

# **UNITED STATES NAVY MEMORIAL FOUNDATION**

## **FINANCIAL STATEMENTS**

*As of and for the Years Ended December 31, 2024 and 2023*

*And Report of Independent Auditor*

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**TABLE OF CONTENTS**

---

**REPORT OF INDEPENDENT AUDITOR**..... 1-2

**FINANCIAL STATEMENTS**

Statements of Financial Position.....3

Statements of Activities and Changes in Net Assets.....4

Statements of Functional Expenses ..... 5-6

Statements of Cash Flows .....7

Notes to the Financial Statements ..... 8-20

## Report of Independent Auditor

To the Board of Directors  
United States Navy Memorial Foundation  
Washington, D.C.

### Opinion

We have audited the accompanying financial statements of the United States Navy Memorial Foundation (the "Foundation") which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 the Foundation as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Correction of Error

As discussed in Note 3 to the financial statements, certain errors resulting in an understatement of amounts previously reported for accounts receivable, pledge receivable, net assets, and private gifts and grants as of and for the year ended December 31, 2023, were discovered by management of the Foundation during the current year. Accordingly, amounts reported for accounts receivable, pledge receivable, net assets, and private gifts and grants have been restated in the 2023 financial statements now presented. Our opinion is not modified with respect to that matter.

### 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 the Foundation'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. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audit.

*Cherry Bekaert LLP*

Tysons Corner, Virginia  
May 29, 2025

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2024 AND 2023

|  | <b>2024</b>         | <b>2023</b><br><b>(As Restated)</b> |
|--|---------------------|-------------------------------------|
| <b>ASSETS</b>  |                     |                                     |
| Cash and cash equivalents  | \$ 528,127          | \$ 192,127                          |
| Investments  | 1,270,570           | 1,904,124                           |
| Accounts receivable (net of allowance for credit losses of \$7,500)                      | 179,091             | 419,633                             |
| Pledge receivable (net of unamortized discounts<br>of \$6,129 and \$9,124, respectively) | 143,871             | 215,876                             |
| Prepaid expenses   | 280,286             | 439,270                             |
| Inventory  | 211,509             | 138,746                             |
| Right-of-use assets  | 5,387,536           | 571,710                             |
| Property and equipment, net  | 1,017,546           | 1,128,343                           |
| Trademark, net   | 3,771               | 4,565                               |
| Deposits   | 282,513             | 528,880                             |
| <b>Total Assets</b>  | <b>\$ 9,304,820</b> | <b>\$ 5,543,274</b>                 |
| <b>LIABILITIES AND NET ASSETS</b>  |                     |                                     |
| Liabilities:   |                     |                                     |
| Accounts payable and accrued expenses  | \$ 255,638          | \$ 614,653                          |
| Annuities payable  | 98,462              | 159,923                             |
| Deferred revenue   | 332,556             | 281,519                             |
| Operating lease liability  | 6,112,428           | 891,327                             |
| <b>Total Liabilities</b>   | <b>6,799,084</b>    | <b>1,947,422</b>                    |
| Net Assets:  |                     |                                     |
| Without Donor Restrictions:  |                     |                                     |
| Invested in property and equipment   | 1,017,546           | 1,128,343                           |
| Board-designated   | 873,000             | 1,409,527                           |
| Undesignated   | 58,290              | 402,630                             |
| <b>Total Without Donor Restrictions</b>  | <b>1,948,836</b>    | <b>2,940,500</b>                    |
| With Donor Restrictions:   |                     |                                     |
| Subject to purpose or time restriction   | 365,919             | 469,159                             |
| Endowments   | 190,981             | 186,193                             |
| <b>Total With Donor Restrictions</b>   | <b>556,900</b>      | <b>655,352</b>                      |
| <b>Total Net Assets</b>  | <b>2,505,736</b>    | <b>3,595,852</b>                    |
| <b>Total Liabilities and Net Assets</b>  | <b>\$ 9,304,820</b> | <b>\$ 5,543,274</b>                 |

The accompanying notes to the financial statements are an integral part of these statements.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

YEARS ENDED DECEMBER 31, 2024 AND 2023

|                                       | 2024                          |                            |                     | 2023 (As Restated)            |                            |                     |
|---------------------------------------|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|                                       | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| <b>Revenue:</b>                       |                               |                            |                     |                               |                            |                     |
| Direct mail contributions             | \$ 1,939,750                  | \$ -                       | \$ 1,939,750        | \$ 2,152,559                  | \$ -                       | \$ 2,152,559        |
| Special projects and events           | 1,164,960                     | -                          | 1,164,960           | 1,012,182                     | -                          | 1,012,182           |
| Private gifts and grants              | 1,164,243                     | 2,995                      | 1,167,238           | 3,276,255                     | 215,876                    | 3,492,131           |
| Navy ceremony                         | 237,354                       | -                          | 237,354             | 189,934                       | -                          | 189,934             |
| Visitor center                        | 538,315                       | -                          | 538,315             | 322,802                       | -                          | 322,802             |
| Affinity program                      | 108,898                       | -                          | 108,898             | 100,000                       | -                          | 100,000             |
| Auxiliary activity - store sales      | 378,506                       | -                          | 378,506             | 313,151                       | -                          | 313,151             |
| Other income                          | 957,433                       | -                          | 957,433             | 244,623                       | -                          | 244,623             |
| Investment return, net                | 145,479                       | 31,922                     | 177,401             | 210,551                       | 4,710                      | 215,261             |
|                                       | 6,634,938                     | 34,917                     | 6,669,855           | 7,822,057                     | 220,586                    | 8,042,643           |
| Net assets released from restrictions | 133,369                       | (133,369)                  | -                   | 49,665                        | (49,665)                   | -                   |
| <b>Total Revenue</b>                  | <b>6,768,307</b>              | <b>(98,452)</b>            | <b>6,669,855</b>    | <b>7,871,722</b>              | <b>170,921</b>             | <b>8,042,643</b>    |
| <b>Expenses:</b>                      |                               |                            |                     |                               |                            |                     |
| <b>Program Services:</b>              |                               |                            |                     |                               |                            |                     |
| Visitor center services               | 3,429,839                     | -                          | 3,429,839           | 2,044,465                     | -                          | 2,044,465           |
| Special events                        | 1,427,015                     | -                          | 1,427,015           | 1,307,430                     | -                          | 1,307,430           |
| Educational services                  | 444,363                       | -                          | 444,363             | 556,700                       | -                          | 556,700             |
| Expenses of auxiliary enterprises     | 480,796                       | -                          | 480,796             | 459,818                       | -                          | 459,818             |
| Navy log                              | 21,825                        | -                          | 21,825              | 10,617                        | -                          | 10,617              |
| <b>Total Program Services</b>         | <b>5,803,838</b>              | <b>-</b>                   | <b>5,803,838</b>    | <b>4,379,030</b>              | <b>-</b>                   | <b>4,379,030</b>    |
| <b>Supporting Services:</b>           |                               |                            |                     |                               |                            |                     |
| Fundraising                           | 1,433,782                     | -                          | 1,433,782           | 995,278                       | -                          | 995,278             |
| General and administrative            | 522,351                       | -                          | 522,351             | 656,489                       | -                          | 656,489             |
| <b>Total Supporting Services</b>      | <b>1,956,133</b>              | <b>-</b>                   | <b>1,956,133</b>    | <b>1,651,767</b>              | <b>-</b>                   | <b>1,651,767</b>    |
| <b>Total Expenses</b>                 | <b>7,759,971</b>              | <b>-</b>                   | <b>7,759,971</b>    | <b>6,030,797</b>              | <b>-</b>                   | <b>6,030,797</b>    |
| Net change in net assets              | (991,664)                     | (98,452)                   | (1,090,116)         | 1,840,925                     | 170,921                    | 2,011,846           |
| Net assets, beginning of year         | 2,940,500                     | 655,352                    | 3,595,852           | 1,099,575                     | 484,431                    | 1,584,006           |
| <b>Net assets, end of year</b>        | <b>\$ 1,948,836</b>           | <b>\$ 556,900</b>          | <b>\$ 2,505,736</b> | <b>\$ 2,940,500</b>           | <b>\$ 655,352</b>          | <b>\$ 3,595,852</b> |

