



Marine Corps Heritage Foundation

Audited Consolidated Financial Statements

*Years ended December 31, 2009 and 2008
with Report of Independent Auditors*

Marine Corps Heritage Foundation
Audited Consolidated Financial Statements
Years ended December 31, 2009 and 2008

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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 ("the Foundation") as of December 31, 2009 and 2008 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, 2009 and 2008, 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.

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 15, 2010

Marine Corps Heritage Foundation

Consolidated Statements of Financial Position

	December 31,	
	2009	2008
Assets		
Cash and cash equivalents	\$ 1,898,222	\$ 1,608,264
Investments	5,959,035	8,868,589
Cash surrender value of life insurance policy	62,447	-
Pledges receivable, net	11,352,765	12,983,728
Retirement plan assets	52,125	15,040
Accounts receivable	109,640	29,142
Inventory	593,669	647,805
Construction in progress	1,124,253	1,409,294
Heritage Center	70,362,129	63,951,626
Fixed assets, net	785,426	380,939
Prepaid expenses	25,573	82,485
Deposits	12,389	12,389
Total assets	\$ 92,337,673	\$ 89,989,301
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 1,225,816	\$ 1,102,895
Notes payable	6,929,425	10,029,425
Other payable	17,148	38,937
Annuity payable	6,705	-
Retirement plan liability	52,125	15,040
Agency funds	115,256	99,448
Total liabilities	8,346,475	11,285,745
Net assets		
Unrestricted net assets	6,311,851	4,162,333
Temporarily restricted net assets	77,247,416	74,109,292
Permanently restricted net assets	431,931	431,931
Total net assets	83,991,198	78,703,556
Total liabilities and net assets	\$ 92,337,673	\$ 89,989,301

See accompanying notes to the consolidated financial statements.

Marine Corps Heritage Foundation

Consolidated Statements of Activities

	Year ended December 31,	
	2009	2008
Change in unrestricted net assets:		
Revenue, gains and other support		
Net sales	\$ 2,464,490	\$ 2,521,055
Less: Cost of sales	(1,057,796)	(1,142,245)
Total gross profit on sales	1,406,694	1,378,810
Contributions	5,341,494	7,323,384
Special events	328,662	531,944
Program revenue	92,584	102,752
Other income	86,693	110,436
Interest and dividends	65,069	93,377
Net assets released from restrictions	1,811,669	2,055,237
Total revenue	9,132,865	11,595,940
Expenses		
Program services	3,578,555	3,674,843
Fundraising	2,145,994	2,428,285
General and administrative	1,299,491	1,936,066
Total expenses	7,024,040	8,039,194
Change in unrestricted net assets, before change in fair value of investments and realized losses	2,108,825	3,556,746
Change in fair value of investments	139,924	(985,017)
Realized loss on investments	(99,231)	(174,269)
Change in unrestricted net assets	2,149,518	2,397,460
Change in temporarily restricted net assets		
Contributions	4,333,861	8,149,440
Change in fair value of investments	547,208	-
Interest and dividends	68,724	131,719
Net assets released from restrictions	(1,811,669)	(2,055,237)
Change in temporarily restricted net assets	3,138,124	6,225,922
Change in net assets	5,287,642	8,623,382
Net assets, beginning of year	78,703,556	70,080,174
Net assets, end of year	\$ 83,991,198	\$ 78,703,556

See accompanying notes to the consolidated financial statements.

