	<u>915,241</u>
Net assets:	
Without donor restrictions	102,525,369
With donor restrictions	2,091,390
Total net assets	<u>104,616,759</u>
Total liabilities and net assets	<u>\$ 105,532,000</u>

See accompanying notes to consolidated financial statements.

Marine Corps Heritage Foundation and Affiliate

Consolidated Statement of Activities

Year ended December 31, 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, gains and other support</b>			
Contributions	\$ 10,480,212	\$ 274,551	\$ 10,754,763
Museum gift shop income	313,903	-	313,903
Theater/rifle range revenue	134,143	-	134,143
Other revenue	188,253	-	188,253
Special events	176,528	-	176,528
In-kind support	197,314	-	197,314
Investment income, net	521,382	51,410	572,792
Net assets released from restrictions	<u>222,394</u>	<u>(222,394)</u>	-
Total revenue, gains and other support	12,234,129	103,567	12,337,696
<b>Expenses</b>			
Program services:			
Museum & Heritage Center	9,751,727	-	9,751,727
Marine Corps University History Division	223,026	-	223,026
Other historical support	<u>3,562,529</u>	-	<u>3,562,529</u>
Total program services	13,537,282	-	13,537,282
Supporting services:			
Fundraising	3,288,029	-	3,288,029
General and administrative	<u>1,399,260</u>	-	<u>1,399,260</u>
Total supporting services	<u>4,687,289</u>	-	<u>4,687,289</u>
Total expenses	<u>18,224,571</u>	-	<u>18,224,571</u>
Change in net assets, before change in fair value of investments	(5,990,442)	103,567	(5,886,875)
Change in fair value of investments	<u>1,897,864</u>	<u>219,058</u>	<u>2,116,922</u>
Change in net assets	(4,092,578)	322,625	(3,769,953)
Net assets, beginning of year	<u>106,617,947</u>	<u>1,768,765</u>	<u>108,386,712</u>
Net assets, end of year	<u>\$ 102,525,369</u>	<u>\$ 2,091,390</u>	<u>\$ 104,616,759</u>

See accompanying notes to consolidated financial statements.

# Marine Corps Heritage Foundation and Affiliate

## Consolidated Statement of Functional Expenses

Year ended December 31, 2025

	Program Services			Supporting Services			Total Expenses
	Museum & Heritage Center	Marine Corps University History Division	Other historical support	Fundraising	General and administrative	Total Supporting Expenses	
Accounting and auditing	\$ 28,582	\$ 1,424	\$ 4,169	\$ 26,879	\$ 7,308	\$ 34,187	\$ 68,362
Advertising	130,426	-	-	11,464	93	11,557	141,983
Amortization - Leases	2,017	114	334	5,172	1,406	6,578	9,043
Awards	-	-	5,997	-	-	-	5,997
Bank charges	-	-	-	-	140	140	140
Bad debt	-	-	-	133,640	-	133,640	133,640
Consulting	26,271	-	2,880,822	117,045	102,179	219,224	3,126,317
Credit card fees	40,916	-	-	29,298	29,387	58,685	99,601
Depreciation	334,278	15,783	46,195	5,333	1,450	6,783	403,039
Depreciation - Heritage Center	6,136,145	-	-	-	-	-	6,136,145
Direct marketing	504,852	28,573	83,633	1,615,157	611,371	2,226,528	2,843,586
Dues and subscriptions	4,938	-	-	5,479	3,030	8,509	13,447
Educational support	264,917	-	-	-	-	-	264,917
Gifts	40,561	-	-	237	22,888	23,125	63,686
Insurance	100,753	-	-	-	24,102	24,102	124,855
Interest	6,150	-	-	-	329	329	6,479
Loss on disposal of assets	334	-	-	-	-	-	334
Maintenance	359,847	2,145	6,279	193,384	86,461	279,845	648,116
Marketing	23,194	838	2,454	6,036	-	6,036	32,522
Meetings	2,289	-	-	-	59,795	59,795	62,084
Museum and historical support	253,006	7,750	114,250	-	-	-	375,006
Museum expenses - LLC	53,825	-	-	-	-	-	53,825
Office expense	7,734	-	-	1,609	45,188	46,797	54,531
Postage and shipping	463	-	-	12,916	3,078	15,994	16,457
Printing	-	-	6,679	-	231	231	6,910
Professional fees	121,350	-	-	76,644	20,837	97,481	218,831
Salaries, taxes, and benefits - Foundation	740,199	19,919	58,303	969,260	349,114	1,318,374	2,136,795
Salaries, taxes, and benefits - Museum, History Division, and Band Support	398,534	142,900	22,932	-	-	-	564,366
Special events	11,673	-	301,305	14,286	1,379	15,665	328,643
Staff training	-	-	-	402	2,786	3,188	3,188
Taxes and licenses	16,411	-	-	13,116	2,963	16,079	32,490
Telephone and utilities	64,588	1,345	3,937	15,401	15,104	30,505	100,375
Travel	39,477	2,235	6,540	34,609	8,038	42,647	90,899
USMC Support	37,997	-	-	-	-	-	37,997
Website and Internet	-	-	18,700	662	603	1,265	19,965
<b>Total</b>	<b>\$ 9,751,727</b>	<b>\$ 223,026</b>	<b>\$ 3,562,529</b>	<b>\$ 3,288,029</b>	<b>\$ 1,399,260</b>	<b>\$ 4,687,289</b>	<b>\$ 18,224,571</b>