The accompanying notes to the financial statements are an integral part of these statements.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2024

|   | Program Services        |                     |                      |                                       |                  | Supporting Services    |                     |                            |                     |
|---|-------------------------|---------------------|----------------------|---------------------------------------|------------------|------------------------|---------------------|----------------------------|---------------------|
|   | Visitor Center Services | Special Events      | Educational Services | Expenses of the Auxiliary Enterprises | Navy Log         | Total Program Services | Fundraising         | General and Administrative | Total               |
| Personnel costs   | \$ 661,109              | \$ 848,855          | \$ 281,023           | \$ 192,006                            | \$ -             | \$ 1,982,993           | \$ 371,671          | \$ 249,188                 | \$ 2,603,852        |
| Occupancy costs   | 614,412                 | 8,265               | 22,586               | 95,337                                | -                | 740,600                | 39,935              | 37,808                     | 818,343             |
| Project management fees                                       | -                       | 45,000              | -                    | -                                     | -                | 45,000                 | 374,740             | 12,847                     | 432,587             |
| Printing  | 194,796                 | 6,128               | -                    | -                                     | -                | 200,924                | 46,477              | 364                        | 247,765             |
| Postage   | 257,258                 | 286                 | 5,943                | 21,576                                | -                | 285,063                | 63,920              | 2                          | 348,985             |
| Food and beverage   | 110,602                 | 175,943             | 152                  | -                                     | -                | 286,697                | 1,446               | 19,726                     | 307,869             |
| Event production  | 15,026                  | 170,395             | -                    | -                                     | -                | 185,421                | 210                 | -                          | 185,631             |
| Legal, other professional fees and services                   | 15,779                  | 21,423              | 403                  | 4,246                                 | 12,591           | 54,442                 | 94,871              | 19,001                     | 168,314             |
| Depreciation and amortization expense                         | 77,668                  | -                   | 46,313               | -                                     | -                | 123,981                | 5,169               | 19,081                     | 148,231             |
| Database, website maintenance, and hosting                    | -                       | -                   | -                    | -                                     | -                | -                      | 290,367             | 46,597                     | 336,964             |
| Miscellaneous   | 1,214,784               | 2,915               | 50,362               | 2,270                                 | -                | 1,270,331              | 8,833               | 41,832                     | 1,320,996           |
| Mail shop   | 102,720                 | -                   | -                    | -                                     | -                | 102,720                | 25,680              | -                          | 128,400             |
| Costs of goods sold   | -                       | -                   | -                    | 145,413                               | -                | 145,413                | -                   | -                          | 145,413             |
| Building maintenance, equipment rental, and custodial service | 104,265                 | -                   | 7,600                | -                                     | -                | 111,865                | -                   | 8,502                      | 120,367             |
| Bank and credit card charges                                  | 18,433                  | 1,978               | 1,116                | 13,160                                | -                | 34,687                 | 20,537              | 22,151                     | 77,375              |
| Supplies  | 13,073                  | 305                 | 4,051                | 3,640                                 | -                | 21,069                 | 12,232              | 19,421                     | 52,722              |
| Venue rental  | -                       | 32,000              | -                    | -                                     | -                | 32,000                 | -                   | -                          | 32,000              |
| List rental expense   | -                       | -                   | -                    | -                                     | -                | -                      | 24,046              | -                          | 24,046              |
| Travel and transportation expense                             | 7,612                   | 15,539              | 3,857                | -                                     | -                | 27,008                 | 11,926              | 3,397                      | 42,331              |
| Video production  | 10,000                  | 78,938              | -                    | -                                     | -                | 88,938                 | -                   | -                          | 88,938              |
| Marketing   | 6,503                   | 1,018               | 3,775                | 2,517                                 | 9,234            | 23,047                 | 11,586              | 938                        | 35,571              |
| Unrelated business income tax                                 | -                       | -                   | -                    | -                                     | -                | -                      | -                   | 20,566                     | 20,566              |
| Communications cost   | 2,357                   | 2,670               | 871                  | 631                                   | -                | 6,529                  | 1,230               | 798                        | 8,557               |
| Events and ceremonies   | 3,442                   | 934                 | -                    | -                                     | -                | 4,376                  | -                   | -                          | 4,376               |
| Awards and gifts  | -                       | 14,423              | 9,600                | -                                     | -                | 24,023                 | 13,951              | 132                        | 38,106              |
| Exhibits  | -                       | -                   | 6,711                | -                                     | -                | 6,711                  | -                   | -                          | 6,711               |
| Silent auction  | -                       | -                   | -                    | -                                     | -                | -                      | 14,955              | -                          | 14,955              |
|   | <u>\$ 3,429,839</u>     | <u>\$ 1,427,015</u> | <u>\$ 444,363</u>    | <u>\$ 480,796</u>                     | <u>\$ 21,825</u> | <u>\$ 5,803,838</u>    | <u>\$ 1,433,782</u> | <u>\$ 522,351</u>          | <u>\$ 7,759,971</u> |

