

FINANCIAL STATEMENTS



MARINE CORPS UNIVERSITY FOUNDATION

**FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

MARINE CORPS UNIVERSITY FOUNDATION

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Marine Corps University Foundation
Quantico, Virginia

Opinion

We have audited the accompanying financial statements of the Marine Corps University Foundation (MCUF), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MCUF as of December 31, 2023, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MCUF 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MCUF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCUF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MCUF'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.

Report on Summarized Comparative Information

We have previously audited MCUF's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



June 17, 2024

MARINE CORPS UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS		<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	154,839	\$ 270,115
Contributions receivable		814	42,709
Inventory		22,175	33,655
Prepaid expenses and other assets		<u>36,654</u>	<u>24,480</u>
Total current assets		<u>214,482</u>	<u>370,959</u>
FIXED ASSETS			
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$82,960		<u>7,659</u>	<u>9,680</u>
OTHER ASSETS			
Non-performing investments		-	2,641
Investments		9,329,270	8,840,566
Artwork and collections		<u>28,000</u>	<u>28,743</u>
Total other assets		<u>9,357,270</u>	<u>8,871,950</u>
TOTAL ASSETS	\$	<u>9,579,411</u>	\$ <u>9,252,589</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	133,142	\$ 95,982
Deferred income		<u>116,459</u>	<u>44,959</u>
Total liabilities		<u>249,601</u>	<u>140,941</u>
NET ASSETS			
Without donor restrictions		1,338,932	1,631,908
With donor restrictions		<u>7,990,878</u>	<u>7,479,740</u>
Total net assets		<u>9,329,810</u>	<u>9,111,648</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>9,579,411</u>	\$ <u>9,252,589</u>

MARINE CORPS UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and gifts	\$ 342,787	\$ 189,836	\$ 532,623	\$ 835,725
Events:				
Member event benefit redemption	-	-	-	3,100
Underwriting and contributions	64,645	-	64,645	118,640
Event, net:				
Ticket sales	136,629	-	136,629	148,973
Event expenses	<u>(112,214)</u>	<u>-</u>	<u>(112,214)</u>	<u>(113,537)</u>
Net event revenue	<u>89,060</u>	<u>-</u>	<u>89,060</u>	<u>157,176</u>
Membership contribution	20,000	-	20,000	40,800
Interest and dividends, net	50,256	141,724	191,980	96,943
Other revenue	7,442	-	7,442	17,788
Net assets released from donor restrictions	<u>372,958</u>	<u>(372,958)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>882,503</u>	<u>(41,398)</u>	<u>841,105</u>	<u>1,148,432</u>
EXPENSES				
Program Services	<u>1,054,488</u>	<u>-</u>	<u>1,054,488</u>	<u>966,578</u>
Supporting Services:				
Management and General	112,374	-	112,374	129,836
Fundraising	<u>204,548</u>	<u>-</u>	<u>204,548</u>	<u>338,582</u>
Total supporting services	<u>316,922</u>	<u>-</u>	<u>316,922</u>	<u>468,418</u>
Total expenses	<u>1,371,410</u>	<u>-</u>	<u>1,371,410</u>	<u>1,434,996</u>
Change in net assets from operations before other items	<u>(488,907)</u>	<u>(41,398)</u>	<u>(530,305)</u>	<u>(286,564)</u>
OTHER ITEMS				
Realized gain on investments	20,045	56,528	76,573	187,299
Unrealized gain (loss) on investments	<u>175,886</u>	<u>496,008</u>	<u>671,894</u>	<u>(1,390,041)</u>
Total other items	<u>195,931</u>	<u>552,536</u>	<u>748,467</u>	<u>(1,202,742)</u>
Change in net assets	(292,976)	511,138	218,162	(1,489,306)
Net assets at beginning of year	<u>1,631,908</u>	<u>7,479,740</u>	<u>9,111,648</u>	<u>10,600,954</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,338,932</u>	<u>\$ 7,990,878</u>	<u>\$ 9,329,810</u>	<u>\$ 9,111,648</u>

