

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC. AND
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	22
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	23
CONSOLIDATING STATEMENT OF ACTIVITIES	24



INDEPENDENT AUDITORS' REPORT

Board of Governors
Marine Corps Scholarship Foundation, Inc.
Brown Hudner Navy Scholarship Foundation, Inc.
Alexandria, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Marine Corps Scholarship Foundation, Inc. and Brown Hudner Navy Scholarship Foundation, Inc., which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marine Corps Scholarship Foundation, Inc. and Brown Hudner Navy Scholarship Foundation, Inc. as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Marine Corps Scholarship Foundation, Inc. and Brown Hudner Navy Scholarship Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Marine Corps Scholarship Foundation, Inc. and Brown Hudner Navy Scholarship Foundation, Inc.'s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Board of Governors
Marine Corps Scholarship Foundation, Inc.
Brown Hudner Navy Scholarship Foundation, Inc.

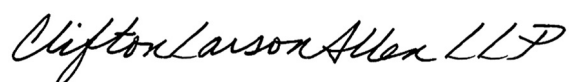
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

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



CliftonLarsonAllen LLP

Arlington, Virginia
March 28, 2023

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

Cash and Cash Equivalents	\$ 27,579,698
Prepaid Expenses	481,294
Investments	101,990,465
Pledges Receivable, Net of Allowance	10,827,217
Assets Held Under Charitable Trusts and Annuities	2,544,218
Property and Equipment, Net	10,135
Other Assets	<u>163,119</u>
Total Assets	<u><u>\$ 143,596,146</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 337,359
Scholarships Payable, Net of Allowance	8,860,046
Deferred Rent	59,815
Obligations Under Charitable Trusts and Annuities	<u>1,270,571</u>
Total Liabilities	<u>10,527,791</u>

NET ASSETS

Without Donor Restrictions:	
Undesignated	28,627,619
Board Designated	<u>3,106,706</u>
Total Without Donor Restrictions	31,734,325
With Donor Restrictions:	
Unrestricted Promises to Give for Operations Solely Restricted for Time of Receipt	3,118,000
Purpose Restricted	37,176,062
Perpetual Endowments	<u>61,039,968</u>
Total With Donor Restrictions	<u>101,334,030</u>
Total Net Assets	<u>133,068,355</u>
Total Liabilities and Net Assets	<u><u>\$ 143,596,146</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity	Total
REVENUE, GAIN, AND OTHER SUPPORT				
Special Events	\$ 6,791,047	\$ 5,568,741	\$ 425,522	\$ 12,785,310
Contributions	8,683,630	2,578,968	4,438,457	15,701,055
Other Revenue - License Plate Programs	150,000	619,123	-	769,123
Other Revenue - North Carolina Funds Program	27,500	-	-	27,500
Other Revenue/Change in Values of Obligations Under Charitable Trusts	11,851	13,144	(1,547)	23,448
Forgiveness of Paycheck Protection Program Loan	569,670	-	-	569,670
Net Assets Released from Restrictions: Satisfaction of Program and Time Restrictions	14,772,897	(14,772,897)	-	-
Total Revenue, Gain, and Other Support	<u>31,006,595</u>	<u>(5,992,921)</u>	<u>4,862,432</u>	<u>29,876,106</u>
EXPENSES				
Scholarship Programs	15,001,044	-	-	15,001,044
General and Administrative	1,334,095	-	-	1,334,095
Fundraising	3,058,994	-	-	3,058,994
Total Expenses	<u>19,394,133</u>	<u>-</u>	<u>-</u>	<u>19,394,133</u>
CHANGE IN NET ASSETS FROM OPERATIONS	11,612,462	(5,992,921)	4,862,432	10,481,973
NONOPERATING ACTIVITIES				
Investment Loss	(2,306,795)	(13,742,772)	-	(16,049,567)
Total Nonoperating Activities	<u>(2,306,795)</u>	<u>(13,742,772)</u>	<u>-</u>	<u>(16,049,567)</u>
CHANGE IN NET ASSETS	9,305,667	(19,735,693)	4,862,432	(5,567,594)
Net Assets - Beginning of Year	<u>22,428,658</u>	<u>60,029,755</u>	<u>56,177,536</u>	<u>138,635,949</u>
NET ASSETS - END OF YEAR	<u>\$ 31,734,325</u>	<u>\$ 40,294,062</u>	<u>\$ 61,039,968</u>	<u>\$ 133,068,355</u>

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
 BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
 CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED JUNE 30, 2022**