*See accompanying notes to consolidated financial statements.*

Marine Corps Heritage Foundation and Affiliate

Consolidated Statement of Cash Flows

Year ended December 31, 2025

	<u>2025</u>
<b>Cash flows from operating activities</b>	
Change in net assets	\$ (3,769,953)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	6,548,227
Receipt of donated stock	(582,122)
Change in fair value of investments	(2,116,922)
Change in pledges allowance and discount	26,039
Loss on disposal of fixed assets	334
Accounts receivable	(155,709)
Pledges receivable	888,311
Prepaid expenses	63,839
Retirement plan assets	29,937
Accounts payable and accrued expenses	(56,666)
Retirement plan liabilities	<u>(29,937)</u>
Net cash provided by operating activities	845,378
<b>Cash flows from investing activities</b>	
Purchases of investments	(7,241,541)
Proceeds from sales of investments	<u>6,510,826</u>
Net cash used in investing activities	(730,715)
<b>Cash flows from financing activities</b>	
Payments on finance leases	<u>(1,681)</u>
Net cash used in financing activities	<u>(1,681)</u>
<b>Net change in cash and cash equivalents</b>	112,982
Cash and cash equivalents, beginning of year	<u>2,602,742</u>
Cash and cash equivalents, end of year	<u>\$ 2,715,724</u>
<b>Supplemental disclosures of cash flow information</b>	
Cash paid in the year for loan interest	<u>\$ 6,514</u>

See accompanying notes to consolidated financial statements.

# Marine Corps Heritage Foundation and Affiliate

## Notes to Consolidated Financial Statements

Year ended December 31, 2025

### **Note A - Organization and Summary of Significant Accounting Policies**

The Marine Corps Heritage Foundation (the Foundation) was established to preserve and promulgate the history, traditions and culture of the United States Marine Corps (USMC) and educate all Americans in its virtues. The Foundation is registered as a non-profit organization in the Commonwealth of Virginia.

The Foundation provides internships and fellowships for Marine Corps historical projects, sponsors award competitions, and provides program support to the History Division of Marine Corps University and the Museum.

The consolidated financial statements include the assets, liabilities and activities of the Heritage Center LLC (the LLC). The LLC was incorporated in Virginia on June 5, 2006 as a single member LLC, with the Foundation as the sole member. The LLC's operating agreement with the Foundation authorizes the LLC to operate revenue-producing units in the Museum, which include the Museum Store, restaurants, event space rentals, a laser rifle range and the giant screen theater. The LLC may distribute funds that were generated at the Museum to the Foundation to support the continued development of the Heritage Center and other Foundation programs. The LLC did not distribute any funds to the Foundation in 2025.

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

#### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of the Foundation and the LLC (collectively referred to as the Foundation). Significant intercompany accounts and transactions have been eliminated in consolidation.

#### *Basis of Accounting*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Financial Accounting Standards Board Accounting Standards Codification (ASC or the guidance).

#### *Measure of Operations*

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing program and supporting services. Nonoperating activities are limited to the change in fair value from investments.