MARINE CORPS UNIVERSITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023				2022	
	Supporting Services			Total Supporting Services	Total Expenses	Total Expenses
	Program Services	Management and General	Fundraising			
Other salaries	\$ 178,267	\$ 34,269	\$ 113,048	\$ 147,317	\$ 325,584	\$ 336,086
Marine Corps University support	300,353	-	-	-	300,353	360,348
Compensation of officers	179,518	38,468	38,468	76,936	256,454	258,636
Professional fees	149,394	18,674	18,674	37,348	186,742	103,571
Events	-	-	112,214	112,214	112,214	113,537
Scholarship support	110,806	-	-	-	110,806	185,301
Occupancy	57,578	7,197	7,197	14,394	71,972	66,359
Other expenses	32,418	3,472	8,818	12,290	44,708	49,728
Payroll taxes	27,230	5,536	11,531	17,067	44,297	45,043
Pension plan contributions	9,329	1,897	3,951	5,848	15,177	11,786
Printing and publications	7,978	2,659	2,659	5,318	13,296	15,390
Depreciation and amortization	1,617	202	202	404	2,021	2,748
Total expenses	1,054,488	112,374	316,762	429,136	1,483,624	1,548,533
Less: Event expenses included with revenue	-	-	(112,214)	-	(112,214)	(113,537)
TOTAL	\$ 1,054,488	\$ 112,374	\$ 204,548	\$ 316,922	\$ 1,371,410	\$ 1,434,996

MARINE CORPS UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 218,162	\$ (1,489,306)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	2,021	2,748
Realized gain on sale of investments	(76,573)	(187,299)
Unrealized (gain) loss on investments	(671,894)	1,390,041
Contributions to be maintained in perpetuity	(18,100)	(14,000)
Receipt of contributed securities	20,617	250,609
Proceeds from sale of contributed securities	(20,617)	(250,609)
Decrease (increase) in:		
Contributions receivable	41,895	(35,588)
Pledges receivable	-	25,000
Inventory	11,480	8,780
Prepaid expenses and other assets	(12,174)	3,241
Artwork and collections	743	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	37,160	(24,236)
Deferred income	<u>71,500</u>	<u>(55,941)</u>
Net cash used by operating activities	<u>(395,780)</u>	<u>(376,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of computer equipment	-	(8,180)
Purchase of investments	(2,550,124)	(4,186,702)
Proceeds from sales of investments	<u>2,812,528</u>	<u>4,390,956</u>
Net cash provided by investing activities	<u>262,404</u>	<u>196,074</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to be maintained in perpetuity	<u>18,100</u>	<u>14,000</u>
Net cash provided by financing activities	<u>18,100</u>	<u>14,000</u>
Net decrease in cash and cash equivalents	(115,276)	(166,486)
Cash and cash equivalents at beginning of year	<u>270,115</u>	<u>436,601</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 154,839</u>	<u>\$ 270,115</u>

MARINE CORPS UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Marine Corps University Foundation (MCUF) was incorporated in the Commonwealth of Virginia on June 25, 1980, as a not-for-profit tax exempt organization, to be operated exclusively for charitable and educational purposes. MCUF's primary goal is to enhance the advanced professional education and leadership development of active duty Marines stationed at the Marine Corps University in Quantico, Virginia, as well as at separate commands and Operating Forces across the globe. Since its inception, MCUF has supported a wide range of programs for which Government funding was not available. The primary sources of income are contributions and gifts received from members.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Net assets set aside solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with MCUF's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Cash and cash equivalents -

MCUF considers cash in banks to be cash and cash equivalents, excluding money market funds held by investment managers in the amount of \$13,862 at December 31, 2023. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, MCUF maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Contributions receivable -

Contributions receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

MARINE CORPS UNIVERSITY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Inventory -

Inventory consists of art prints, books and medallions purchased for resale and program support to members of MCUF and personnel of the U.S. Marine Corps. Inventory is stated at the lower of cost or net realizable value using the first in, first out (FIFO) method of valuation. Management performs an annual physical count of all merchandise and, as a result, inventory is adjusted annually to agree to the physical count. Therefore, management has not established an allowance for obsolete inventory.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in other items in the Statement of Activities and Change in Net Assets.