	Scholarship Programs	General and Administrative	Fundraising	Total
Scholarships	\$ 9,788,202	\$ -	\$ -	\$ 9,788,202
Wages and Benefits	1,507,013	435,415	1,407,511	3,349,939
Direct Special Events	3,041,598	-	-	3,041,598
Advertising and Promotion	68,580	190,510	590,879	849,969
Professional Fees	202,258	58,047	89,724	350,029
Information Technology	164,806	47,110	131,243	343,159
Travel	65,898	47,739	205,011	318,648
Meetings and Conferences	57,673	111,757	131,772	301,202
Direct Mail	-	-	210,650	210,650
Legal and Accounting	-	207,012	-	207,012
Office Expenses	20,409	30,556	145,595	196,560
Occupancy	74,349	28,721	70,930	174,000
Bad Debt	-	104,650	-	104,650
Other	-	17,497	72,415	89,912
Insurance	-	45,021	-	45,021
Depreciation	10,258	10,060	3,264	23,582
Total Functional Expenses	\$ 15,001,044	\$ 1,334,095	\$ 3,058,994	\$ 19,394,133

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (5,567,594)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Permanently Restricted Contributions	(4,862,432)
Depreciation	23,582
Realized Gain on Sales of Investments	(7,357,443)
Unrealized Loss on Investments	25,765,413
Forgiveness of Paycheck Protection Program Loan	(569,670)
Change in Assets and Liabilities:	
Receivables	86,284
Prepaid Expenses	381,006
Pledges Receivable	3,050,475
Other Assets	(27,025)
Accounts Payable and Accrued Expenses	(254,860)
Scholarships Payable	848,842
Deferred Rent	547
Net Cash Provided by Operating Activities	<u>11,517,125</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Investments	(150,206,590)
Proceeds from Sales of Investments	138,000,366
Purchases of Property and Equipment	<u>(6,272)</u>
Net Cash Used by Investing Activities	<u>(12,212,496)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Receipts Under Charitable Trusts and Annuities	10,688
Contributions with Donor Restrictions - Perpetuity	<u>4,862,432</u>
Net Cash Provided by Financing Activities	<u>4,873,120</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

4,177,749

Cash and Cash Equivalents - Beginning of Year

23,401,949

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 27,579,698

SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION

Receipt of Donated Stock	<u>\$ 4,686,071</u>
--------------------------	---------------------

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Marine Corps Scholarship Foundation, Inc. (MCSF) is the Nation's oldest and largest provider of need-based scholarships to military children. Founded in 1962, the Marine Corps Scholarship Foundation provides post-secondary scholarship support to the children of Marines, Navy Corpsmen, Navy Chaplains, and Religious Program Specialists.

MCSF includes nineteen unincorporated committees, which carry out special events for MCSF with the purpose of increasing visibility of the mission and providing support to its programs. The activities of subordinate committees are included in the accompanying consolidated financial statements as they are an integral part of MCSF.

In February 2022, the Brown Hudner Navy Scholarship Foundation (BHNSF), a nonprofit organization as defined under Section 501(c)(3) of the Internal Revenue Code (IRC), was formed. Inspired by the true story of Jesse Brown and Tom Hudner, the Brown Hudner Navy Scholarship Foundation (BHNSF) honors Navy sailors by providing post-secondary scholarship support to their children. BHNSF is managed by the Marine Corps Scholarship Foundation.

While MCSF and BHNSF, collectively referred to as the Organization, operate as separate entities, the consolidated financial reporting of the entities is required to be consolidated under accounting standards as both entities share a common board of directors. Significant intercompany accounts and transactions have been eliminated in consolidation.

Income Tax Status

The Organization is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the IRC. The Organization has received from the IRS a favorable ruling that it is recognized as a "public charity" within the meaning of IRC Section 170(b)(1)(A)(vi) and thus, meets the exception to private foundation status under section 509(a)(1).

The Organization adopted the income tax standard for uncertain income tax positions. The Organization evaluated its tax positions and determined that their positions are more likely than not to be sustained on examination. The Organization's income tax returns are subject to review and examination by federal and state authorities.

Use of Estimates

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

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For consolidated financial statement purposes, all highly liquid investments with maturity dates of three months or less when purchased are considered cash equivalents. MCSF does not consider money market funds that are part of the investments portfolio to be cash equivalents.