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

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

##### *Use of Estimates*

Preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

##### *Subsequent Events*

The Foundation has performed an evaluation of subsequent events through April 30, 2026, which is the date the consolidated financial statements were available to be issued and has considered any relevant matters in the preparation of the consolidated financial statements and notes.

See subsequent events Note N for more information regarding the sublease agreement effective January 31, 2026.

##### *Income Taxes*

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. The Foundation is required to pay federal and state income taxes only on unrelated business income. The LLC is a disregarded entity, and is consolidated into the Foundation for tax reporting purposes. Management has concluded that the Foundation has maintained its tax exempt status and that there are no uncertain tax positions as of December 31, 2025.

##### *Cash and Cash Equivalents*

The Foundation considers cash and cash equivalents to include only demand deposits and savings accounts. Certificates of deposit, money market funds, and other short-term, highly liquid investments purchased for its portfolio that are intended to be invested are treated as investments rather than cash equivalents, including those certificates of deposit that have original maturities at the date of purchase of less than 90 days. The Federal Deposit Insurance Corporation (FDIC) insures amounts on deposit with each financial institution up to limits prescribed by law. The Foundation may hold funds with financial institutions in excess of the FDIC insured amounts; however, the Foundation has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

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

##### *Investments and Fair Value Measurement*

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Subsequent to the initial recording, investments are adjusted to fair values in the consolidated statement of financial position. Net investment income or (loss) is reported on the consolidated statement of activities and consists of interest and dividends, less external investment expenses. The change in fair value of investments, also reported on the consolidated statement of activities, includes gains and losses realized upon sales and unrealized resulting from fluctuations in market values of investments.

In accordance with GAAP, the Foundation prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities for substantially the entire period and market-corroborated inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability and are significant to the fair value measurement.

In accordance with GAAP, the Foundation's hedge funds, which are measured at fair value using the net asset value per share (or equivalent) as a practical expedient, have not been classified in the fair value hierarchy.

Certificates of deposit and money market funds held do not meet the definition of securities under accounting standards and thus are not subject to the fair value disclosure requirements of GAAP.

##### *Risks and Uncertainties*

The Foundation invests in various securities. These securities are exposed to a variety of risks, such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the consolidated financial statements.

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

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

##### *Fixed Assets*

Furniture and equipment are recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated life of 3-10 years. Software is recorded at cost less accumulated depreciation, and depreciation expense is computed using the straight-line method over the estimated life of 3 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.

##### *Heritage Center*

The Heritage Center consists of the National Museum of the Marine Corps, Memorial Chapel, Semper Fidelis Memorial Park, Heritage Center Parkway with an overlook, and the Playground. The 2023 National Defense Authorization Act stipulates that the Heritage Center may be transferred to the Department of the Navy once all financial obligations have been met which is currently anticipated to be the fall of 2026.

These assets are depreciated on a straight-line basis over their estimated useful lives of 20 to 30 years. The Foundation capitalizes costs in accordance with the Foundation's established threshold, while expensing amounts incurred for routine repairs and maintenance.

The carrying value of the Heritage Center is periodically evaluated and adjusted for any perceived impairments in value. The amount of write-downs, if required, is charged to expense in the period the impairment is identified. Circumstances that could have a significant adverse effect on the value of the Heritage Center include a deficit in contributions necessary to maintain the property. During the year ended December 31, 2025, there were no impairments recognized.

##### *Construction in Progress*

Costs incurred to expand Semper Fidelis Memorial Park and Phase II costs associated with USMC post-Vietnam historical exhibit galleries, a Medal of Honor gallery and a Sports Gallery/Hall of Fame have been capitalized and are included as construction in progress on the consolidated statement of financial position. Depreciation on the construction in progress balance will begin when the assets are available for their intended use, and when the assets are in the location and condition necessary to operate in the manner intended by the Foundation.

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

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

##### *Collections*

The Foundation's collections include monuments located in Semper Fidelis Memorial Park and are held for public exhibition. Each of the collection items are cataloged, preserved, and cared for in a manner similar to works of art held for public exhibition. Activities verifying their existence and assessing their condition are performed continuously. These collection items are considered to be a permanent collection, and the Foundation has no intention of selling these items. Monuments deaccessioned from the collection for any reason would not be sold, but may be gifted to the USMC or the Department of the Navy, or may be returned to the original sponsoring individual, organization, assignees or heirs. Expenses incurred to maintain, repair or replace monuments in the collection are the sole responsibility of the Foundation. Contributed collections are not recognized as assets on the consolidated statement of financial position, and are valued at approximately \$0 as of December 31, 2025.