Marine Corps Heritage Foundation

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2009	2008
Cash flows from operating activities		
Change in net assets	\$ 5,287,642	\$ 8,623,382
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	103,907	89,353
Change in fair value of investments	(687,132)	945,516
Realized loss on sales of investments	99,231	164,993
Change in agency fund investments	(15,808)	48,777
Donated marketable securities	(387,430)	(297,275)
Changes in operating assets and liabilities:		
Pledges receivable, net of discount	1,630,963	(741,586)
Grants receivable	-	228,000
Accounts receivable	(80,498)	19,232
Inventory	54,136	206,167
Prepaid expenses	56,912	(27,061)
Retirement plan assets	(37,085)	(15,040)
Accounts payable and accrued expenses	122,921	12,547
Deferred revenue	(21,789)	(67,168)
Retirement plan liability	37,085	15,040
Annuity payable	6,705	(18,273)
Net cash provided by operating activities	6,169,760	9,186,604
Cash flows from investing activities		
Payments for construction in progress	285,041	1,401,483
Purchases of investments	(2,659,956)	(7,419,352)
Proceeds from sales of investments	6,498,202	3,570,288
Purchases of fixed assets	(6,918,897)	(5,553,836)
Net cash used in investing activities	(2,795,610)	(8,001,417)
Cash flows from financing activities		
Principal payments on note payable	(3,100,000)	(3,100,165)
Agency funds	15,808	78,820
Net cash used in financing activities	(3,084,192)	(3,021,345)
Change in cash and cash equivalents	289,958	(1,836,158)
Cash and cash equivalents, beginning of year	1,608,264	3,444,422
Cash and cash equivalents, end of year	\$ 1,898,222	\$ 1,608,264

See accompanying notes to the consolidated financial statements.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements

Years ended December 31, 2009 and 2008

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.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, revenue is recognized when earned and an expense is recognized when the obligation is incurred.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

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

Contributions

Contributions and pledges are recorded 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 to the current year presentation.

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 are recorded 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.

Fair Value Measurement

The Foundation's classifications for investments are based on the framework established in the Fair Value Measurement and Disclosure accounting guidance. The framework is based on the inputs used in the valuation and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the fair value guidance includes a hierarchy based on whether the estimate is disclosed.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

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

Fair Value Measurement (Continued)

The highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Foundation's significant market assumptions. The three 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.

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

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. 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. Shipping and handling costs of \$32,380 and \$38,173 were charged to the customer as part of the product order and recorded against sales revenue as of December 31, 2009 and 2008, respectively.

Income Taxes

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation 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. Management has concluded that the Foundation has maintained its tax exempt status; and that there are no uncertain tax positions at December 31, 2009. Tax years 2006 through 2008 are subject to examination by federal and state authorities; there are currently no examinations being conducted.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

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

Estimates

The process of preparing financial statements in conformity with GAAP 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.

Subsequent Events

The Foundation has evaluated subsequent events for disclosure and recognition through April 15, 2010, the date on which these financial statements were available to be issued.

Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of cash and cash equivalents. The Foundation places its cash and cash equivalents 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) limit, which has been temporarily increased to \$250,000 until December 31, 2013. Management does not consider the cash balances above the FDIC insured limit to be a significant credit risk.

Note B - Pledges Receivable

Pledges receivable consist of the following at December 31:

Amounts due in:	2009	2008
Less than one year	\$ 3,371,738	\$ 3,591,308
One to five years	7,291,242	7,472,683
More than five years	1,357,393	2,588,599
Total Pledges	12,020,373	13,652,590
Less allowance and discount	(667,608)	(668,862)
Pledges net of allowance and discount	<u>\$ 11,352,765</u>	<u>\$ 12,983,728</u>

Pledges receivable that are due beyond one year are carried at the estimated present value of the future receipts. In addition, the Foundation received \$10,000,000 in conditional pledges that are not recognized as assets in the statement of financial position for the year ending December 31, 2009.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note C – Investments and Fair Value Measurements

The following table is a summary of the Foundation's investments at fair value within the fair value hierarchy at December 31, 2009:

Class of Security	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,229,339	\$ -	\$ -	\$ 1,229,339
Mutual funds - equities	1,791,257	-	-	1,791,257
Mutual funds - fixed income	1,213,569	-	-	1,213,569
Hedge fund	-	-	234,086	234,086
Beneficial interest held by a third party	-	-	1,490,784	1,490,784
Retirement plan assets	52,125	-	-	52,125
Total	\$ 4,286,290	\$ -	\$ 1,724,870	\$ 6,011,160

The following table is a summary of the Foundation's investments at fair value within the fair value hierarchy at December 31, 2008:

Class of Security	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 4,703,727	\$ -	\$ -	\$ 4,703,727
Mutual funds - equities	1,556,625	-	-	1,556,625
Mutual funds - fixed income	1,001,655	-	-	1,001,655
Hedge fund	-	-	200,182	200,182
Beneficial interest held by a third party	-	-	1,406,400	1,406,400
Retirement plan assets	15,040	-	-	15,040
Total	\$ 7,277,047	\$ -	\$ 1,606,582	\$ 8,883,629

The changes in Level 3 investments at fair value are summarized as follows:

	Hedge fund	Interest held by third party	Total
Beginning balance	\$ 200,182	\$ 1,406,400	\$ 1,606,582
Net investment gain for 2009	33,904	84,384	118,288
Ending balance	\$ 234,086	\$ 1,490,784	\$ 1,724,870

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note C – Investments and Fair Value Measurements (Continued)

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). The Foundation's use of Level 3 "unobservable inputs" includes 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 was 6% in the year the gift was received.

Total investment return is comprised of the following:

	Year ended December 31,	
	2009	2008
Interest and dividends	\$ 133,793	\$ 225,096
Realized losses	(99,231)	(174,269)
Unrealized gains/(losses)	687,132	(985,017)
Investment advisory fees	(42,478)	(37,236)
Total investment return	\$ 679,216	\$ (971,426)

Note D - Fixed Assets

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

	2009	2008
Equipment and software	\$ 594,299	\$ 341,589
Leasehold improvements	89,227	89,227
Office building	255,684	-
Vehicles	20,636	20,636
Furniture and fixtures	127,731	127,731
	1,087,577	579,183
Accumulated depreciation	(302,151)	(198,244)
Fixed assets, net	\$ 785,426	\$ 380,939

Note E - Agency Funds

The Foundation is the repository for donor-advised trust funds donated for the purpose of 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.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note E - Agency Funds (Continued)

Agency funds in the amount of \$7,424 were recorded as temporarily restricted contributions for the year ended December 31, 2009 in accordance with the donor's request that the funds are to be used for the development of the Heritage Center.

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.

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:

	2009	2008
Expenditures for the Heritage Center	\$ 1,131,519	\$ 1,182,531
Awards and fellowships programs	89,773	270,213
Reclassification of agency funds	115,256	-
Support programs	475,651	627,493
Reclassification of net assets	(530)	(25,000)
Total assets released from restriction	\$ 1,811,669	\$ 2,055,237

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

	2009	2008
Heritage Center	\$ 76,630,444	\$ 73,534,471
Awards and fellowships programs	259,711	87,951
Support programs	354,910	484,519
Monuments	2,351	2,351
Total temporarily restricted assets	\$ 77,247,416	\$ 74,109,292

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

Note G - Restricted Net Assets (Continued)

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. As of December 31, 2009 and 2008, permanently restricted net assets consisted of three permanent endowment funds totaling \$431,931.

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 \$3,000,000. 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 accrued monthly and is due and payable with each biannual principal payment through the maturity date. The line of credit bears interest at the floating monthly LIBOR rate plus 1.3%. As of December 31, 2009 and 2008 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:	
2010	\$ 3,500,000
2011	<u>3,429,425</u>
Total:	<u>\$ 6,929,425</u>

During the years ended December 31, 2009 and 2008, total interest costs incurred amounted to \$135,855 and \$452,817, respectively. All interest incurred since inception has been capitalized.

Note I - Charitable Gift Annuity

The Foundation received \$10,000 in 2009 from a donor in order to establish a charitable gift annuity. The charitable gift annuity agreement requires the Foundation to make quarterly payments of \$132 to the donor for the remainder of the individual's life. The annuity agreement is not transferable and terminates at the donor's death. On the gift receipt date, the Foundation calculated a liability of \$6,816 based on estimated future payments. The difference between the initial gift and the calculated liability was recorded as a contribution.

Marine Corps Heritage Foundation

Notes to Consolidated Financial Statements (Continued)

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, 2009 and 2008 was \$103,272 and \$80,356, respectively.