Receivables

Receivables are stated at their net realizable value. Receivables past due are individually analyzed for collectability. When all collection efforts are exhausted, the receivable is written off against bad debt expense. Management estimates that all receivables are fully collectible.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair values in the accompanying consolidated statements of financial position. MCSF may also invest in alternative investments, such as hedge funds and a private placement LLP. The hedge funds and private placement LLP are recorded at estimated fair value based on net asset value. There are inherent limitations in any valuation technique for nonreadily marketable securities. Therefore, the value is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

Pledges Receivable

Pledges are stated at their net realizable value. Pledges past due are individually analyzed for collectability. Pledges receivable which management determines to be uncollectible are written off. Management has established an allowance of \$60,000 as of June 30, 2022, for those pledges receivable it does not believe to be collectible.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets (three to seven years for furniture and equipment, five years for software and three years for website development). Leasehold improvements are amortized over the lesser of the estimated useful lives or the lease term. Assets with a cost of \$1,500 or more and useful lives of more than one year are capitalized.

Deferred Rent

Deferred rent represents escalations and abatements in monthly rent payments and a tenant improvement allowance which are amortized using the straight-line method over the life of the lease.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, its net assets and revenue have been classified into net asset groups based on the existence or absence of donor-imposed restrictions. The classes of net assets are as follows:

Without Donor Restrictions

Operating Fund: Represents resources of the Organization available to support general operations and exempt purpose programs. The June 30, 2022 balance was \$28,627,619. At June 30, 2022, there were \$3,118,000 in multi-year pledges receivable to fund operations and exempt purpose programs in future years that are not included in the June 30, 2022, net assets without donor restrictions as these funds are currently restricted due to the timing of the pledge payments to be received in future years.

Board Designated: From time-to-time, the board of directors of the Organization may designate net assets without donor restrictions for the purposes of building and maintaining an adequate level to support the Organization's day-to-day operations in the event of unforeseen, emergency working capital shortfalls. The Board Designated Net Assets, known as the Operating Reserve, will be reviewed on an annual basis and will be funded and available in cash or cash equivalents. At June 30, 2022, Board Designated Net Assets were \$3,106,706.

With Donor Restrictions

Time and Purpose: Represents resources, including earnings on perpetual endowments, which are subject to donor-imposed purpose or time restrictions.

Perpetual Endowments: Represents resources contributed to the Organization which are to be held in perpetuity.

Reclassification of Net Assets

The Organization has a stipulated policy whereby donor-restricted funds pledged or received with the intention of being endowed funds are recorded as net assets with donor restriction – purpose and time until such time as accumulations in the fund as defined reach a minimum of \$100,000, inclusive of earnings. Upon reaching the accumulation threshold, the funds are reclassified to net assets with donor restrictions – perpetuity, endowed funds.

Net Assets With Donor Restrictions – Purpose and Time Support

The Organization's policy is to report interest and dividends and realized and unrealized gains and losses attributable to investment assets related to net assets with donor restrictions – perpetuity as net assets with donor restrictions – purpose and time support. When a restriction expires (that is, when a stipulated time restriction ends or the purpose for restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Events

Throughout the year, committees conduct various scholarship balls, golf tournaments, and other ancillary events in order to increase visibility of the Organization's mission and to provide support to its scholarship programs. The Organization also conducts special events through a combined effort of committees and their national office.

The Organization receives various levels of sponsorships from their sponsors. The Organization recognizes such sponsorships as contributions as the fair value of direct benefits received by sponsors are minimal in comparison to the total reported special events revenue.

Contributions

Contributions received, including unconditional promises to give, are reported as support with and without donor restrictions in the period received at their fair values, based on donor intent.

In the normal course of business, the Organization receives donated services from volunteers, including officers and directors, and affiliated committees to support fundraising and administrative activities. The value of these contributed services is not reflected in the accompanying consolidated financial statements.

Approximately 35% of the contribution revenue was comprised from two donors during the year ended June 30, 2022.

Scholarships

Scholarships are awarded for a period of one academic year. It is MCSF's policy to accrue scholarships at the date awarded. During the year ended June 30, 2022, MCSF awarded 2,600 totaling \$10,000,000, for use during the 2022-2023 academic year. The award amount is prior to any current year reductions, refunds, and withdrawals. Total scholarship expense for the year ended June 30, 2022, was \$9,788,202, including an allocation of indirect costs of \$2,171,244.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the accompanying statements of activities. Certain costs including occupancy, office supplies, utilities, software, and staff meetings/meals are attributed to more than one program or function, and accordingly, have been allocated among the scholarship program and activities benefited. These costs are allocated based on management's approved percentages, which estimates the use of overhead costs by employee labor within each department.

Fair Value of Financial Instruments

Fair value measurement of investments is determined using a framework for measuring fair value, establishing a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. Fair value refers to the price that would be received upon selling an asset or the price paid to transfer a liability in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. In accordance with accounting principles generally accepted in the United States of America, an entity holding investments in certain entities that calculate NAV per share or its equivalent for which the fair value is not readily determinable is permitted to measure the fair value of such investments on the basis of that NAV or its equivalent without adjustment.

