



Marine Corps Heritage Foundation  
Audited Consolidated Financial Statements  
*Years ended December 31, 2008 and 2007  
with Report of Independent Auditors*

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Audited Consolidated Financial Statements  
Years ended December 31, 2008 and 2007

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## 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, 2008 and 2007 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, 2008 and 2007, 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, in 2007 the Foundation modified its reporting 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.

*Johnson Lambert & Co LLP*

Falls Church, Virginia  
April 14, 2009

## Marine Corps Heritage Foundation

### Consolidated Statements of Financial Position

	December 31,	
	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 1,608,264	\$ 3,444,422
Investments	8,868,589	5,881,536
Pledges receivable, net	12,983,728	12,242,142
Grant receivable	-	228,000
Accounts receivable	29,142	48,374
Inventory	647,805	853,972
Construction in progress	1,409,294	2,810,777
Heritage Center	63,951,626	58,523,836
Fixed assets, net	380,939	344,246
Prepaid expenses	82,485	55,424
Deposits	12,389	12,389
Total assets	\$ 89,974,261	\$ 84,445,118
<b>Liabilities and net assets</b>		
Accounts payable and accrued expenses	\$ 1,102,895	\$1,090,348
Notes payable	10,029,425	13,129,590
Other payable	38,937	106,105
Annuity payable	-	18,273
Agency funds	99,448	20,628
Total liabilities	11,270,705	14,364,944
<b>Net assets</b>		
Unrestricted net assets	4,162,333	1,764,873
Temporarily restricted net assets	74,109,292	67,883,370
Permanently restricted net assets	431,931	431,931
Total net assets	78,703,556	70,080,174
Total liabilities and net assets	\$ 89,974,261	\$ 84,445,118

*See accompanying notes to the consolidated financial statements.*

## Marine Corps Heritage Foundation

### Consolidated Statements of Activities

	Year ended December 31,	
	2008	2007
<b>Change in unrestricted net assets:</b>		
<b>Revenue, gains and other support</b>		
Net sales	\$ 2,521,055	\$ 2,913,396
Less: Cost of sales	(1,142,245)	(1,212,058)
Total gross profit on sales	1,378,810	1,701,338
Contributions	7,323,384	5,297,755
Fundraising events	531,944	262,002
Program revenue	102,752	67,872
Donated professional services	-	210,000
Other income	110,436	67,233
Interest and dividends	93,377	317,346
Reclassification of net assets	(25,000)	-
Net assets released from restrictions	2,080,237	3,515,440
 Total revenue	 11,595,940	 11,438,986
<b>Expenses</b>		
Program services	\$ 3,674,843	\$ 2,139,192
Fundraising	2,428,285	2,868,917
General and administrative	1,936,066	1,295,653
Total expenses	8,039,194	6,303,762
Change in unrestricted net assets, before change in fair value of investments and realized losses	3,556,746	5,135,224
Change in fair value of investments	(985,017)	(63,430)
Realized loss on investments	(174,269)	(4,301)
Change in unrestricted net assets	2,397,460	5,067,493
 <b>Change in temporarily restricted net assets</b>		
Contributions	8,149,440	8,691,134
Interest and dividends	131,719	117,198
Reclassification of net assets	25,000	-
Net assets released from restrictions	(2,080,237)	(3,515,440)
Change in temporarily restricted net assets	6,225,922	5,292,892
Change in net assets	8,623,382	10,360,385
Net assets, beginning of year	70,080,174	59,719,789
Net assets, end of year	\$ 78,703,556	\$ 70,080,174