Interest and dividends are shown net of investment expenses paid to external investment advisors in the Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. MCUF's policy is to liquidate all gifts of investments as soon as possible after the gift.

Fixed assets -

Fixed assets are stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. All asset purchases in excess of \$2,500 are capitalized. Leasehold improvements are amortized over five years. The costs of maintenance and repairs are recorded as expenses are incurred.

Artwork and collections -

Collections of heirlooms and works of art acquired by MCUF are capitalized at cost, if purchased, and at appraised or fair value if received by donation. Collections are considered to be net assets without donor restrictions.

Income taxes -

MCUF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, contributions to MCUF qualify for a charitable deduction under Section 170(b)(1)(A). Accordingly, no provision for income taxes has been made in the accompanying financial statements. MCUF is not a private foundation.

Support and revenue -

Contributions and gifts -

The majority of MCUF's activities are supported by contributions and gifts from foundations, trusts, individuals and other private entities. These awards are for various activities performed by MCUF. Contributions and gifts are recognized in the appropriate category of net assets in the period received.

Contributions include annual fund contributions and support for special events, which is equal to the net amount of special events presented in the Statement of Activities and Change in Net Assets.

MARINE CORPS UNIVERSITY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Support and revenue (continued) -

Contributions and gifts (continued) -

Contributions are recognized in the appropriate category of net assets in the period received. MCUF performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. MCUF's refundable advances totaled \$111,459 as of December 31, 2023.

In addition, MCUF may obtain funding source agreements related to conditional contributions, which will be received in future years. MCUF's unrecognized conditional contributions to be received in future years totaled \$111,459 as of December 31, 2023.

Events -

Events and membership dues revenue are classified as exchange transactions following ASU 2014-09, *Revenue from Contracts With Customers*, and are recorded as revenue when performance obligations are met. MCUF has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost.

Event revenue received for galas, luncheons and golf outings include ticket sales, underwriting and contributions received during events and member event benefit redemption revenue. All amounts are recorded as revenue when the performance obligations are met, which is when the related event has occurred. Event revenue received in advance is recorded as deferred income on the Statement of Financial Position.

Membership contribution -

Membership dues in the amount of \$20,000 for the year ended December 31, 2023 includes membership contribution in the amount of \$20,000 to MCUF. Event revenue is based on benefits received by the member attending the event, however there was no member event revenue during the year ended December 31, 2023.

These amounts were bifurcated and reported within the respective classification in the Statement of Activities and Change in Net Assets. Amounts classified as a membership contribution are recorded upon receipt and the amounts associated with event income are recorded when the performance obligation has been met as noted above. Transaction price for each is based on the cost and/or sales price.

MARINE CORPS UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Use of estimates -

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

Functional allocation of expenses -

The costs of providing MCUF's programs and supporting services have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort.

Risks and uncertainties -

MCUF invests in various investment securities. Investment securities are exposed to various 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 amounts reported in the accompanying financial statements.

2. **FIXED ASSETS**

Fixed assets consisted of the following at December 31, 2023:

Computer and other equipment	\$	20,145
Leasehold improvements		9,258
Furniture and fixtures		<u>61,216</u>
Total cost		90,619
Less: Accumulated depreciation and amortization		<u>(82,960)</u>
FIXED ASSETS, NET	\$	<u>7,659</u>

Depreciation and amortization expense for the year ended December 31, 2023 was \$2,021.