Management uses its best judgment in estimating the fair value of the Organization's investments including its consideration of the use of NAV as a practical expedient. There are inherent limitations in any estimation technique. Because the inherent uncertainty of valuation, this estimated fair value may differ from the value that would have been used had a ready market for such investments existed, and the difference could be significant.

The Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the consolidated statement of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active markets or nonactive markets.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

The accompanying consolidated statement of activities distinguishes between operating and nonoperating activities. Operating activities include all revenues and expenses that are an integral part of the Organization's program and supporting services. Nonoperating activities include all investment gains and losses.

Liquidity

As a part of its liquidity management plan, the Organization invests cash in excess of daily requirements in various investments based on the Organization's investment policy. The Organization also maintains an Operating Reserve that is available if any cash shortfalls arise. The Organization's financial assets available for general expenditure within one year of the consolidated statement of financial position date are as follows:

Cash and Cash Equivalents	\$ 27,579,698
Investments	101,990,465
Pledges Receivable, Net of Allowance	10,827,217
Assets Held Under Charitable Trusts and Annuities	<u>2,544,218</u>
Total	142,941,598
Less: Net Assets with Donor Restrictions	<u>(101,334,030)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 41,607,568</u>

Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases*. ASU 2016-02 was issued to increase the transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the consolidated statements of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. With the extension provided by ASU 2020-05, the standard will be effective for the Organization for the annual reporting period beginning June 30, 2023. The Organization is assessing the impact this standard will have upon its consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 28, 2023, the date the consolidated financial statements were available to be issued.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 CONCENTRATIONS OF RISK

Credit Risk

Financial instruments that subject the Organization to a concentration of credit risk consist of demand deposits placed with financial institutions which may, at times, exceed federally insured limits.

Market Value Risk

The Organization's investments are exposed to various risks, such as interest rate and market and credit risk. Due to the level of risk associated with certain investments, it is reasonably possible that such changes in the values of investments will occur in the near-term and that changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

NOTE 3 INVESTMENTS

Investments comprise the following at June 30, 2022:

	<u>Cost</u>	<u>Fair Value</u>
Cash and Money Market	\$ 1,769,369	\$ 1,769,369
Equity Securities	45,831,280	38,451,340
Mutual Funds - Fixed Income	34,526,028	30,303,123
ETF - Equities	13,841,267	11,050,039
Mutual Funds - Equities	10,498,254	8,243,912
Mutual Funds - Real Estate	6,390,237	5,991,828
Hedge Funds	4,528,771	4,438,197
Fixed Income Securities	4,679,717	4,286,875
Total	<u>\$ 122,064,923</u>	<u>\$ 104,534,683</u>

The estimated fair value of the Organization's interests in hedge funds is based on valuations provided by the external investment managers using the NAV or its equivalent as a practical expedient to determine the fair value of the underlying investments which do not have a readily determinable fair value.

Investments are reported in the accompanying consolidated statement of financial position as of June 30, 2022:

Investments	\$ 101,990,465
Assets Held Under Charitable Trusts and Annuities	<u>2,544,218</u>
Total	<u>\$ 104,534,683</u>

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 INVESTMENTS (CONTINUED)

Investment loss is comprised of the following for the year ended June 30, 2022:

Interest and Dividend Income	\$ 2,694,084
Unrealized Loss on Investments	(25,765,413)
Realized Gain on Sales of Investments	7,357,443
Less: Investment Fees	(335,681)
Total	<u>\$ (16,049,567)</u>

NOTE 4 FAIR VALUE MEASUREMENTS

The following is a summary of the fair value measurements of the Organization's investments within the fair value hierarchy, with a disclosure of the hedge funds measured at NAV to allow reconciliation to the consolidated statement of financial position at June 30, 2022:

<u>Investments</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 1,728,910	\$ -	\$ -	\$ 1,728,910
Equity Securities	38,451,340	-	-	38,451,340
Mutual Funds - Fixed income	29,904,296	-	-	29,904,296
ETF - Equities	11,036,401	-	-	11,036,401
Mutual Funds - Equities	6,292,571	-	-	6,292,571
Mutual Funds - Real Estate	5,851,875	-	-	5,851,875
Fixed Income Securities	-	4,286,875	-	4,286,875
Subtotal	<u>93,265,393</u>	<u>4,286,875</u>	-	<u>97,552,268</u>
Hedge Fund Measured at NAV:				
Blackstone Private Credit Fund Class I				2,223,273
Owl Rock Core Income Corp. Class I				<u>2,214,924</u>
Total Hedge Funds				<u>4,438,197</u>
Subtotal				101,990,465
<u>Assets Held Under Charitable Trusts and Annuities</u>				
Cash and Money Market	40,459	-	-	40,459
Mutual Funds - Equities	1,951,341	-	-	1,951,341
Mutual Funds - Fixed income	398,827	-	-	398,827
Mutual Funds - Real Estate	139,953	-	-	139,953
ETF - Equities	13,638	-	-	13,638
Subtotal	<u>2,544,218</u>	-	-	<u>2,544,218</u>
Total Investments	<u>\$ 95,809,611</u>	<u>\$ 4,286,875</u>	<u>\$ -</u>	<u>\$ 104,534,683</u>