*See accompanying notes to the consolidated financial statements.*

## Marine Corps Heritage Foundation

### Consolidated Statements of Cash Flows

	Year ended December 31,	
	2008	2007
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 8,623,382	\$ 10,360,385
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,353	79,675
Change in fair value of investments	985,017	63,430
Realized loss on sales of investments	174,269	4,301
Donated marketable securities	(297,275)	(617,209)
Loss on disposal of fixed assets	-	131,994
Changes in operating assets and liabilities:		
Pledges receivable, net of discount	(741,586)	(38,319)
Grants receivable	228,000	181,091
Accounts receivable	19,232	14,292
Inventory	206,167	(377,060)
Prepaid expenses	(27,061)	(39,467)
Deposits	-	(6,689)
Accounts payable and accrued expenses	12,547	189,524
Other payable	(67,168)	(109,308)
Annuity payable	(18,273)	(4,150)
Net cash provided by operating activities	9,186,604	9,832,490
<b>Cash flows from investing activities</b>		
Payments for construction in progress	1,401,483	(2,361,576)
Purchases of investments	(7,419,352)	(11,396,501)
Proceeds from sales of investments	3,570,288	9,113,317
Purchases and costs of fixed assets	(5,553,836)	(2,327,902)
Net cash used in investing activities	(8,001,417)	(6,972,662)
<b>Cash flows from financing activities</b>		
Principal payments on note payable	(3,100,165)	(2,500,000)
Agency funds	78,820	(2,015)
Net cash used in financing activities	(3,021,345)	(2,502,015)
Change in cash and cash equivalents	(1,836,158)	357,813
Cash and cash equivalents, beginning of year	3,444,422	3,086,609
Cash and cash equivalents, end of year	\$ 1,608,264	\$ 3,444,422

*See accompanying notes to the consolidated financial statements.*

# Marine Corps Heritage Foundation

## Notes to Consolidated Financial Statements

*Years ended December 31, 2008 and 2007*

### **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 raising funds to build the Heritage Center and 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 development of the Heritage Center which includes the Museum, a chapel, playground, roadway and walking pathways. The Foundation will deed the Museum to the Marine Corps when no financial obligation remains with regard to phase I 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 capital fundraising phase.

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

The Foundation registered as a non-profit organization in the Commonwealth of Virginia in 2008. Prior to 2008, the Foundation was registered in the District of Columbia. The LLC was incorporated in Virginia on June 5, 2006 as a single member LLC. The Foundation is the member. The LLC'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, temporarily restricted, and permanently restricted.

#### *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.

#### *Reclassifications*

Certain prior year balances have been reclassified to conform with the current year presentation.

## 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*

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*

Inbound freight shipping and handling costs are included in inventory and in cost of sales when merchandise is sold. In 2008, shipping and handling costs of \$38,173 were charged to the customer as part of the product order and recorded against sales revenue. In 2007, shipping and handling costs of \$24,234 for outbound customer product orders were incurred by the LLC and reflected as an expense.

## 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 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, 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. Throughout the year, the Foundation may have cash and cash equivalents held by financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. Management does not consider the cash balances above the FDIC insured limit to be a significant credit risk. Effective October 3, 2008 the FDIC fully insures non-interest bearing deposit transaction accounts regardless of dollar amount through December 31, 2009 under the Temporary Liquidity Guarantee Program.

##### *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 Reporting*

In 2007, the Foundation changed its classification of the Heritage Center costs from unrestricted to temporarily restricted. The fixed assets and related construction in progress were previously classified as unrestricted net assets. When no financial obligation related to phase I construction exists, the Foundation will deed the Museum to the Marine Corps. The Foundation believes that this presentation 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 B - Pledges Receivable**

Pledges receivable consist of the following at December 31:

Amounts due in:	2008	2007
Less than one year	\$ 3,591,308	\$ 3,911,696
One to five years	7,472,683	6,579,006
More than five years	2,588,599	3,101,810
Total Pledges	13,652,590	13,592,512
Less an allowance and discount	(668,862)	(1,350,370)
Pledges net of allowance and discount	\$ 12,983,728	\$ 12,242,142

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

#### **Note C - Investments**

Investments, stated at fair value, include the following at December 31:

	2008	2007
Short-term investments	\$ 4,703,727	\$ 3,976,096
Equity securities	1,556,624	1,401,245
Fixed income securities	1,001,656	504,195
Hedge funds	200,182	-
Interest in assets held by a third party	1,406,400	-
Total investments	\$ 8,868,589	\$ 5,881,536

During 2008, the Foundation adopted Statements of Financial Accounting Standards No. 157 (SFAS No. 157), *Fair Value Measurement*. This standard established a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The levels of the hierarchy and those investments included in each are as follows:

Level 1- Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets.