##### *Leases*

The Foundation determines if an arrangement is a lease or contains a lease at inception of a contract and classifies each lease as an operating or finance lease. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Foundation records a right-of-use (ROU) asset for the right to use an underlying asset for the lease term and a lease liability, on a discounted basis, for the obligation to make lease payments arising from the lease. The Foundation has elected the risk free rate as the discount rate for all its underlying leased assets. The lease term includes options to extend or to terminate the lease that the Foundation is reasonably certain not to exercise. The Foundation has elected for all classes of underlying assets the practical expedient to not separate lease and nonlease components and account for them as a single lease component. ROU assets are subject to review for impairment. No impairment was identified during the year ended December 31, 2025.

For finance leases, the amortization of the ROU asset is recognized over the shorter of the lease term or useful life of the underlying asset and interest expense is recorded using the effective interest rate method. The Foundation has elected as an accounting policy not to record ROU assets and lease liabilities that arise from short-term leases for any class of underlying asset. The Foundation does not have any operating leases as of December 31, 2025.

##### *Revenues (Operating leases)*

The Foundation subleases museum gift shop space and records rental income under operating lease agreements on a straight-line basis over the lease term.

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

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

##### *Contributions*

The Foundation recognizes contributions when an unconditional promise to give is received. Conditional promises to give, with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions are recorded as with donor restrictions or without donor restrictions, depending on the existence or nature of any donor imposed restrictions. A restricted contribution is reported as without donor restrictions if a restriction is fulfilled in the same time period in which the contribution is received.

The Foundation is aware of a split-interest agreement, in the form of a charitable remainder unitrust, where the Foundation is listed as the beneficiary of future benefits. The estimated amount of distribution after the donor's death is approximately \$3 million. The Foundation is not able to obtain sufficient information for the split-interest agreement in order to value the beneficial interest. Accordingly, it has not been recognized in the consolidated financial statements for the year ended December 31, 2025. There were no amounts received during 2025 from this split-interest agreement.

##### *Pledges Receivable*

Pledges receivable that are expected to be collected within one year are reported net of any estimated uncollectible amounts. Pledges receivable that are due beyond one year are carried at the estimated present value of the future receipts based on their perceived collectability and aged outstanding balance and have been discounted using associated US Treasury rates in effect the year the pledge is received, which range from .65% to 4.48%.

##### *Allowance for Uncollectible Pledges*

The Foundation has established an allowance for uncollectible pledges. Although variability is inherent in such estimates, management believes that the allowance provided in the consolidated financial statements is adequate, but largely dependent on economic conditions. When all collection efforts have been exhausted, uncollectible pledged receivables are written off as bad debt expense.

##### *Net Assets*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

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

Net Assets With Donor Restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires. That is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

#### *Notes Payable*

Notes payable are recorded at principal plus accrued unpaid interest. See for information on the notes payable.

#### *Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses that can be identified with a specific program or supporting activity are allocated directly according to their natural expenditure classification. Expenses such as salaries, taxes, benefits, depreciation not related to the Museum and Heritage Center, professional services, office expenses, information technology, insurance, and others are allocated on the basis of estimates of time and effort. Advertising and direct marketing costs are allocated based on a joint costs allocation, as the costs of producing these mailings is not directly attributable to any single function.

#### **Note B - Liquidity and Availability of Resources**

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

	December 31, 2025
Cash and cash equivalents	\$ 2,451,437
Investments	21,227,910
Accounts receivable	124,144
Pledges receivable	866,925
Total financial assets available for general expenditure	<u>\$ 24,670,416</u>

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

#### **Note B - Liquidity and Availability of Resources (Continued)**

The Foundation is substantially supported by contributions without donor restrictions; however, restricted gifts are occasionally received. Donor restriction requires resources to be used for a particular purpose or during a specified time, and therefore the Foundation must maintain sufficient resources to meet those responsibilities to its donors. As a result, not all financial assets will be available for expenditure within one year. The Foundation's management keeps detailed records to monitor restricted contributions and tracks when they would be available for general expenditures.