The accompanying notes to the financial statements are an integral part of these statements.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2023

|   | Program Services        |                     |                      |                                       |                  | Supporting Services    |                   |                            |                     |
|---|-------------------------|---------------------|----------------------|---------------------------------------|------------------|------------------------|-------------------|----------------------------|---------------------|
|   | Visitor Center Services | Special Events      | Educational Services | Expenses of the Auxiliary Enterprises | Navy Log         | Total Program Services | Fundraising       | General and Administrative | Total               |
| Personnel costs   | \$ 371,194              | \$ 708,067          | \$ 258,438           | \$ 167,046                            | \$ -             | \$ 1,504,745           | \$ 211,847        | \$ 310,908                 | \$ 2,027,500        |
| Occupancy costs   | 848,137                 | 16,313              | 31,487               | 120,128                               | -                | 1,016,065              | 32,550            | 52,686                     | 1,101,301           |
| Project management fees                                       | -                       | 78,610              | 3,719                | -                                     | -                | 82,329                 | 310,500           | 16,428                     | 409,257             |
| Printing  | 250,204                 | 6,421               | -                    | -                                     | -                | 256,625                | 62,358            | -                          | 318,983             |
| Postage   | 2,470                   | 154                 | 208,760              | 22,145                                | 2                | 233,531                | 52,437            | 678                        | 286,646             |
| Food and beverage   | 90,712                  | 159,021             | -                    | -                                     | -                | 249,733                | -                 | 8,810                      | 258,543             |
| Event production  | 9,885                   | 226,214             | -                    | -                                     | -                | 236,099                | -                 | -                          | 236,099             |
| Legal, other professional fees and services                   | 34,819                  | 5,756               | 1,138                | 5,125                                 | 2,125            | 48,963                 | 99,085            | 54,676                     | 202,724             |
| Depreciation and amortization expense                         | 100,723                 | 16,382              | 46,314               | -                                     | -                | 163,419                | -                 | 25,373                     | 188,792             |
| Database, website maintenance, and hosting                    | -                       | -                   | -                    | -                                     | -                | -                      | 131,213           | 45,736                     | 176,949             |
| Miscellaneous   | 48,343                  | 3,910               | 2,004                | 7,639                                 | -                | 61,896                 | -                 | 84,632                     | 146,528             |
| Mail shop   | 113,433                 | -                   | -                    | -                                     | -                | 113,433                | 28,358            | -                          | 141,791             |
| Costs of goods sold   | 8,810                   | 9,624               | -                    | 119,368                               | -                | 137,802                | -                 | -                          | 137,802             |
| Building maintenance, equipment rental, and custodial service | 77,825                  | 9,373               | -                    | -                                     | -                | 87,198                 | -                 | 6,119                      | 93,317              |
| Bank and credit card charges                                  | 19,585                  | 1,641               | -                    | 10,990                                | -                | 32,216                 | 8,541             | 27,016                     | 67,773              |
| Supplies  | 31,042                  | 336                 | 1,414                | 5,092                                 | -                | 37,884                 | -                 | 12,484                     | 50,368              |
| Venue rental  | -                       | 32,000              | -                    | -                                     | -                | 32,000                 | -                 | -                          | 32,000              |
| List rental expense   | -                       | -                   | -                    | -                                     | -                | -                      | 30,535            | -                          | 30,535              |
| Travel and transportation expense                             | 14,317                  | 9,162               | 2,771                | -                                     | -                | 26,250                 | 1,851             | 1,449                      | 29,550              |
| Video production  | 9,000                   | 17,010              | -                    | -                                     | -                | 26,010                 | -                 | -                          | 26,010              |
| Marketing   | 9,065                   | 2,659               | -                    | 1,729                                 | 8,490            | 21,943                 | 2,876             | 444                        | 25,263              |
| Unrelated business income tax                                 | -                       | -                   | -                    | -                                     | -                | -                      | 22,440            | -                          | 22,440              |
| Current gift annuity interest, adjustments, and payments      | -                       | -                   | -                    | -                                     | -                | -                      | -                 | 6,820                      | 6,820               |
| Communications cost   | 1,552                   | 2,377               | 655                  | 556                                   | -                | 5,140                  | 686               | 898                        | 6,724               |
| Events and ceremonies   | 2,867                   | -                   | -                    | -                                     | -                | 2,867                  | -                 | -                          | 2,867               |
| Bad debt expense  | -                       | 2,400               | -                    | -                                     | -                | 2,400                  | -                 | -                          | 2,400               |
| Awards and gifts  | 480                     | -                   | -                    | -                                     | -                | 480                    | -                 | 1,332                      | 1,812               |
|   | <u>\$ 2,044,465</u>     | <u>\$ 1,307,430</u> | <u>\$ 556,700</u>    | <u>\$ 459,818</u>                     | <u>\$ 10,617</u> | <u>\$ 4,379,030</u>    | <u>\$ 995,278</u> | <u>\$ 656,489</u>          | <u>\$ 6,030,797</u> |

The accompanying notes to the financial statements are an integral part of these statements.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2024 AND 2023