Note K - Commitments

The Foundation is obligated under various operating leases for office space and equipment. The current monthly charges are \$13,725. Minimum future rental payments under noncancellable operating leases as of December 31, 2009 are:

2010	\$	116,976
2011		120,492
2012		124,104
Total	\$	<u>361,572</u>

Rent expense for the years ended December 31, 2009 and 2008 was \$175,624 and \$166,197, respectively.

Note L - 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 \$1,752,329 included allocated amounts of \$350,466 to program services and \$1,401,863 to fundraising for the year ended December 31, 2009. 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.

Marine Corps Heritage Foundation

Consolidated Statement of Functional Expenses

Year ended December 31, 2009

	Program services	Fundraising	General and administrative	Total
Accounting and auditing	\$ -	\$ -	\$ 100,349	\$ 100,349
Advertising	163,415	663	43,123	207,201
Awards	13,588	-	-	13,588
Bank charges	3,680	-	13,564	17,244
Catalog	61,437	-	-	61,437
Consulting	211,570	176,129	-	387,699
Credit card fees	58,578	11,745	11,745	82,068
Depreciation	-	-	103,906	103,906
Direct mailing	350,466	1,401,863	-	1,752,329
Dues and subscriptions	340	1,415	2,380	4,135
Facilities development	38,549	-	-	38,549
Gifts	-	-	1,360	1,360
Insurance	55,398	-	17,194	72,592
Investment fees	-	-	42,478	42,478
Maintenance	43,276	12,858	12,858	68,992
Marketing	396	26,865	2,707	29,968
Meetings	1,258	617	45,573	47,448
Museum and historical support	531,188	-	-	531,188
Museum expenses - LLC	113,559	-	-	113,559
Office expense	21,051	3,845	33,140	58,036
Postage and shipping	34,627	10,601	7,694	52,922
Printing	106	9,465	5,872	15,443
Professional fees	25,040	340	80,057	105,437
Rent	51,717	-	123,907	175,624
Research	-	11,350	-	11,350
Salaries, taxes, and benefits	1,263,781	424,718	625,301	2,313,800
Special events	359,871	-	-	359,871
Staff training	811	1,162	368	2,341
Taxes and licenses	4,806	13,585	312	18,703
Telephone and utilities	98,588	10,304	10,305	119,197
Temporary help	8,299	3,060	447	11,806
Travel	5,528	11,524	965	18,017
USMC Support	17,712	-	-	17,712
Website and internet	39,920	13,885	13,886	67,691
Total	\$ 3,578,555	\$ 2,145,994	\$ 1,299,491	\$ 7,024,040

Marine Corps Heritage Foundation

Consolidated Statement of Functional Expenses

Year ended December 31, 2008

	Program services	Fundraising	General and administrative	Total
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 and historical support	664,329	-	-	664,329
Museum expenses - LLC	114,986	-	-	114,986
Office expense	39,816	14,343	46,842	101,001
Postage and shipping	26,005	6,919	26,006	58,930
Printing	17,907	48,710	17,907	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	403,866	1,014,074	2,615,158
Special events	515,446	-	-	515,446
Staff training	4,554	-	4,555	9,109
Taxes and licenses	-	17,526	6,530	24,056
Telephone and utilities	49,372	11,629	49,372	110,373
Temporary help	9,610	3,203	19,355	32,168
Travel	7,526	11,124	13,593	32,243
USMC Support	21,270	-	-	21,270
Website and internet	29,480	19,134	29,727	78,341
Total	\$ 3,674,843	\$ 2,428,285	\$ 1,936,066	\$ 8,039,194