3. **INVESTMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, MCUF 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 hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

MARINE CORPS UNIVERSITY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

3. INVESTMENTS (Continued)

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market MCUF has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy. MCUF's investments as of December 31, 2023 were as follows:

Asset Class:	Level 1	Level 2	Level 3	Total
Mutual funds -				
Money market mutual funds	\$ 13,862	\$ -	\$ -	\$ 13,862
Fixed income exchange traded funds	2,995,888	-	-	2,995,888
Equity exchange traded funds	<u>6,319,520</u>	<u>-</u>	<u>-</u>	<u>6,319,520</u>
TOTAL	<u>\$ 9,329,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,329,270</u>

Included in net investment return are the following:

Interest and dividends, net of fees in the amount of \$43,518	\$ 191,980
Realized gain	76,573
Unrealized gain	<u>671,894</u>
NET INVESTMENT RETURN	<u>\$ 940,447</u>

The following table provides a summary of changes in fair value of MCUF's Level 3 financial assets for the year ended December 31, 2023:

Balance at December 31, 2022	\$ 2,641
Change in value	(841)
Distributions	<u>(1,800)</u>
BALANCE AT DECEMBER 31, 2023	<u>\$ -</u>

MCUF sells a portion of its investment portfolio each year to fund general operating expenses and to re-balance the outstanding portfolio. The alternative investments are comprised of partnerships and various real estate holdings.

MARINE CORPS UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

3. INVESTMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2023. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and is deemed to be actively traded.
- *Exchange Traded Funds* - Valued at the closing price reported on the active market in which the individual securities are traded.

4. BOARD DESIGNATED NET ASSETS

As of December 31, 2023, net assets without donor restrictions have been designated by the Board of Trustees for the following purposes:

Quasi-Endowment to Fund General Operations **\$ 415,514**

On January 1, 2020, the donor of the Lord Lecture Series endowment authorized the release of \$352,732 of endowments. MCUF Board of Trustees simultaneously redesignated the funds to a Board designated quasi-endowment fund. The earnings related to the new fund are designated to finance general operations.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2023:

Endowments invested in perpetuity	\$ 5,364,121
Subject to expenditure for specified purpose:	
Tim Day Fund	408,500
Harvard Scholarship Fund	244,975
MCU Case Study	97,644
MCU Library Archives	89,852
Emerald Express	49,851
MCU Journal	16,574
Amgrunts	13,070
Center for Applied Creativity	12,000
Sexton/Alcove Fund	6,225
Swag Fund	5,111
Miller WWI Project	3,953
McCleod Award for 3rd Battalion, 6th Marines	1,725
BGen Draude Award	1,701
Center Tactical Ed	850
Gung Ho Award	682
Accumulated endowment earnings not yet authorized for spending	<u>1,674,044</u>
NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>7,990,878</u>

MARINE CORPS UNIVERSITY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released by incurring expenses which satisfied the restricted purposes specified by the donors:

Subject to expenditure for specified purpose:	
Harvard Scholarship Fund	\$ 110,805
Pritzner Military Foundation	18,233
Tim Day Fund	1,500
Endowment earnings authorized for programmatic spending	<u>242,420</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 372,958</u>

6. LIQUIDITY

Financial assets available for use within one year of the Statement of Financial Position comprise the following:

Cash and cash equivalents	\$ 154,839
Contributions receivable	814
Investments	9,329,270
Less: Board designated net assets	(415,514)
Less: Donor restrictions for specific purposes	<u>(7,990,878)</u>
FINANCIAL ASSETS AVAILABLE FOR USE	<u>\$ 1,078,531</u>

MCUF has a policy to structure its financial assets to be available and liquid as its obligations become due.

7. ENDOWMENTS

MCUF's endowment funds consist of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law -

MCUF has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the Commonwealth of Virginia as requiring the preservation of the fair value of the original gift made to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result, of this interpretation, MCUF classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

MARINE CORPS UNIVERSITY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

7. ENDOWMENTS (Continued)

Interpretation of relevant law (continued) -

Additionally, in accordance with UPMIFA, MCUF 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 organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Return Objectives and Risk Parameters -

MCUF has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MCUF must hold in-perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce rates of return of 7% to 8%, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives -

To satisfy its long-term, rate-of-return objectives, MCUF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

MCUF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

MCUF has a policy of appropriating for distribution, generally, earnings equal to 4% of Endowment Funds.