|  | <b>2024</b>         | <b>2023</b><br><b>(As Restated)</b> |
|--|---------------------|-------------------------------------|
| <b>Cash flows from operating activities:</b>   |                     |                                     |
| Net change in net assets   | \$ (1,090,116)      | \$ 2,011,846                        |
| Adjustments to reconcile net change in net assets to net cash flows from operating activities: |                     |                                     |
| Depreciation and amortization  | 148,231             | 188,792                             |
| Bad debt expense   | -                   | 2,400                               |
| Realized and unrealized gain on investments  | (144,810)           | (159,025)                           |
| Change in value of split-interest agreements held  | (30,455)            | 8,400                               |
| Non cash lease expense   | 405,275             | 96,564                              |
| Changes in operating assets and liabilities:   |                     |                                     |
| Accounts receivable, net   | 240,542             | (337,829)                           |
| Pledge receivable, net   | 72,005              | (215,876)                           |
| Prepaid expenses   | 158,984             | (355,062)                           |
| Inventory  | (72,763)            | (30,628)                            |
| Deposits   | 246,367             | (376,487)                           |
| Accounts payable and accrued expenses  | (359,015)           | 184,246                             |
| Deferred revenue   | 51,037              | (41,032)                            |
| Net cash flows from operating activities   | <u>(374,718)</u>    | <u>976,309</u>                      |
| <b>Cash flows from investing activities:</b>   |                     |                                     |
| Proceeds from sales of investments   | 2,150,001           | 1,604,376                           |
| Purchases and (sales) of investments   | (1,371,637)         | (2,439,354)                         |
| Purchases of property and equipment  | (36,640)            | (70,426)                            |
| Net cash flows from investing activities   | <u>741,724</u>      | <u>(905,404)</u>                    |
| <b>Cash flows from financing activities:</b>   |                     |                                     |
| Payments and maturities of annuity obligations   | (31,006)            | (37,695)                            |
| Net cash flows from financing activities   | <u>(31,006)</u>     | <u>(37,695)</u>                     |
| Net change in cash and cash equivalents  | 336,000             | 33,210                              |
| Cash and cash equivalents, beginning of year   | 192,127             | 158,917                             |
| Cash and cash equivalents, end of year   | <u>\$ 528,127</u>   | <u>\$ 192,127</u>                   |
| <b>Supplemental cash flow information:</b>   |                     |                                     |
| Cash paid for taxes on unrelated business income   | <u>\$ 20,566</u>    | <u>\$ 37,549</u>                    |
| <b>Supplementary noncash financing and investing information:</b>                              |                     |                                     |
| Right-of-use assets obtained in exchange for lease liabilities                                 | <u>\$ 5,188,333</u> | <u>\$ 1,354,891</u>                 |

The accompanying notes to the financial statements are an integral part of these statements.

# UNITED STATES NAVY MEMORIAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

---

### Note 1—Nature of operations and summary of significant accounting policies

*Organization* – The United States Navy Memorial Foundation (the “Foundation”) is a nonprofit organization dedicated to the education of the general public regarding the maritime heritage of the United States and the contribution of the United States Navy personnel to that maritime heritage. The Foundation constructed a national monument, including the statue of The Lone Sailor, in Washington, D.C., in honor and in memory of all United States Sea Services personnel. The Foundation has completed a Visitor Center adjacent to the Memorial. Among the Visitor Center attractions are a Log Room, Ship’s Store, Theater, and National Chief’s Mess. The Foundation occupies office space adjacent to the Visitor Center.

*Basis of Accounting* – The financial statements of the Foundation are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America (“U.S. GAAP”).

*Basis of Presentation* – The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Financial Statements of Not-for-Profit Organizations*. The Foundation presents information regarding its financial position and activities according to two classes of net assets described as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation’s management and the Board of Directors. The Foundation has chosen to provide further classification information about net assets without donor restrictions on the statements of financial position. The sub classifications are as follows:

*Invested in Property and Equipment* – Represents net assets invested in property and equipment, net of accumulated depreciation.

*Board-Designated* – Represents resources set aside by the Board of Directors to be used for specific activities within guidelines established by the Foundation.

*Undesignated* – Represents the cumulative net assets without donor restrictions excluding those net assets invested in property and equipment and designated for specific activities.

*Net Assets With Donor 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 a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions whose restrictions expire in the same year of receipt are classified as revenues without donor restrictions in the statements of activities. Additionally, net assets with donor restrictions consist of assets whose use by the Foundation is limited by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by the actions of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreement.

*Cash and Cash Equivalents* – The Foundation considers all highly liquid instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The Federal Deposit Insurance Corporation (“FDIC”) insures amounts up to \$250,000 for each institution. The Foundation’s cash balances at times exceed federally insured limits; however, the Foundation has not experienced any losses in such accounts and does not believe it is not exposed to any significant credit risks on cash and cash equivalents. As of December 31, 2024 and 2023, the Foundation’s deposits at a financial institution exceeded the FDIC insurance limited by approximately \$250,000 and \$-0-, respectively.

# UNITED STATES NAVY MEMORIAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

---

### Note 1—Nature of operations and summary of significant accounting policies (continued)

*Investments and Fair Value Measurements* – Investments are recorded at cost if purchased and at fair value if donated. Thereafter, investments in marketable securities with readily determinable fair values and all investments in equity and debt securities are valued at their fair value in the statement of financial position. Fair value is determined by a reference to exchange or dealer-quoted market prices. Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends) is included with net assets without donor restrictions on the statement of activities and changes in net assets unless the income or loss is restricted by donor or law.

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable and unobservable inputs when measuring fair value.

The levels of the hierarchy are as follows:

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

*Mutual Funds, Equity Securities, and Certificates of Deposit* – Value is based upon quoted market prices, when available. These financial instruments are classified as Level 1 in the fair value hierarchy.

*Charitable Gift Annuities* – Measured at fair value on a recurring basis using significant unobservable inputs. These financial instruments are classified as Level 3 in the fair value hierarchy.

Refer to Note 6 for summary of valuation of the Foundation's financial instruments measured at fair value as of December 31, 2024 and 2023, based on the level of input utilized to measure fair value.

*Risks and Uncertainties* – The Foundation invests in various investment securities. Investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statements of financial position.

*Accounts Receivable* – Accounts receivable consist primarily of amounts due from special program projects and events, the Navy ceremony, sales and services of auxiliary enterprises, and the Visitor Center activities. Accounts receivable is stated at its net realizable value, less an allowance for credit losses.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 1—Nature of operations and summary of significant accounting policies (continued)**

The allowance for credit losses is based on the Foundation's assessment of the collectability of customer accounts receivable. In accordance with ASC Topic 326, *Financial Instruments - Credit Losses*, the Foundation makes ongoing estimates relating to the collectability of accounts receivable and records an allowance for estimated losses expected from the inability of its customers to make required payments. The Foundation establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when there is no reasonable expectation of recovery. recovery. As of January 1, 2023, accounts receivable totaled \$84,204 net of an allowance for credit losses of \$10,100. As of December 31, 2024 and 2023, the allowance for credit losses consists of the following:

|   | <b>2024</b>     | <b>2023</b>     |
|---|-----------------|-----------------|
| Allowance for credit losses, January 1,   | \$ 7,500        | \$ 10,100       |
| Write-offs                                | -               | (3,800)         |
| Provisions for credit losses              | -               | 1,200           |
| Allowance for credit losses, December 31, | <u>\$ 7,500</u> | <u>\$ 7,500</u> |

*Pledge Receivable* – Unconditional promises to give are recorded as receivables and revenue when received, and allowances are provided for amounts estimated to be uncollectible. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The Foundation records an allowance for uncollectible pledges as a reduction in contribution revenue. Write-offs of specific pledges are recorded against the reserve and are included in credit losses on the accompanying statement of activities and changes in net assets. Amortization of the discounts is included in contribution revenue. Amortization of the discount on the pledge receivable of \$2,995 was included in contribution revenue for at December 31, 2024.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met.