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 liability and market-corroborated inputs.

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

## Marine Corps Heritage Foundation

### Notes to Consolidated Financial Statements (Continued)

#### Note C – Investments (Continued)

The following table is a summary of the Foundation’s investments categorized in accordance with SFAS 157 as of December 31, 2008.

Class of Security	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 4,703,727	\$ -	\$ -	\$ 4,703,727
Fixed income/private equity and hedge fund	-	2,758,462	-	2,758,462
Beneficial interest held by a third party	-	-	1,406,400	1,406,400
<b>Total</b>	<u>\$ 4,703,727</u>	<u>\$ 2,758,462</u>	<u>\$ 1,406,400</u>	<u>\$ 8,868,589</u>

The Foundation’s use of Level 3 “unobservable inputs” include a beneficial interest held by a third party (split interest agreement). The split interest agreement is recorded at the present value of estimated future cash flows. The discount rate used to calculate the value of estimated future cash flows at December 31, 2008 is 6%.

The Foundation invests in various investment instruments. Investments are exposed to various risks such as interest rate, 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 year and that such changes could materially affect the amounts reported in the statement of financial position.

Investment return for the Foundation consisted of the following:

	Year ended December 31,	
	2008	2007
Interest and dividends	\$ 225,096	\$ 434,544
Realized losses	(174,269)	(4,301)
Unrealized losses	(985,017)	(63,430)
Investment advisory fees	(32,236)	(44,882)
<b>Total investment return</b>	<u>\$ (971,426)</u>	<u>\$ 321,931</u>

## 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:

	2008	2007
Equipment and software	\$ 341,589	\$ 280,583
Leasehold improvements	89,227	53,473
Vehicles	20,636	20,636
Furniture and fixtures	127,731	98,446
	<u>579,183</u>	<u>453,138</u>
Accumulated Depreciation	(198,244)	(108,892)
Fixed assets, net	<u>\$ 380,939</u>	<u>\$ 344,246</u>

Depreciation expense amounted to \$89,353 and \$79,675 for the years ended December 31, 2008 and 2007, respectively.

#### Note E - Agency Funds

The Foundation is the repository for donor-advised trust funds donated for the purpose of preserving historical Marine Corps equipment, maintaining historical museum exhibits, and offering awards to those preserving the history of Women marines. 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

The Foundation has been raising funds to develop the Heritage Center property and 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.

## 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. Net assets released from restriction are as follows:

	2008	2007
Expenditures for the Heritage Center	\$ 1,182,531	\$ 3,377,380
Awards and fellowships programs	270,213	28,682
Support programs	627,493	108,028
Monuments	-	1,350
Total assets released from restriction	\$ 2,080,237	\$ 3,515,440

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

	2008	2007
Heritage Center	\$ 73,534,468	\$ 67,268,461
Awards and fellowships programs	87,951	231,637
Support programs	484,519	380,918
Monuments	2,354	2,354
Total temporarily restricted assets	\$ 74,109,292	\$ 67,883,370

Temporarily restricted net assets consist of funds to support various programs of the Foundation, including awards and fellowships and the development of the Heritage Center. 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, 2008 and 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 original 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, 2008 and 2007 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:	
2009	\$ 3,100,000
2010	3,500,000
2011	<u>3,429,425</u>
Total:	<u>\$ 10,029,425</u>

During the years ended December 31, 2008 and 2007, total interest costs incurred amounted to \$452,817 and \$830,650, respectively. All interest incurred since inception has been capitalized.

#### **Note I - Charitable Gift Annuity**

The Foundation received \$50,000 in 2008 from a donor in order to establish a charitable gift annuity. The charitable gift annuity agreement required the Foundation to make monthly payments of \$396, to the donor for the remainder of the individual's life. The annuity agreement was not transferable and terminated at the donor's death in September 2008. On the gift receipt date, the Foundation calculated a liability of \$25,000 based on estimated future payments. The difference between the initial gift and the calculated liability was recorded as a contribution at the time of the donor's death.