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

In accordance with ASC subtopic 820-10, certain investments measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

The investment objective of the Blackstone Private Credit Fund is to achieve current income and capital appreciation by primarily investing in privately originated and private negotiated senior secured loans to U.S. companies, including those in the middle markets. Redemptions could generally be made at the net asset value of the last business day of each calendar quarter. There are no unfunded future commitments at June 30, 2022.

The investment objective of the Owl Rock Income Corp. Fund is to achieve current income, and capital appreciation by targeting investment opportunities with favorable risk-adjusted returns. Redemptions could generally be made at the net asset value of the last business day of each calendar quarter. There are no unfunded future commitments at June 30, 2022.

NOTE 5 PLEDGES RECEIVABLE

Promises to give at June 30, 2022, represent unconditional amounts pledged. Pledges expected to be collected in more than one year are reflected at fair value. The fair value is estimated by calculating the present value of estimated future cash flows. The discount rate used ranges from 0.27% - 2.94%.

The amount of the discounted promises to give at June 30, 2022, at the realized present value is reflected below:

Receivables Due in One Year	\$ 5,354,231
Receivables Due in Two to Five Years	5,482,000
Receivables Due in More than Five Years	368,000
Total Pledges Receivable	<u>11,204,231</u>
Less:	
Discount to Reduce to Present Value	(317,014)
Allowance for Uncollectible Pledges	(60,000)
Net Pledges Receivable	<u><u>\$ 10,827,217</u></u>

Approximately 57% of the Organization's pledges receivable balance was comprised from one individual donor at June 30, 2022.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 LICENSE PLATE PROGRAMS

MCSF has agreements with Florida and the Marine Corps Coordinating Council of Illinois whereby a grant is received from the states for the purpose of MCSF providing grants for scholarships for higher education. In addition, MCSF receives contributions without donor restrictions from the Arizona license plate program that started in 2015. During the year ended June 30, 2022, MCSF received contribution revenue in the amount of \$150,000 from the state of Arizona.

As part of the Florida License Plate Program, MCSF awards scholarships to the Marine Corps Junior Reserves Officers' Training Corps (JROTC) Program in Florida in the amount of \$55,000 each academic year. In addition, MCSF provides \$55,000 to the Florida Young Marines program. The recipients of these funds are required to meet criteria that are different than the standard criteria of MCSF. JROTC and Young Marines programs payable balances representing approved scholarships were \$66,446 at June 30, 2022.

The scholarship recipients, except for those who participate in the JROTC and Young Marines programs, must be the children of current or former members of the United States Marine Corps and U.S. Navy Corpsman, Chaplain or Religious Programs Specialist who is/was attached to a U.S. Marine Corps unit that meet the academic, financial, and other requirements established by MCSF and states of the license plate program.

NOTE 7 PROPERTY AND EQUIPMENT, NET

Property and equipment, net of accumulated depreciation, is comprised on the following for the year ended June 30, 2022:

Furniture and Equipment	\$ 399,270
Leasehold Improvements	328,791
Software and Website Development	304,908
Total Property and Equipment	<u>1,032,969</u>
Less: Accumulated Depreciation and Amortization	<u>(1,022,834)</u>
Net Property and Equipment	<u>\$ 10,135</u>

NOTE 8 PAYCHECK PROTECTION PROGRAM

In March 2021, the Organization received a loan from a financial institution in the amount of \$569,670 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 PAYCHECK PROTECTION PROGRAM (CONTINUED)

The submission of loan forgiveness to the financial institution was made during fiscal year 2022 and, in April 2022, the PPP Loan was forgiven in full and paid by the SBA to the financial institution. The recognition of debt forgiveness is presented as Forgiveness of Paycheck Protection Program Loan in the accompanying consolidated statement of activities for the year ended June 30, 2022.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's consolidated financial position.