*Inventory* – Inventory held by the Foundation consists of statues and books. Inventory is stated at the lower of cost or net realizable value. Inventories are adjusted for estimated excess and obsolete items based upon assumptions about future demand and market conditions when necessary. There was no allowance for obsolete inventory at December 31, 2024 and 2023.

*Property and Equipment* – Property, furniture, equipment, and leasehold improvements are recorded at cost, or if donated, such assets are capitalized at the estimated fair value at the date of receipt. It is the Foundation's policy to capitalize fixed assets with an original cost greater than \$2,500. Depreciation expense is computed using the straight-line method over the estimated life of three to fifteen years. Leasehold improvements are amortized over the lesser of the remaining office lease term or the estimated useful life of the improvements. Related amortization of leasehold improvements has been included with depreciation expense. Expenditures for maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, with any gain or loss included in operations. Also included with property and equipment are collections held by the Foundation.

*Collections* – The Foundation has capitalized its collections since its inception. If purchased, items accessioned into the collection are recorded at cost, and if donated, they are recorded at fair value on the accession date. The collections are reported on the statements of financial position within property and equipment and related gains and losses on the deaccession of collection items are classified on the statements of activities as without donor restrictions or with donor restrictions support depending on donor restrictions, if any, placed on the items at the time of accession.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

---

**Note 1—Nature of operations and summary of significant accounting policies (continued)**

*Trademarks* – The Foundation’s trademarks are amortized on a straight-line basis over 40 years. Amortization expense for the years ended December 31, 2024 and 2023 was \$794 and \$794, respectively, and has been included with depreciation expense. Amortization expense is expected to be \$794 each year for the next four years and \$595 for the year ended December 31, 2029.

*Revenue* – The Foundation follows the provisions of U.S. GAAP which dictate that support received is reported as increases in net assets with donor restrictions and net assets without donor restrictions, depending on the existence and/or nature of any donor restrictions. When support that is restricted by a donor is received, it is recorded as an increase in net assets with donor restrictions. Grants are recognized when cash, other assets, or an unconditional promise to give is received or made. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Direct mail contributions and private gifts and grants are recognized at the point in time an unconditional gift is received.

Charitable gift annuity contributions are recorded net of the present value of the liability of the future annuity payments and included in other income. The rate used to calculate the net present value is the adjusted discount rate for the month in which the gift is made. The value of the liability is adjusted to reflect amortization of the discount, payments to the donor, and changes in actuarial assumptions.

The Foundation recognizes revenue for all other revenue streams, excluding investment earnings, in accordance with FASB ASC 606, *Revenue from Contracts with Customers*.

Revenues derived from special projects and events, the Navy ceremony, and Visitor Center represent sponsorships and events which are recognized at a point in time once the event or program is held. Amounts received in advance of the related event are deferred until the event takes place and recognized as revenue once the event has been held. Facility rentals are recognized when the performance obligation of providing space for the event has been satisfied.

Funds received for the Affinity program are recognized over the life of the contract as the donor receives benefit throughout the contract period. Amounts received in advance are deferred until earned.

Revenues derived from store sales are recognized as the goods are delivered to the buyer.

*Deferred Revenue* – Income from special projects and events and the Affinity program paid in advance is deferred and recognized over the periods to which the income relates. Deferred revenue as of January 1, 2023 totaled \$281,519.

*Functional Expenses* – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statement of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

| <u>Expense</u>        | <u>Method of Allocation</u> |
|-----------------------|-----------------------------|
| Salaries and benefits | Time and effort             |
| Occupancy             | Square footage              |
| Depreciation          | Program                     |
| Professional services | Full-time equivalent        |

# UNITED STATES NAVY MEMORIAL FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

---

### **Note 1—Nature of operations and summary of significant accounting policies (continued)**

*Advertising Expenses* – The Foundation uses advertising to communicate its message and inform the general public on various public policy issues. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2024 and 2023 was \$35,571 and \$25,263, respectively.

*Joint Cost Allocation* – In 2024 and 2023, the Foundation incurred joint costs of \$725,150 and \$747,420, respectively, for mailshop, postage, and printing activities. Of those costs, \$145,030 and \$580,120, respectively, were allocated 20% to fundraising expense, and \$149,484 and \$597,936, respectively, were allocated 80% to program services for the years ended December 31, 2024 and 2023. No costs were allocated to general and administrative expense.

*Use of Estimates* – The accompanying financial statements have been prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Tax Status* – The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”). The Foundation is not considered a private foundation. The Foundation is required to pay federal and state income taxes only on unrelated business income. Management has concluded that the Foundation has maintained its tax-exempt status and that there are no significant uncertain tax positions as of December 31, 2024 and 2023.

### **Note 2—Description of program services and supporting services**

The following program and supporting services are included in the accompanying statements of activities.

*Visitor Center Services* – Visitor center services honors, recognizes, preserves, and celebrates America’s enduring maritime heritage through commemorative ceremonies, reunion meetings, reenlistment and retirement ceremonies, film and video presentations, band concerts, photographic and data collections, special events, and exhibits.

*Special Events* – These events promote awareness of the Foundation and its purpose to the general public through ceremonies, exchange programs, seminars, and lectures.

*Educational Services* – Educational services educates and informs the public about the heritage of the United States as a maritime nation and the contributions of men and women in the naval services through exhibits, film and video presentations, lectures, tours, publications, and events.

*Expenses of Auxiliary Enterprises* – Sales of memorabilia to further educate the public regarding the role of the Navy and the contributions of those who have served the United States in the Navy, Marine Corps, Coast Guard, or Merchant Marine.

*Navy Log* – The Navy Log is the nation's largest publicly available repository of Sea Service personnel. It was established as a tribute to those who have served and a permanent archive of their military service with the goal to create a legacy of honor that reaches across generations and tells the story of our Sea Service veterans, preserving naval heritage for future generations to come.

*Fundraising* – Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, other assets, or time. They include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; and conducting fundraising events.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 2—Description of program services and supporting services (continued)**

*General and Administrative* – General and administrative activities are those that are not identified with a single program but that are indispensable to the conduct of the Foundation’s operations and programs. They include oversight, business management, record keeping, budgeting, and finance.