#### **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, 2008 and 2007 were \$80,356 and \$62,462, respectively.

## Marine Corps Heritage Foundation

### Notes to Consolidated Financial Statements (Continued)

#### **Note K - Contributed Services**

During 2007, the Foundation received substantial benefit from services provided by members who serve in a management capacity. The fair value of those services are estimated to be \$210,000 for the year ended December 31, 2007. This amount is reflected in the statement of activities as revenue and expense. The Foundation received no contributed services during 2008.

#### **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, 2008 are:

2009	\$	161,568
2010		116,976
2011		120,492
2012		124,104
Total	\$	<u>523,140</u>

Rent expense for the years ended December 31, 2008 and 2007 was \$166,197 and \$83,975, 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 \$1,793,972 included allocated amounts of \$358,794 to program services and \$1,435,178 to fundraising for the year ended December 31, 2008. Total joint costs of \$1,643,455 included allocated amounts of \$328,691 to program and \$1,314,764 to fundraising for the year ended December 31, 2007.

## Marine Corps Heritage Foundation

### Consolidated Statement of Functional Expenses

*Year ended December 31, 2008*

	<u>Program services</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Accounting and auditing	\$ -	\$ 88,707	\$ -	\$ 88,707
Advertising	76,223	-	76,491	152,714
Agency Fund expense	-	95,523	-	95,523
Awards	14,586	-	-	14,586
Bank charges	-	14,637	-	14,637
Catalog	59,279	-	-	59,279
Consulting	7,287	-	239,658	246,945
Corporate Fundraising	-	-	13,016	13,016
Credit card fees	96,891	10,528	-	107,419
Depreciation	-	89,353	-	89,353
Direct mailing	358,794	-	1,435,178	1,793,972
Dues and subscriptions	-	5,308	-	5,308
Facilities development	44,816	-	-	44,816
Gifts	-	1,266	-	1,266
Insurance	65,026	15,162	-	80,188
Investment fees	-	37,236	-	37,236
Maintenance	39,175	41,279	-	80,454
Marketing	159,243	-	110,223	269,466
Meetings	-	46,793	-	46,793
Museum expenses - LLC	114,986	-	-	114,986
Museum and historical support	664,329	-	-	664,329
Office expense	39,816	46,842	14,343	101,001
Postage and shipping	26,005	26,006	6,919	58,930
Printing	17,907	17,907	48,710	84,524
Professional fees	6,022	146,098	-	152,120
Rent	49,982	116,215	-	166,197
Research	-	-	17,265	17,265
Salaries, taxes, and benefits	1,197,218	1,014,074	403,866	2,615,158
Special events	515,446	-	-	515,446
Staff training	4,554	4,555	-	9,109
Taxes and licenses	-	6,530	17,526	24,056
Telephone and utilities	49,372	49,372	11,629	110,373
Temporary help	9,610	19,355	3,203	32,168
Travel	7,526	13,593	11,124	32,243
USMC Support	21,270	-	-	21,270
Website and internet	29,480	29,727	19,134	78,341
<b>Total</b>	<u>\$ 3,674,843</u>	<u>\$ 1,936,066</u>	<u>\$ 2,428,285</u>	<u>\$ 8,039,194</u>

## Marine Corps Heritage Foundation

### Consolidated Statement of Functional Expenses

*Year ended December 31, 2007*

	<u>Program services</u>	<u>General and 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 assets	-	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
<b>Total</b>	<u>\$ 2,139,192</u>	<u>\$ 1,295,653</u>	<u>\$ 2,868,917</u>	<u>\$ 6,303,762</u>