NOTE 9 OBLIGATIONS UNDER CHARITABLE TRUSTS AND ANNUITIES

MCSF received assets in 2005 under the Cuneo Charitable Remainder Unitrust (Unitrust), which requires MCSF, as trustee of the Unitrust, to pay the remaining beneficiary annually the lesser of the Unitrust income or 5% of the fair value of Unitrust assets until the beneficiary's death. The assets of the Trust, which are included in the accompanying consolidated statement of financial position at June 30, 2022, totaled \$753,686. The liability under the Unitrust at June 30, 2022, which represents the present value of the beneficiary's projected payments, using an assumed long-term rate of return on Unitrust assets of 5% at June 30, 2022, a pay-out assumption of annual income being earned on the Unitrust assets at 2.5% at June 30, 2022, and a risk-free discount rate of 4.91%, totaled \$85,894.

MCSF began receiving assets under charitable gift annuities in 2015. These agreements represent an irrevocable transfer of investments to MCSF. In return, the donors receive a promise from MCSF to receive fixed installed payments (amounts vary per agreement) for the remainder of their lives. The investments in the split interest agreements are recorded at fair value when contributed and adjusted monthly to reflect changes in value and disbursements. The value of the related investments at June 30, 2022, was \$2,543,920. The corresponding liability related to all future estimated payments to donors (actuarially determined based on life expectancy tables, estimated inflation, and rates of return, etc.) has been recorded within obligations under charitable trusts and annuities in the accompanying consolidated statement of financial position. The balance at June 30, 2022, was \$1,184,677.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 ENDOWMENT

MCSF has donor-restricted endowment funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of MCSF has interpreted Virginia's 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 the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, MCSF classifies as net assets restricted into perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted into perpetuity is classified as net assets restricted for time or purpose until those amounts are appropriated for expenditure by MCSF in a manner consistent with the standard of prudence prescribed by UPMIFA.

MCSF's endowment investment policy objectives are to protect the principal, earn a return, satisfy the payout requirement, and provide growth. MCSF's spending policy provides for the awarding of annual scholarships in an amount equal to 4% of a moving three-year average of the fair value of all endowed funds as of the close of each calendar year.

Except as specifically directed otherwise by a particular donor in the instrument governing a donation or a fund, the annual amount that may be spent from each endowment fund (the Spending Amount), after payment of its allocable share of general investment and administrative expenses of the endowment, shall be a percentage (the Spending Percentage) of a trailing three-year average of the fair value of each endowment fund, determined as of the last day of each calendar year. For the first calendar year of a fund, there shall be no spending from the fund unless directed otherwise by the donor. For the second calendar year of a fund, the Spending Amount shall be the Spending Percentage of the preceding calendar year-end fair value of the fund; and for the third calendar year of a fund, the Spending Amount shall be the Spending Percentage of the average of the two preceding calendar year-end fair values of the fund. For subsequent calendar years, the Spending Amount shall be the Spending Percentage of the average of the three preceding calendar year-end fair values of the fund. The Spending Percentage currently is 4%, and it shall be reviewed and set by MCSF's finance and investment committee each fall for the following academic year.

With respect to all endowment funds created by pledge agreements that do not include an allocation to general operating support of MCSF and that are not charged a "management fee," and all endowment funds with no written agreement, 80 basis points of the fair value as defined in the previous paragraph shall be used for direct expenses of operating MCSF's scholarship program. The balance of the Spending Amount of each fund will be spent on scholarships within the guidelines of the specific fund. Any portion of the Spending Amount for any fund not spent in a particular year shall remain a part of the fund.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 ENDOWMENT (CONTINUED)

At MCSF's discretion, and as consistent with the Virginia Uniform Prudent Management of Institutional Funds Act, scholarships may be awarded every year from the Spending Amount even if the individual endowment fund's balance is below its initial value. This applies to all endowment funds, including endowment funds with no written agreement.

	Without Donor Restrictions	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity	Total
Endowment Net Assets, June 30, 2020	\$ -	\$ 12,355,522	\$ 52,972,432	\$ 65,327,954
Investment Income	-	11,755,040	-	11,755,040
Contributions Collected	-	-	2,255,554	2,255,554
Appropriations	-	(2,278,601)	-	(2,278,601)
Reclassifications	-	(392,455)	30,500	(361,955)
Endowment Net Assets, June 30, 2021	-	21,439,506	55,258,486	76,697,992
Investment Loss	-	(10,092,365)	-	(10,092,365)
Contributions Collected	-	-	5,087,727	5,087,727
Appropriations	-	(2,700,031)	-	(2,700,031)
Reclassifications	-	(431,760)	50	(431,710)
Endowment Net Assets, June 30, 2022	<u>\$ -</u>	<u>\$ 8,215,350</u>	<u>\$ 60,346,263</u>	<u>\$ 68,561,613</u>
Endowment Net Assets, June 30, 2021			\$ 55,258,486	
Pledges Receivable, Net of Allowance			<u>919,050</u>	
Endowment Net Assets, June 30, 2021			<u>\$ 56,177,536</u>	
Endowment Net Assets, June 30, 2022			\$ 60,346,263	
Pledges Receivable, Net of Allowance			<u>693,705</u>	
Endowment Net Assets, June 30, 2022			<u>\$ 61,039,968</u>	