**Note 3—Restatement**

The Foundation identified two errors related to previously presented items. The errors resulted from an improper accrual of a bequest and not properly recording a pledge receivable. The impact of the restatement on the financial statements as of and for the year ended December 31, 2023 is presented below.

|  | <b>As Previously<br/>Reported</b> | <b>Correction<br/>of Error</b> | <b>As Restated</b>  |
|--|-----------------------------------|--------------------------------|---------------------|
| <b>Statement of Financial Position</b>                   |                                   |                                |                     |
| Accounts receivable                                      | \$ 48,356                         | \$ 371,277                     | \$ 419,633          |
| Pledge receivable (net of unamortized discount)          | -                                 | 215,876                        | 215,876             |
| Net assets   |                                   |                                |                     |
| <i>Invested in property and equipment</i>                | 1,128,343                         | -                              | 1,128,343           |
| <i>Board-designated</i>                                  | 1,409,527                         | -                              | 1,409,527           |
| <i>Undesignated</i>                                      | 31,353                            | 371,277                        | 402,630             |
| Total without donor restrictions                         | <u>2,569,223</u>                  | <u>371,277</u>                 | <u>2,940,500</u>    |
| <i>Subject to purpose or time restrictions</i>           | 439,476                           | 215,876                        | 655,352             |
| Total with donor restrictions                            | <u>439,476</u>                    | <u>215,876</u>                 | <u>655,352</u>      |
| Total Net Assets   | <u>\$ 3,008,699</u>               | <u>\$ 587,153</u>              | <u>\$ 3,595,852</u> |
| <b>Statement of Activities and Changes in Net Assets</b> |                                   |                                |                     |
| <i>Without donor restrictions</i>                        |                                   |                                |                     |
| Private gifts and grants                                 | \$ 2,904,978                      | \$ 371,277                     | \$ 3,276,255        |
| Total revenue without donor restrictions                 | <u>7,500,445</u>                  | <u>371,277</u>                 | <u>7,871,722</u>    |
| Net change in assets without donor restrictions          | <u>\$ 1,469,648</u>               | <u>\$ 371,277</u>              | <u>\$ 1,840,925</u> |
| <i>With donor restrictions</i>                           |                                   |                                |                     |
| Private gifts and grants                                 | \$ -                              | \$ 215,876                     | \$ 215,876          |
| Total revenue with donor restrictions                    | <u>(44,955)</u>                   | <u>215,876</u>                 | <u>170,921</u>      |
| Net change in assets with donor restrictions             | <u>\$ (44,955)</u>                | <u>\$ 215,876</u>              | <u>\$ 170,921</u>   |
| <b>Statement of Cash Flows</b>                           |                                   |                                |                     |
| Net change in net assets                                 | \$ 1,424,693                      | \$ 587,153                     | \$ 2,011,846        |
| Change in value of split-interest agreements held        | -                                 | 8,400                          | 8,400               |
| Changes in operating assets and liabilities:             |                                   |                                |                     |
| Accounts receivable                                      | 33,448                            | (371,277)                      | (337,829)           |
| Pledge receivable  | -                                 | (215,876)                      | (215,876)           |
| Net cash flow from operating activities                  | <u>\$ 967,909</u>                 | <u>\$ 8,400</u>                | <u>\$ 976,309</u>   |

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 4—Liquidity and availability**

The following table shows the total financial assets held by the Foundation and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

|   | <u>2024</u>       | <u>2023</u>       |
|---|-------------------|-------------------|
| Financial assets at year-end:   |                   |                   |
| Cash and cash equivalents   | \$ 528,127        | \$ 192,127        |
| Investments   | 1,270,570         | 1,904,124         |
| Accounts receivable (net of allowance for credit losses of \$7,500)                   | 179,091           | 419,633           |
| Pledge receivable (net of unamortized discounts of \$6,129 and \$9,124, respectively) | 143,871           | 215,876           |
| Total financial assets  | <u>2,121,659</u>  | <u>2,731,760</u>  |
| Less amounts not available to be used for general expenditures within one year:       |                   |                   |
| Donor-restricted with purpose or time restriction                                     | 365,919           | 469,159           |
| Board-designated liquidity reserve  | 873,000           | 1,409,527         |
| Endowments  | 190,981           | 186,193           |
| Amount of pledge receivable to be received beyond next twelve months                  | 71,929            | 143,871           |
| Financial assets available to meet general expenditures within one year               | <u>\$ 619,830</u> | <u>\$ 523,010</u> |

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities, as well as the services undertaken to support those activities to be general expenditures.

The Foundation has a goal to maintain cash and short-term investment balances on hand to meet 60 days of ordinary business expenses (exclusive of depreciation), which average \$540,000. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Foundation maintains a \$50,000 cash reserve and 40% of its portfolio in certificates of deposit, short-term treasury instruments, and other fixed-income investments.

In addition, the Foundation's Board of Directors has set aside \$873,000 for the year ended December 31, 2024, comprised of the following: a \$75,000 reserve for Capital Improvements, a \$150,000 reserve for Capital Maintenance, and \$648,000 for a Special Reserve. The Board set aside \$1,409,527 for the year ended December 31, 2023, comprised of the following: a \$75,000 reserve for Capital Improvements, a \$150,000 reserve for Capital Maintenance, \$854,000 for a Special Reserve, and \$330,527 for a General Reserve. Although designated for specific purposes, these funds without donor restrictions are considered a part of the Foundation's liquidity reserve and may be utilized for liquidity purposes per the board's discretion.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 5—Pledge receivable, net**

As of December 31, the present value of pledges receivable, net of allowance for uncollectible accounts and present value discount, are due as follows:

|                             | <u>2024</u>       | <u>2023</u>       |
|-----------------------------|-------------------|-------------------|
| Receivable in one year      | \$ 75,000         | \$ 75,000         |
| Receivable in two years     | 75,000            | 75,000            |
| Receivable in three years   | -                 | 75,000            |
|                             | 150,000           | 225,000           |
| Less allowance and discount | (6,129)           | (9,124)           |
| Total promises to give      | <u>\$ 143,871</u> | <u>\$ 215,876</u> |

Unconditional promises to give are primarily from individuals and are reflected at the present value of estimated future cash flows using an average discounted rate of 4.23%.