As part of the Foundation's liquidity management plan, the Foundation invests cash in excess of monthly requirements in short-term investments, certificates of deposit, and money market funds. Additionally, the Foundation has accounts and pledges receivable that are due within one year. A portion of the investments listed on the consolidated statement of financial position include certificates of deposit and money market funds held by the Foundation, which serve as collateral for the Foundation's loan agreement with Navy Federal Credit Union and are not available to cover general expenditures.

The Foundation structures its financial assets to be available when operating expenditures, liabilities and other obligations become due. The Foundation has evaluated its general expenditures for the next fiscal year and has determined that certain donor restrictions are for purposes related to the regular, ongoing programs and activities of the Foundation. Certain donor restricted financial assets are considered available for general expenditure within one year and are included in the above analysis.

The endowment funds consist of donor-restricted endowments which are not available for general expenditure. Income from donor-restricted endowments is restricted for specific purposes, unless the donor stipulates that income may be used for general expenditure. There are no board designated endowment funds, or any other self-imposed limits set aside by the board.

Assets held by the LLC are set aside for use by the LLC, and therefore are not considered available for general expenditure.

#### **Note C - Pledges Receivable**

Pledges receivable consist of the following as of December 31, 2025:

Amounts due in:

Less than one year	\$ 1,039,409
One to five years	2,076,739
More than five years	<u>397,607</u>
Total pledges	3,513,755
Less allowance	(324,080)
Less discount	<u>(175,688)</u>
Pledges, net of allowance and discount	<u><u>\$ 3,013,987</u></u>

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

#### **Note D - Investments and Fair Value Measurements**

The following table is a summary of the Foundation's investments measured at fair value within the GAAP fair value hierarchy at December 31, 2025:

	Level 1	Level 2	Level 3	Net Asset Value As Practical Expedient	Total
Mutual funds	\$ 5,170,110	\$ -	\$ -	\$ -	\$ 5,170,110
Exchange traded funds	10,206,301	-	-	-	10,206,301
Common stock	2,826,806	-	-	-	2,826,806
Corporate bonds	-	4,002,121	-	-	4,002,121
Hedge funds	-	-	-	3,059	3,059
Total investments, held at fair value	<u>18,203,217</u>	<u>4,002,121</u>	<u>-</u>	<u>3,059</u>	<u>22,208,397</u>
Money market funds					1,116,291
Certificates of deposit					<u>112,815</u>
Total investments					23,437,503
Retirement plan assets	<u>413,201</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>413,201</u>
Total assets at fair value	<u>\$ 18,616,418</u>	<u>\$ 4,002,121</u>	<u>\$ -</u>	<u>\$ 3,059</u>	<u>\$ 23,850,704</u>

The fair value of pledges receivable is assessed on a non-recurring basis in the initial year that multi-year commitments are received. During the year ended December 31, 2025, new pledges received and assessed at a Level 3 fair value were \$1,382,220.

#### **Note E - Fixed Assets**

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

	December 31, 2025
Equipment and software	\$ 2,447,474
Furniture and fixtures	<u>247,496</u>
	2,694,970
Accumulated depreciation	<u>(2,470,463)</u>
Fixed assets, net	<u>\$ 224,507</u>

Marine Corps Heritage Foundation and Affiliate  
Notes to Consolidated Financial Statements (Continued)

**Note F - Heritage Center**

The Heritage Center consists of the following at December 31:

	December 31, 2025
National Museum USMC	\$ 108,383,865
NMMC Theater	15,012,854
Semper Fidelis Memorial Park	16,048,242
Memorial Chapel	5,874,122
Heritage Center Parkway Overlook	2,347,504
Heritage Center Parkway	1,874,592
Playground	<u>497,137</u>
	150,038,316
Accumulated depreciation	<u>(78,008,557)</u>
Heritage Center, net	<u><u>\$ 72,029,759</u></u>

**Note G - Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods:

	December 31, 2025
Subject to expenditure for specified purpose	
Educational programs	\$ 988,489
Awards	<u>105,348</u>
Endowments to be held in perpetuity	
Grants and fellowships	423,598
Educational programs	<u>100,000</u>
Subject to endowment spending policy and appropriation:	
Grants and fellowships	<u>473,955</u>
	<u><u>\$ 2,091,390</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended December 31:

	December 31, 2025
Satisfaction of purpose restrictions:	
Awards	\$ 169,203
Grants and fellowships	3,191
Education	<u>50,000</u>
	<u><u>\$ 222,394</u></u>

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

#### Note H - Endowment

The Foundation's endowment consists of three individual donor-restricted funds established to support grants and fellowships, and educational programs. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2025, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of the initial and subsequent gift amounts donated to the endowment fund (including promises to give net of discount and allowance for uncollectible amounts) and (b) any accumulations to the endowment that are required to be maintained in perpetuity. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation 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 Foundation
- The investment policies of the Foundation

As of December 31, 2025, the Foundation had the following endowment net asset composition by type of fund:

<u>With Donor Restrictions</u>	
Original donor-restricted gift amounts required to be maintained in perpetuity:	
Grants and fellowships	\$ 423,598
Educational programs	<u>100,000</u>
Accumulated earnings from endowment:	
Grants and fellowships	<u>473,955</u>
	<u>\$ 997,553</u>

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

#### **Note H - Endowment (Continued)**

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). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies in donor-restricted endowment funds as of December 31, 2025, and thus, there has been no action taken by the Foundation during 2025 concerning appropriation from underwater endowment funds.

#### *Investment and Spending Policies*

The Foundation practices investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the original endowment gift. Endowment assets include donor-restricted gifts that the Foundation must hold in perpetuity. The Foundation expects its endowment funds to provide a moderate rate of return over time. The Foundation uses a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized market gains) and current income through interest and dividends. The Foundation utilizes diversified asset allocations in order to achieve its long-term investment objectives within prudent risk management constraints. The Foundation withdraws donor-restricted endowment funds annually in an amount sufficient to cover the previous year's qualifying program expenses incurred.

Changes in endowment net assets for the year ended December 31, 2025 are as follows:

<u>With Donor Restrictions</u>	
Endowment net assets, beginning of year	\$ 870,648
Investment return, net	24,728
Net realized and unrealized gain	105,368
Expenditure appropriations	<u>(3,191)</u>
Endowment net assets December 31, 2025	<u>\$ 997,553</u>

#### **Note I - Retirement Plans**

The Foundation provides a salary deferral arrangement which is qualified under Section 403(b) of the Internal Revenue Code. Employees working more than 20 hours per week may begin making elective contributions upon reaching age 21. The Foundation begins matching 50% of the amount deferred by participants after employees complete 90 days of service. Benefits expense for the year ended December 31, 2025 was \$103,272.

The Foundation also sponsors a deferred compensation plan under IRC Section 457(b). Eligible employees may elect to have amounts, subject to statutory limits which are annually adjusted, withheld from their compensation and contributed to funds established for the employees' benefit. Deferred compensation assets held by the Foundation under the plan for which the employees are 100% vested total \$413,201 for the year ended December 31, 2025. The consolidated statement of financial position reflects an asset and corresponding liability for this retirement plan.

## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

#### Note J - Allocation of Joint Costs of Direct Mailings

The Foundation produces mailings that include programmatic and administrative information, together, with a request for contributions in support of the Foundation's mission. The cost of producing these mailings is not directly attributable to any single function. In 2025, the Foundation incurred joint costs of \$2,843,586 for informational materials and activities that included fundraising appeals. Of these costs, \$617,058 were allocated to program services, and \$1,615,157 and \$611,371 were allocated to fundraising and general and administrative, respectively.

#### Note K - Related Party Transactions

The consolidated statement of financial position includes \$25,000 in outstanding pledges receivable as of December 31, 2025, from members of the Foundation's Board of Directors. The Foundation recognized \$234,197 in contribution revenue from these members for the year ended December 31, 2025.

#### Note L - Leases

The Foundation entered into various finance leases for postage meters, dishwashers, glasswashers, laptops, and other IT equipment. The Foundation has purchase and renewal options at the end of the lease for some of these assets but is not reasonably certain to exercise these options as of December 31, 2025.