Fund 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 Organization to retain as a fund of perpetual duration. At June 30, 2022, deficiencies of this nature existed in nineteen donor-restricted endowment funds, which had an original gift value of \$10,169,628, a current fair value of \$9,296,778, and a deficiency of \$872,850 as of June 30, 2022. Such deficiencies are primarily a result of unfavorable market fluctuations that occurred after the investment of contributions for donor-restricted endowment funds and continued appropriation for scholarship programs that were deemed prudent by the board of directors.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 RELATED PARTIES

For the year ended June 30, 2022, the Organization recognized contributions from the board in the amount of \$751,321. Pledges receivable from board members totaled \$1,180,000 at June 30, 2022.

NOTE 12 RETIREMENT PLAN

The Organization maintains a 403(b) Retirement Plan for employees meeting certain eligibility requirements, as outlined within the plan. Participants are eligible to make voluntary contributions to the plan immediately upon employment. The Organization contributes 5% of each participant's compensation upon completion of one full year of employment and at least 1,000 hours of service. Contributions to the plan by the Organization totaled \$112,424 year ended June 30, 2022.

NOTE 13 COMMITMENTS

Operating Lease

In May 2011, the Organization entered into a noncancellable operating lease for office space in Alexandria, Virginia that expired in 2022. In the fiscal year 2020, the term of the lease was amended. The amendment extends the lease to February 2032 and calls for an annual escalation increase of 2.5% effective on the anniversary date of each term. Commencing on January 1, 2020, base monthly rent totaled \$14,074 or \$168,891 per year. In addition, the Organization received a refresh allowance in the amount of \$59,260 of leasehold improvements related to the office space. In accordance with accounting standards, annual rent increases and lease incentives are to be amortized over the life of the lease, and as a result, the Organization is recognizing rent expense on the straight-line basis over the lease term. The unamortized portion resulting from the difference between the amounts paid and expensed comprise the deferred rent obligation in the accompanying consolidated statement of financial position.

Rent and operating expenses for the year ended June 30, 2022, totaled \$157,167.

At June 30, 2022, total future minimum rental payments for the years ending June 30 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 179,659
2024	184,151
2025	188,754
2026	193,473
2027	198,310
Thereafter	992,729
Total	<u>\$ 1,937,076</u>

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 13 COMMITMENTS (CONTINUED)

Other Commitments

The Organization has entered into agreements with hotels for room and space accommodations and various event providers for services. The agreements indicated that the Organization is liable for liquidated damages in the event of cancellation. At June 30, 2022, the Organization's commitment for liquidated damages totaled approximately \$434,000.

NOTE 14 CONDITIONAL PROMISE TO GIVE

During the year ended June 30, 2022, the Organization entered into a gift agreement with a donor that conveyed certain asset rights related to a financing agreement the donor entered into with a film production company. The Organization is to receive "Equity Recoupment Payments" subject to terms and conditions of the financing agreement. According to the agreement, the gift is to be allocated equally between MCSF and BHNSF. The donor's intent is to make a \$65-million contribution to the Organization pursuant to the financing agreement. Management acknowledges that the gift is subject to the occurrence of certain events and conditions as set forth in the financing agreement, which are outside the donor's control. Accordingly, under generally accepted accounting principles, conditional gifts, or conditional promises to give are not recognized for financial statement reporting purposes as a contribution until all barriers that have right of return implications are met. As of June 30, 2022, satisfaction of such conditions was not met.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Governors
Marine Corps Scholarship Foundation, Inc.
Brown Hudner Navy Scholarship Foundation, Inc.
Alexandria, Virginia

We have audited the consolidated financial statements of the Marine Corps Scholarship Foundation, Inc. and Brown Hudner Navy Scholarship Foundation, Inc. as of and for the year ended June 30, 2022, and have issued our report thereon dated March 28, 2023, which expressed an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
March 28, 2023