**Note 6—Investments and fair value measurements**

Investments reported at fair value consisted of the following at December 31:

|                                | <u>2024</u>       |                     | <u>2023</u>         |                     |
|--------------------------------|-------------------|---------------------|---------------------|---------------------|
|                                | <u>Cost</u>       | <u>Fair Value</u>   | <u>Cost</u>         | <u>Fair Value</u>   |
| Mutual funds                   | \$ 795,410        | \$ 978,857          | \$ 1,641,387        | \$ 1,743,545        |
| Equity securities              | 49,228            | 186,107             | 28,783              | 53,499              |
| Certificates of deposits       | 25,000            | 24,503              | 25,000              | 23,388              |
| Cash and cash equivalents held | 81,103            | 81,103              | 83,692              | 83,692              |
|                                | <u>\$ 950,741</u> | <u>\$ 1,270,570</u> | <u>\$ 1,778,862</u> | <u>\$ 1,904,124</u> |

The Foundation's investments as of December 31 consisted of the following:

|  | <u>Investments at Fair Value as of December 31, 2024</u> |                |                |                     |
|--|--|----------------|----------------|---------------------|
|  | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
| Mutual funds   | \$ 976,543   | \$ -           | \$ -           | \$ 976,543          |
| Equity securities  | 186,107  | -              | -              | 186,107             |
| Certificates of deposits                                     | 24,503   | -              | -              | 24,503              |
| Cash and cash equivalents held<br>within investment accounts | 83,417   | -              | -              | 83,417              |
| Total investments at fair value                              | <u>\$ 1,270,570</u>                                      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 1,270,570</u> |

|  | <u>Investments at Fair Value as of December 31, 2023</u> |                |                |                     |
|--|--|----------------|----------------|---------------------|
|  | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>        |
| Mutual funds   | \$ 1,743,545   | \$ -           | \$ -           | \$ 1,743,545        |
| Equity securities  | 53,499   | -              | -              | 53,499              |
| Certificates of deposits                                     | 23,388   | -              | -              | 23,388              |
| Cash and cash equivalents held<br>within investment accounts | 83,692   | -              | -              | 83,692              |
| Total investments at fair value                              | <u>\$ 1,904,124</u>                                      | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 1,904,124</u> |

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 6—Investments and fair value measurements (continued)**

The Foundation's total earnings on investments for the years ended December 31 is comprised of the following:

|                               | <u>2024</u>       | <u>2023</u>       |
|-------------------------------|-------------------|-------------------|
| Interest and dividends        | \$ 32,591         | \$ 56,236         |
| Realized and unrealized gains | 144,810           | 159,025           |
| Total investment earnings     | <u>\$ 177,401</u> | <u>\$ 215,261</u> |

**Note 7—Property and equipment**

Property and equipment of the Foundation consisted of the following at December 31:

|                               | <u>2024</u>         | <u>2023</u>         |
|-------------------------------|---------------------|---------------------|
| Leasehold improvements        | \$ 7,077,613        | \$ 7,073,164        |
| Equipment                     | 2,568,356           | 2,557,961           |
| Furniture and fixtures        | 2,334,241           | 2,312,444           |
| Website                       | 200,450             | 200,450             |
| Total fixed assets            | 12,180,660          | 12,144,019          |
| Less accumulated depreciation | <u>(11,163,114)</u> | <u>(11,015,676)</u> |
|                               | <u>\$ 1,017,546</u> | <u>\$ 1,128,343</u> |

Furniture and fixtures includes non-depreciable collection items in the amount of \$68,075 at December 31, 2024 and 2023. Depreciation expense attributable to property and equipment for the years ended December 31, 2024 and 2023 was \$147,437 and \$187,999, respectively.

**Note 8—Charitable gift annuities**

As of December 31, 2024 and 2023, the Foundation has received cash contributions from donors of \$535,869 in the form of charitable gift annuities. Under the terms of the agreements, the Foundation has agreed to pay each donor a life annuity of a percentage (ranging from 1.2% to 6.0%) of the initial fair market value of the investment. The liability under the agreements is recorded at the net present value of the estimated income owed to the donors based upon the donors' life expectancy.

The discount is computed using the risk-adjusted rates, ranging from 1.0% to 6.0%. The agreements stipulate that the donors are to receive periodic payments for the remainder of their lives. Any income not distributed will revert to the Foundation at the termination of the agreements.

These annuities are classified as Level 3 liabilities within the U.S. GAAP fair value hierarchy as their fair values are derived from inputs to the valuation methodology that are unobservable for the asset and are based on actuarial assumptions such as mortality rates and the applicable federal rate for charitable gifts. These assumptions are significant to the fair value measurement.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 8—Charitable gift annuities (continued)**

Anticipated maturities of the obligations under the agreement are as follows:

|            |    |               |
|------------|----|---------------|
| 2025       | \$ | 47,778        |
| 2026       |    | 19,691        |
| 2027       |    | 14,753        |
| 2028       |    | 6,106         |
| 2029       |    | 3,052         |
| Thereafter |    | 7,082         |
|            |    | <u>98,462</u> |
|            | \$ | <u>98,462</u> |

Disbursements and maturities of the annuities amounted to \$14,170 and \$29,295 for the years ended December 31, 2024 and 2023, respectively.

**Note 9—Net assets with donor restrictions**

Net assets with donor restrictions at December 31 have been restricted by the donors for the following purpose restrictions:

|  | <u>2024</u>       | <u>2023</u>       |
|--|-------------------|-------------------|
| Subject to purpose or time restriction:                                    |                   |                   |
| Back area build out  | \$ 171,015        | \$ 171,015        |
| Youth programs   | 1,262             | 27,497            |
| Galan Freise Scholarship   | 49,771            | 54,771            |
| Pledge receivable, net   | 143,871           | 215,876           |
| Total subject to purpose or time restriction                               | <u>365,919</u>    | <u>469,159</u>    |
| Endowments:  |                   |                   |
| Subject to appropriation and expenditure:                                  |                   |                   |
| Restricted by donor for outreach program                                   | (4,641)           | (4,641)           |
| Subtotal   | (4,641)           | (4,641)           |
| Held in perpetuity subject to endowment spending policy and appropriation: |                   |                   |
| V-12 program endowment   | 153,447           | 153,447           |
| Zumwalt lecture series endowment   | 33,710            | 28,922            |
| Outreach program endowment   | 8,465             | 8,465             |
| Total endowments   | <u>190,981</u>    | <u>186,193</u>    |
| Total net assets with donor restrictions                                   | <u>\$ 556,900</u> | <u>\$ 655,352</u> |

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 10—Net assets released from restrictions**