The Foundation's lease costs, terms and discount rates are as follows for the year ending December 31, 2025:

	<u>2025</u>
Finance lease cost:	
Amortization of ROU assets	\$ 8,856
Interest on lease liabilities	<u>329</u>
Total lease cost	<u>\$ 9,185</u>

#### Other Information

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance lease payments	\$ 1,681
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Weighted-average remaining lease term - finance leases	2 years
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Weighted-average discount rate - finance leases	2.63 %
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## Marine Corps Heritage Foundation and Affiliate

### Notes to Consolidated Financial Statements (Continued)

#### **Note L - Leases (Continued)**

Future minimum lease payments and reconciliation to the consolidated statement of financial position as of December 31, 2025 are as follows:

	Finance
2026	\$ 3,409
2027	2,436
2028	1,218
Total undiscounted future lease payments	7,063
Less: present value adjustment	(219)
Lease liability	\$ 6,844

#### *Sublease Agreement*

The Foundation entered into a lease and operating agreement with a third party provider (Provider) to conduct museum gift shop operations beginning February 2015. The agreement was for an initial term of six years and automatically renewed for an additional five-year term.

The agreement stipulates that the Provider will pay both a fixed and variable rent. The fixed rental income, referred to as the base rent is \$3,452 per month for the right to use the premises for purposes of retail concessions. The variable rental income is based on a percentage of gross receipts of sales on a three tiered basis, excluding any sales taxes, returns and other items as designated per the contract. The three tiers are: 15% of gross receipts up to \$2,000,000; 20% of gross receipts between \$2,000,000 and \$2,500,000; and 25% of gross receipts greater than \$2,500,000. Lastly, the Provider is to make a capital investment between \$80,000 and \$100,000 for improvements to the retail premises within the initial term of the agreement and between \$50,000 and \$75,000 within the first 24 months of the renewal term. See subsequent events Note N for more information regarding the sublease agreement effective January 31, 2026.

The agreement contains a clause that requires the Foundation to purchase directly from the third party provider any branded inventory that is not saleable should the agreement be terminated. As of December 31, 2025, the Foundation has no intentions to terminate the agreement.

Operating lease income, which is recorded in museum gift shop income in the statement of activities, was as follows for the year ended December 31, 2025:

<b>Lease Income</b>	2025
Base lease income	\$ 37,972
Variable lease income	271,485
Total operating lease income	\$ 309,457

Marine Corps Heritage Foundation and Affiliate

Notes to Consolidated Financial Statements (Continued)

**Note L - Leases (Continued)**

Future base lease payments to be received as of December 31, 2025 are as follows:

	<u>Operating</u>
2026	<u>\$ 3,452</u>
Total lease payments to be received	<u><u>\$ 3,452</u></u>

**Note M - In-Kind Support**

In-kind support received by the Foundation is recorded at fair value and is reflected as without donor restrictions in the consolidated statement of activities as in-kind support and within each of the functional expense categories benefited (general and administrative, fundraising and program). In-kind support consisted of travel costs for board members and pro bono legal services amounting to \$197,314 on the consolidated statement of activities for the year ended December 31, 2025. The composition of this in-kind support is as follows:

<u>Nonfinancial asset/service</u>	<u>2025</u>	<u>Program benefited</u>	<u>Donor restriction</u>	<u>Valuation technique</u>
Contributed legal fees	\$ 169,457	Museum & Heritage Center (\$93,086) Fundraising (\$60,047) General and administrative (\$16,324)	None	Estimated using the current rate of the professionals providing the service
Contributed travel costs	\$ 27,857	Museum & Heritage Center (\$15,302) Fundraising (\$9,871) General and administrative (\$2,684)	None	Estimated using the cost of travel

**Note N - Subsequent Events**

Effective January 31, 2026 the Foundation entered into a lease and operating agreement with the same third party provider (Provider) discussed in Note L to conduct museum gift shop operations. The agreement was for an initial term of five years and will renew for an additional five years unless either party gives notice to the other of its intent not to renew.