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires MCUF to maintain as a fund of perpetual duration. However, there were no funds with deficiencies as of December 31, 2022.

Endowment funds consisted of the following as of December 31, 2023:

	<u>Without</u>	<u>With Donor Restrictions</u>		
	<u>Donor</u>	<u>Available for</u>	<u>Held in</u>	
	<u>Restrictions</u>	<u>Appropriation</u>	<u>Perpetuity</u>	<u>Total</u>
Board designated endowment funds	\$ 415,514	\$ -	\$ -	\$ 415,514
Donor-restricted endowment funds	<u>-</u>	<u>1,674,044</u>	<u>5,364,121</u>	<u>7,038,165</u>
ENDOWMENT FUNDS	<u>\$ 415,514</u>	<u>\$ 1,674,044</u>	<u>\$ 5,364,121</u>	<u>\$ 7,453,679</u>

MARINE CORPS UNIVERSITY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

7. ENDOWMENTS (Continued)

Changes in endowment funds consisted of the following as of and for the year ended December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Available for Appropriation</u>	<u>Held in Perpetuity</u>	
Endowment net assets, beginning of year	\$ 375,248	\$ 1,221,624	\$ 5,346,021	\$ 6,942,893
Contributions	-	580	18,100	18,680
Net investment return	40,266	694,260	-	734,526
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(242,420)</u>	<u>-</u>	<u>(242,420)</u>
ENDOWMENT FUNDS, END OF YEAR	<u>\$ 415,514</u>	<u>\$ 1,674,044</u>	<u>\$ 5,364,121</u>	<u>\$ 7,453,679</u>

Net assets restricted for endowments consisted of the following funds at December 31, 2023:

Adamson Chair of Insurgency and Terrorism	\$ 1,500,000
Marshall Chair for Strategic Studies	1,402,174
Horner Chair of Military Theory	1,259,959
Erskine Lecture Series	350,000
Brigadier General H.L. Oppenheimer Chair of Warfighting Strategy	269,298
First Special Basic Class 1950 Endowment Fund	200,000
Pohl Award	68,500
Mutter/C2 Symposium	65,600
Brody Memorial Fund for Operations	50,000
Rose Award for Teaching Excellence	50,150
Taylor Award for Outstanding Infantry Leadership	37,240
Yale Class of '51 Media Symposium	30,000
Morris SAW Staff Ride Award	13,000
Singleton Lecture Series	22,000
Colonel F. Brooke Nihart Award	16,000
Kriendler Award for Highest Leadership Averages at OCS	15,000
Streusand-Cooper Award	<u>15,200</u>
Endowment net assets with donor restrictions	5,364,121
Endowment net assets without donor restrictions	<u>352,732</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 5,716,853</u>

In 2009, the restrictions of the following endowment funds were released by the Donors and are now in net assets without restrictions in response to the significant investment losses regarding then Stanford Investments matter.

- \$500,000 from the Guy P. Wyser-Pratte Chair of French Studies.
- \$330,000 from the Thomas Amphibious Research Fund

MARINE CORPS UNIVERSITY FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

8. LEASE COMMITMENT

In December 2015, MCUF and the Marine Corps Association & Foundation entered into a new office lease for the period of January 1, 2016 through December 31, 2019. The lease was extended through December 31, 2024. The terms of this lease are for \$66,000 rent per year, due in equal monthly installments. Total rent expense for the year ended December 31, 2023 was \$66,000 and is included in Occupancy on the accompanying Statement of Functional Expenses.

9. EMPLOYEE BENEFIT PLAN

MCUF provides a tax-sheltered annuity 401(k) retirement plan to all full-time employees who meet age and length-of-service requirements. MCUF contributes as a match 17.5% of the amount of employee deferral contributions for each eligible employee. Total pension expense in 2023 was \$12,836.

10. SUBSEQUENT EVENTS

In preparing these financial statements, MCUF has evaluated events and transactions for potential recognition or disclosure through June 17, 2024, the date the financial statements were issued.