Net assets released from restrictions for the years ended December 31 consist of:

|  | <u>2024</u>       | <u>2023</u>      |
|--|-------------------|------------------|
| Satisfaction of purpose or time restriction: |                   |                  |
| Youth programs                               | \$ 26,235         | \$ 22,465        |
| V-12 income                                  | 25,857            | 17,202           |
| Zumwalt Lecture investment income            | -                 | 2,326            |
| Outreach investment income                   | 1,277             | 2,672            |
| Galan Freise Scholarship                     | 5,000             | 5,000            |
| Pledge receivable, net                       | 75,000            | -                |
| Net assets released from restrictions        | <u>\$ 133,369</u> | <u>\$ 49,665</u> |

**Note 11—Endowment funds**

The Foundation’s endowment funds were established for the purpose of securing the Foundation’s long-term financial viability and continuing to meet the needs of the Foundation, which consisted of three funds as of December 31, 2024 and 2023:

*V-12 Program* – The V-12 Navy College Training Program was initiated in 1943 to meet both the immediate and long-range needs for commissioned officers to man ships, fly planes, and command troops called to duty in World War II.

*Zumwalt Lecture Series* – The Zumwalt Lecture Series was established to provide funding for a series of naval leadership lectures.

*Outreach Programs* – Support was provided to the Foundation to assist with educating and providing outreach to the youth and general public.

*Interpretation of Relevant Law* – As required by U.S. GAAP, net assets associated with these funds are classified and reported based on the existence or absence of donor-imposed restrictions. The amounts classified as with donor restrictions net assets represent the Foundation’s endowment. The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

*Investment Policy* – The Foundation commingled net assets with donor restrictions in investments portfolios with net assets without donor restrictions. The Foundation allocated realized and unrealized gains and losses to the endowment funds based on the endowment funds cost basis percentage of the investment portfolio and revenue earned is reported as with donor restrictions. Management decides, based on what the assets were restricted for, the disposition of the restricted revenue in accordance with the donors’ stipulations. The Foundation’s endowment policy is focused on the preservation of capital and amounts are invested in 68% equities and 32% fixed income securities for 2024 and 65% equities and 35% fixed income for 2023.

*Spending Policy* – The Foundation has a policy for appropriating for distribution a certain percentage of its endowment fund’s average fair value over time. In establishing this policy, the Foundation considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The Foundation’s current spending policy allows its endowment funds to grow over time, which is consistent with the Foundation’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 11—Endowment funds (continued)**

*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 the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are required to be reported in net assets with donor restrictions. Deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new with donor restrictions contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. As of December 31, 2024 and 2023, there were no funds with deficiencies.

Changes in endowment net assets for the years ended December 31 are as follows:

|  | <b>With Donor<br/>Restrictions</b> |
|--|------------------------------------|
| Endowment Net Assets, December 31, 2022  | \$ 203,685                         |
| Investment income  | 4,710                              |
| Appropriation of endowment assets for expenditure pursuant to spending-rate policy | <u>(22,202)</u>                    |
| Endowment Net Assets, December 31, 2023  | 186,193                            |
| Investment income  | 31,922                             |
| Appropriation of endowment assets for expenditure pursuant to spending-rate policy | <u>(27,134)</u>                    |
| Endowment Net Assets, December 31, 2024  | <u><u>\$ 190,981</u></u>           |

**Note 12—Related party transactions**

The Foundation received significant contributions from certain Board members in support of various programs and operations. Related party contributions were \$96,575 and \$114,672 for the years ended December 31, 2024 and 2023, respectively. There were no related party receivable balances at December 31, 2024. Related party receivable balances amounted to \$15,000 at December 31, 2023, and is included in accounts receivable on the statements of financial position.

**Note 13—Employee retirement plan**

The Foundation maintains an employee contribution retirement plan which operates under IRC Section 403(b). All employees are eligible to participate at the date of employment. The Foundation makes employer contributions matching a percentage of employee contributions. The Foundation matched up to 4% of employee contributions, which was changed from 3% of employee contributions effective July 2024. For the years ended December 31, 2024 and 2023, the Foundation contributed \$41,207 and \$26,357, respectively.

**Note 14—Leases**

The Foundation leases office space. The Foundation determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property and equipment for a period of time in exchange for consideration.

Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Foundation. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. In order to determine the present value of lease payments, the Foundation uses the implicit rate when it is readily determinable. In order to determine the present value of lease payments, the Foundation uses the incremental borrowing rate based on the information available at lease commencement to determine the present value of lease payments.

**UNITED STATES NAVY MEMORIAL FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2024 AND 2023

**Note 14—Leases (continued)**

The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Foundation does not have leases where it is involved with the construction or design of an underlying asset. The Foundation has no material obligation for leases signed but not yet commenced as of December 31, 2024.

The Foundation has elected a practical expedient to account for lease and non-lease components as a single component. The Foundation elected the three transition practical expedients that permit an entity to: (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard. National Alliance elected the practical expedient not to recognize leases with terms of 12 months or less on the statement of financial position and instead recognize the lease payments on a straight-line basis over the term of the lease.

Future minimum lease payments on lease liabilities for each of the years ended December 31 is as follows:

|                               |    |                         |
|-------------------------------|----|-------------------------|
| 2025                          | \$ | 655,241                 |
| 2026                          |    | 664,983                 |
| 2027                          |    | 674,779                 |
| 2028                          |    | 684,752                 |
| 2029                          |    | 694,950                 |
| Thereafter                    |    | <u>4,327,358</u>        |
| Total undiscounted cash flows |    | 7,702,063               |
| Less present value discount   |    | <u>(1,589,634)</u>      |
| Total lease liabilities       | \$ | <u><u>6,112,428</u></u> |

Required supplemental information relating to the leases for the years ended December 31, 2024 and 2023 is as follows:

|   | <u>2024</u> | <u>2023</u> |
|---|-------------|-------------|
| Operating lease expense   | \$ 582,650  | \$ 413,209  |
| Lease term and discount rate:                                       |             |             |
| Weighted average remaining lease term                               | 10.92 years | 1.50 years  |
| Weighted average discount rate                                      | 4.33%       | 7.50%       |
| Cash flow information:  |             |             |
| Operating cash flows from operating leases                          | \$ 177,375  | \$ 316,645  |
| ROU assets obtained in exchange for new operating lease liabilities | 5,188,333   | -           |

**Note 15—Subsequent events**

The Foundation has performed an evaluation of subsequent events through May 29, 2025, which is the date the financial statements were available to be issued and has considered any relevant matters in the preparation of the financial statements and footnotes.