Marine Corps Heritage Foundation and Affiliate

Consolidating Schedule of Financial Position

December 31, 2025

	December 31, 2025			
	Foundation	Heritage Center, LLC	Reclassifications & Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,451,437	\$ 264,287	\$ -	\$ 2,715,724
Investments	23,437,503	-	-	23,437,503
Investment in LLC	(434,461)	-	434,461	-
Accounts receivable	129,852	76,185	-	206,037
Pledges receivable, net	3,013,987	-	-	3,013,987
Due from LLC	811,558	-	(811,558)	-
Prepaid expenses	190,406	5,300	-	195,706
Heritage Center, net	72,029,759	-	-	72,029,759
Construction in progress	3,189,391	-	-	3,189,391
Fixed assets, net	99,808	124,699	-	224,507
Right-of-use assets - finance leases	7,012	-	-	7,012
Cash surrender value of life insurance policies	99,173	-	-	99,173
Retirement plan assets	413,201	-	-	413,201
Total assets	<u>\$ 105,438,626</u>	<u>\$ 470,471</u>	<u>\$ (377,097)</u>	<u>\$ 105,532,000</u>
<b>Liabilities and net assets</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 301,822	\$ 93,374	\$ -	\$ 395,196
Due to Foundation	-	811,558	(811,558)	-
Notes payable	100,000	-	-	100,000
Retirement plan liabilities	413,201	-	-	413,201
Lease liability - finance leases	6,844	-	-	6,844
Total liabilities	<u>821,867</u>	<u>904,932</u>	<u>(811,558)</u>	<u>915,241</u>
Net assets:				
Without donor restrictions	102,525,369	(434,461)	434,461	102,525,369
With donor restrictions	<u>2,091,390</u>	<u>-</u>	<u>-</u>	<u>2,091,390</u>
Total net assets	<u>104,616,759</u>	<u>(434,461)</u>	<u>434,461</u>	<u>104,616,759</u>
Total liabilities and net assets	<u>\$ 105,438,626</u>	<u>\$ 470,471</u>	<u>\$ (377,097)</u>	<u>\$ 105,532,000</u>

# Marine Corps Heritage Foundation and Affiliate

## Consolidating Schedule of Activities

Year ended December 31, 2025

	Year ended December 31, 2025					Total
	Foundation: Without Donor Restrictions	Foundation: With Donor Restrictions	Foundation Total	Heritage Center, LLC	Reclassifications & Eliminations	
<b>Revenues, gains and other support</b>						
Contributions	\$ 10,463,665	\$ 274,551	\$ 10,738,216	\$ 16,547	\$ -	\$ 10,754,763
Museum gift shop income	-	-	-	313,903	-	313,903
Theater/rifle range revenue	-	-	-	134,143	-	134,143
Other revenue	4,552	-	4,552	183,701	-	188,253
Special events	-	-	-	176,528	-	176,528
In-kind support	197,314	-	197,314	-	-	197,314
Investment income, net	520,160	51,410	571,570	1,222	-	572,792
Net assets released from restrictions	222,394	(222,394)	-	-	-	-
<b>Total revenue, gains, and other support</b>	<b>11,408,085</b>	<b>103,567</b>	<b>11,511,652</b>	<b>826,044</b>	<b>-</b>	<b>12,337,696</b>
<b>Expenses</b>						
Program services:						
Museum & Heritage Center	8,866,298	-	8,866,298	885,429	-	9,751,727
Marine Corps University History Division	223,026	-	223,026	-	-	223,026
Other historical support	3,562,529	-	3,562,529	-	-	3,562,529
Total program services	12,651,853	-	12,651,853	885,429	-	13,537,282
Supporting services:						
Fundraising	3,288,029	-	3,288,029	-	-	3,288,029
General and administrative	1,399,260	-	1,399,260	-	-	1,399,260
Total supporting services	4,687,289	-	4,687,289	-	-	4,687,289
<b>Total expenses</b>	<b>17,339,142</b>	<b>-</b>	<b>17,339,142</b>	<b>885,429</b>	<b>-</b>	<b>18,224,571</b>
Change in net assets, before change in fair value of investments	(5,931,057)	103,567	(5,827,490)	(59,385)	-	(5,886,875)
Change in fair value of investments	1,897,864	219,058	2,116,922	-	-	2,116,922
LLC net income	(59,385)	-	(59,385)	-	59,385	-
Change in net assets	(4,092,578)	322,625	(3,769,953)	(59,385)	59,385	(3,769,953)
Net assets, beginning of year	106,617,947	1,768,765	108,386,712	(375,076)	375,076	108,386,712
<b>Net assets, end of year</b>	<b>\$ 102,525,369</b>	<b>\$ 2,091,390</b>	<b>\$ 104,616,759</b>	<b>\$ (434,461)</b>	<b>\$ 434,461</b>	<b>\$ 104,616,759</b>