Marine Corps Heritage Foundation

Consolidating Statement of Financial Position

	December 31, 2009			
	Foundation	Heritage Center, LLC	Reclassifications & Eliminations	Total
Assets				
Cash and cash equivalents	\$ 1,658,299	\$ 239,923	\$ -	\$ 1,898,222
Investments	5,757,165	201,870	-	5,959,035
Investment in LLC	1,219,751	-	(1,219,751)	-
Cash surrender value of life insurance policy	62,447	-	-	62,447
Pledges receivable, net of discount	11,352,765	-	-	11,352,765
Retirement plan assets	52,125	-	-	52,125
Accounts receivable	106,132	3,508	-	109,640
Inventory	-	593,669	-	593,669
Due from LLC	12,073	-	(12,073)	-
Construction in progress	1,124,253	-	-	1,124,253
The Heritage Center	70,362,129	-	-	70,362,129
Fixed assets, net	400,276	385,150	-	785,426
Prepaid expenses	12,590	12,983	-	25,573
Deposits	12,389	-	-	12,389
	\$ 92,132,394	\$ 1,437,103	\$ (1,231,824)	\$ 92,337,673
Liabilities and net assets				
Accounts payable and accrued expenses	\$ 1,020,537	\$ 205,279	\$ -	\$ 1,225,816
Due to Foundation	-	12,073	(12,073)	-
Notes payable	6,929,425	-	-	6,929,425
Other payable	17,148	-	-	17,148
Annuities payable	6,705	-	-	6,705
Retirement plan payable	52,125	-	-	52,125
Agency funds	115,256	-	-	115,256
Total liabilities	8,141,196	217,352	(12,073)	8,346,475
Net assets/retained earnings:				
Unrestricted net assets	6,311,851	-	-	6,311,851
Retained earnings	-	1,219,751	(1,219,751)	-
Temporarily restricted net assets	77,247,416	-	-	77,247,416
Permanently restricted net assets	431,931	-	-	431,931
Total net assets/retained earnings	83,991,198	1,219,751	(1,219,751)	83,991,198
Total liabilities and net assets	\$ 92,132,394	\$ 1,437,103	\$ (1,231,824)	\$ 92,337,673

Marine Corps Heritage Foundation
Consolidating Statement of Activities

Year ended December 31, 2009

	Foundation	Heritage Center, LLC	Reclassifications & Eliminations	Total
Change in unrestricted net assets/retained earnings:				
Revenues, gains, and other support				
Net sales	\$ -	\$ 2,464,490	\$ -	\$ 2,464,490
Less: Cost of sales	-	(1,057,796)	-	(1,057,796)
Total gross profit on sales	-	1,406,694	-	1,406,694
Contributions	5,265,408	76,086	-	5,341,494
Special events	148,751	179,911	-	328,662
Program revenue	-	92,584	-	92,584
Other income	3,610	83,083	-	86,693
Interest and dividends	61,126	3,943	-	65,069
Interest in the earnings of the LLC	294,376	-	(294,376)	-
Net assets released from restrictions	1,811,669	-	-	1,811,669
Total revenue	7,584,940	1,842,301	(294,376)	9,132,865
Expenses				
Program services	2,140,268	1,438,287	-	3,578,555
Fundraising	2,145,994	-	-	2,145,994
General and administrative	1,189,853	109,638	-	1,299,491
Total expenses	5,476,115	1,547,925	-	7,024,040
Change in unrestricted net assets before change in fair value of investments and realized losses	2,108,825	-	-	2,108,825
Change in fair value of investments	139,924	-	-	139,924
Realized loss on investments	(99,231)	-	-	(99,231)
Change in unrestricted net assets/retained earnings	2,149,518	-	-	2,149,518
Change in temporarily restricted net assets:				
Contributions	4,333,861	-	-	4,333,861
Change in fair value of investments	547,208	-	-	547,208
Interest and dividends	68,724	-	-	68,724
Net assets released from restrictions	(1,811,669)	-	-	(1,811,669)
Change in temporarily restricted net assets	3,138,124	-	-	3,138,124
Change in net assets/retained earnings	5,287,642	294,376	(294,376)	5,287,642
Net assets/member's equity, beginning of year	78,703,556	925,375	(925,375)	78,703,556
Net assets/member's equity, end of year	<u>\$ 83,991,198</u>	<u>\$ 1,219,751</u>	<u>\$ (1,219,751)</u>	<u>\$ 83,991,198</u>