# Marine Corps Heritage Foundation

## Consolidating Statement of Financial Position

December 31, 2008

	Foundation	Heritage Center, LLC	Reclassifications & Eliminations	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 1,298,137	\$ 310,127	\$ -	\$ 1,608,264
Investments	8,615,122	253,467	-	8,868,589
Investment in LLC	925,375	-	(925,375)	-
Pledges receivable, net of discount	12,983,728	-	-	12,983,728
Accounts receivable	23,594	5,548	-	29,142
Inventory	-	647,805	-	647,805
Due from LLC	271,302	-	(271,302)	-
Construction in progress	1,409,294	-	-	1,409,294
The National Museum of the Marine Corps	63,951,626	-	-	63,951,626
Fixed assets, net	225,127	155,812	-	380,939
Prepaid expenses	30,801	51,684	-	82,485
Deposits	12,389	-	-	12,389
<b>Total assets</b>	<b>\$ 89,746,495</b>	<b>\$ 1,424,443</b>	<b>\$ (1,196,677)</b>	<b>\$ 89,974,261</b>
<b>Liabilities and net assets</b>				
Accounts payable and accrued expenses	\$ 875,129	\$ 227,766	\$ -	\$ 1,102,895
Due to Foundation	-	271,302	(271,302)	-
Notes payable	10,029,425	-	-	10,029,425
Other payable	38,937	-	-	38,937
Agency Funds	99,448	-	-	99,448
<b>Total liabilities</b>	<b>11,042,939</b>	<b>499,068</b>	<b>(271,302)</b>	<b>11,270,705</b>
<b>Net assets/retained earnings:</b>				
Unrestricted net assets	4,162,333	-	-	4,162,333
Retained earnings	-	925,375	(925,375)	-
Temporarily restricted net assets	74,109,292	-	-	74,109,292
Permanently restricted net assets	431,931	-	-	431,931
<b>Total net assets/retained earnings</b>	<b>78,703,556</b>	<b>925,375</b>	<b>(925,375)</b>	<b>78,703,556</b>
<b>Total liabilities and net assets</b>	<b>\$ 89,746,495</b>	<b>\$ 1,424,443</b>	<b>\$ (1,196,677)</b>	<b>\$ 89,974,261</b>

Marine Corps Heritage Foundation  
Consolidating Statement of Activities

	Year ended December 31, 2008			
	Foundation	Heritage Center, LLC	Reclassifications & Eliminations	Total
<b>Change in unrestricted net assets/retained earnings:</b>				
<b>Revenues, gains, and other support</b>				
Net sales	\$ -	\$ 2,521,055	\$ -	\$ 2,521,055
Less: Cost of sales	-	(1,142,245)	-	(1,142,245)
Total gross profit on sales	-	1,378,810	-	1,378,810
Contributions	7,239,951	83,433	-	7,323,384
Fundraising events	339,082	192,862	-	531,944
Program revenue	-	102,752	-	102,752
Other income	13,326	106,919	(9,809)	110,436
Interest and dividends	86,254	7,123	-	93,377
Interest in the earnings of the LLC	(12,727)	-	12,727	-
Reclassification of net assets	(25,000)	-	-	(25,000)
Net assets released from restrictions	2,080,237	-	-	2,080,237
<b>Total revenue</b>	<b>9,721,123</b>	<b>1,871,899</b>	<b>2,918</b>	<b>11,595,940</b>
<b>Expenses</b>				
Program services	2,571,913	1,102,930	-	3,674,843
Fundraising	2,427,053	1,232	-	2,428,285
General and administrative	1,165,411	770,655	-	1,936,066
Total expenses	6,164,377	1,874,817	-	8,039,194
Change in unrestricted net assets before change in fair value of investments and realized losses	3,556,746	(2,918)	2,918	3,556,746
Change in fair value of investments	(985,017)	-	-	(985,017)
Realized loss on investments	(174,269)	-	-	(174,269)
Change in unrestricted net assets/retained earnings	2,397,460	(2,918)	2,918	2,397,460
<b>Change in temporarily restricted net assets:</b>				
Contributions	8,149,440	-	-	8,149,440
Interest and dividends	131,719	-	-	131,719
Reclassification of net assets	25,000	-	-	25,000
Net assets released from restrictions	(2,080,237)	-	-	(2,080,237)
Change in temporarily restricted net assets	6,225,922	-	-	6,225,922
Change in net assets/retained earnings	8,623,382	(2,918)	2,918	8,623,382
Net assets/member's equity, beginning of year	70,080,174	928,293	(928,293)	70,080,174
Net assets/member's equity, end of year	<u>\$ 78,703,556</u>	<u>\$ 925,375</u>	<u>\$ (925,375)</u>	<u>\$ 78,703,556</u>