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Consolidating Information			Consolidated
	MCSF	BHNSF	Eliminations	Total
ASSETS				
Cash and Cash Equivalents	\$ 27,579,698	\$ -	\$ -	\$ 27,579,698
Receivables	115,474	-	(115,474)	-
Prepaid Expenses	481,294	-	-	481,294
Investments	101,990,465	-	-	101,990,465
Pledges Receivable, Net of Allowance	10,577,217	250,000	-	10,827,217
Assets Held Under Charitable Trusts and Annuities	2,544,218	-	-	2,544,218
Property and Equipment, Net	10,135	-	-	10,135
Other Assets	163,119	-	-	163,119
	<u>\$ 143,461,620</u>	<u>\$ 250,000</u>	<u>\$ (115,474)</u>	<u>\$ 143,596,146</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 326,858	\$ 125,975	\$ (115,474)	\$ 337,359
Scholarships Payable, Net of Allowance	8,860,046	-	-	8,860,046
Deferred Rent	59,815	-	-	59,815
Obligations Under Charitable Trusts and Annuities	1,270,571	-	-	1,270,571
Total Liabilities	<u>10,517,290</u>	<u>125,975</u>	<u>(115,474)</u>	<u>10,527,791</u>
NET ASSETS				
Without Donor Restrictions:				
Undesignated	28,503,594	124,025	-	28,627,619
Board Designated	3,106,706	-	-	3,106,706
Total Without Donor Restrictions	<u>31,610,300</u>	<u>124,025</u>	<u>-</u>	<u>31,734,325</u>
With Donor Restrictions:				
Unrestricted Promises to Give for				
Operations Solely Restricted for Time of Receipt	3,118,000	-	-	3,118,000
Purpose Restricted	37,176,062	-	-	37,176,062
Perpetual Endowments	61,039,968	-	-	61,039,968
Total With Donor Restrictions	<u>101,334,030</u>	<u>-</u>	<u>-</u>	<u>101,334,030</u>
Total Net Assets	<u>132,944,330</u>	<u>124,025</u>	<u>-</u>	<u>133,068,355</u>
Total Liabilities and Net Assets	<u>\$ 143,461,620</u>	<u>\$ 250,000</u>	<u>\$ (115,474)</u>	<u>\$ 143,596,146</u>

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC.
BROWN HUDNER NAVY SCHOLARSHIP FOUNDATION, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

	Consolidating Information						Eliminations	Consolidated Total
	MCSF			BHNSF				
	Without Donor Restrictions	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity	Without Donor Restrictions	With Donor Restrictions - Time and Purpose	With Donor Restrictions - Perpetuity		
REVENUE, GAIN, AND OTHER SUPPORT								
Special Events	\$ 6,791,047	\$ 5,568,741	\$ 425,522	\$ -	\$ -	\$ -	\$ -	\$ 12,785,310
Contributions	8,393,630	2,578,968	4,438,457	290,000	-	-	-	15,701,055
Other Revenue - License Plate Programs	150,000	619,123	-	-	-	-	-	769,123
Other Revenue - North Carolina Funds Program	27,500	-	-	-	-	-	-	27,500
Other Revenue/Change in Values of Obligations Under Charitable Trusts	11,851	13,144	(1,547)	-	-	-	-	23,448
Forgiveness of Paycheck Protection Program Loan	569,670	-	-	-	-	-	-	569,670
Net Assets Released from Restrictions:								
Satisfaction of Program and Time Restrictions	14,772,897	(14,772,897)	-	-	-	-	-	-
Total Revenue, Gain, and Other Support	<u>30,716,595</u>	<u>(5,992,921)</u>	<u>4,862,432</u>	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,876,106</u>
EXPENSES								
Scholarship Programs	15,001,044	-	-	-	-	-	-	15,001,044
General and Administrative	1,168,120	-	-	165,975	-	-	-	1,334,095
Fundraising	3,058,994	-	-	-	-	-	-	3,058,994
Total Expenses	<u>19,228,158</u>	<u>-</u>	<u>-</u>	<u>165,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,394,133</u>
CHANGE IN NET ASSETS FROM OPERATIONS	11,488,437	(5,992,921)	4,862,432	124,025	-	-	-	10,481,973
NONOPERATING ACTIVITIES								
Investment Loss	(2,306,795)	(13,742,772)	-	-	-	-	-	(16,049,567)
Total Nonoperating Activities	<u>(2,306,795)</u>	<u>(13,742,772)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,049,567)</u>
CHANGE IN NET ASSETS	9,181,642	(19,735,693)	4,862,432	124,025	-	-	-	(5,567,594)
Net Assets - Beginning of Year	<u>22,428,658</u>	<u>60,029,755</u>	<u>56,177,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,635,949</u>
NET ASSETS - END OF YEAR	<u>\$ 31,610,300</u>	<u>\$ 40,294,062</u>	<u>\$ 61,039,968</u>	<u>\$ 124,025</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,068,355</u>