



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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024



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

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Independent Auditors' Report

The Board of Directors of
Marine Corps Scholarship Foundation, Inc. and
Brown Hudner Navy Scholarship Foundation, Inc.

Opinion

We have audited the consolidated financial statements of Marine Corps Scholarship Foundation, Inc. and Brown Hudner Navy Scholarship Foundation, Inc. (collectively referred to as the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

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 Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 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 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 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 Organization'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 Organization'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 audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2025 and 2024 consolidating statements of financial position and activities on pages 28 through 31 are presented for the purpose of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CBIZ CPAs P.C.

Washington, D.C.

March 26, 2026

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 18,554,371	\$ 17,056,136
Contributions receivable, net	6,582,392	7,237,100
Investments	167,684,107	148,366,903
Assets held under charitable annuities	3,452,496	3,179,437
Prepaid expenses and other assets	1,410,172	1,107,124
Right of use asset – operating	1,168,188	1,324,233
Total Assets	\$ 198,851,726	\$ 178,270,933
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 872,438	\$ 653,978
Scholarships payable	11,248,071	10,707,552
Lease liability – operating lease	1,258,757	1,408,637
Deferred event revenue	635,428	1,042,385
Obligations under charitable trusts and annuities	1,763,079	1,739,730
Total Liabilities	15,777,773	15,552,282
Net Assets		
Without donor restrictions- undesignated	53,316,998	45,960,756
With donor restrictions		
Time restricted	948,915	1,582,609
Purpose restricted	50,204,869	42,875,677
Perpetual endowments	78,603,171	72,299,609
Total With Donor Restrictions	129,756,955	116,757,895
Total Net Assets	183,073,953	162,718,651
Total Liabilities and Net Assets	\$ 198,851,726	\$ 178,270,933

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

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025				2024			
	Without Donor Restrictions	With Donor Restrictions- Time and Purpose	With Donor Restrictions- Perpetuity	Total	Without Donor Restrictions	With Donor Restrictions- Time and Purpose	With Donor Restrictions- Perpetuity	Total
Revenue and Support								
Contributions	\$ 7,318,022	\$ 5,689,463	\$ 5,320,708	\$ 18,328,193	\$ 6,515,815	\$ 3,261,364	\$ 1,807,801	\$ 11,584,980
Special events	6,174,235	2,220,409	1,124,272	9,518,916	6,270,280	2,563,034	422,950	9,256,264
License plate programs	100,000	641,172	--	741,172	150,000	646,916	--	796,916
North Carolina funds program	40,000	--	--	40,000	7,500	--	--	7,500
Change in value of obligations under charitable trusts and annuities	--	(80,965)	13,038	(67,927)	--	(497,858)	9,774	(488,084)
Net assets reclassifications:								
Satisfaction of purpose and time restrictions	11,201,461	(11,201,461)	--	--	12,510,245	(12,510,245)	--	--
Net transfers due to change in contribution terms	--	154,456	(154,456)	--	--	(264,425)	264,425	--
Total Revenue and Support	<u>24,833,718</u>	<u>(2,576,926)</u>	<u>6,303,562</u>	<u>28,560,354</u>	<u>25,453,840</u>	<u>(6,801,214)</u>	<u>2,504,950</u>	<u>21,157,576</u>
Expenses								
Scholarship programs	14,302,342	--	--	14,302,342	14,219,422	--	--	14,219,422
General and administrative	2,527,281	--	--	2,527,281	2,005,626	--	--	2,005,626
Special events	2,845,801	--	--	2,845,801	2,762,274	--	--	2,762,274
Fundraising	4,188,924	--	--	4,188,924	3,774,191	--	--	3,774,191
Total Expenses	<u>23,864,348</u>	<u>--</u>	<u>--</u>	<u>23,864,348</u>	<u>22,761,513</u>	<u>--</u>	<u>--</u>	<u>22,761,513</u>
Change in Net Assets From Operations	<u>969,370</u>	<u>(2,576,926)</u>	<u>6,303,562</u>	<u>4,696,006</u>	<u>2,692,327</u>	<u>(6,801,214)</u>	<u>2,504,950</u>	<u>(1,603,937)</u>
Nonoperating Activities								
Investment income	6,386,872	9,272,424	--	15,659,296	7,044,204	10,123,925	--	17,168,129
Total Nonoperating Activities	<u>6,386,872</u>	<u>9,272,424</u>	<u>--</u>	<u>15,659,296</u>	<u>7,044,204</u>	<u>10,123,925</u>	<u>--</u>	<u>17,168,129</u>
Change in Net Assets	7,356,242	6,695,498	6,303,562	20,355,302	9,736,531	3,322,711	2,504,950	15,564,192
Net Assets – Beginning of Year	<u>45,960,756</u>	<u>44,458,286</u>	<u>72,299,609</u>	<u>162,718,651</u>	<u>36,224,225</u>	<u>41,135,575</u>	<u>69,794,659</u>	<u>147,154,459</u>
Net Assets – End of Year	<u>\$ 53,316,998</u>	<u>\$ 51,153,784</u>	<u>\$ 78,603,171</u>	<u>\$ 183,073,953</u>	<u>\$ 45,960,756</u>	<u>\$ 44,458,286</u>	<u>\$ 72,299,609</u>	<u>\$ 162,718,651</u>

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

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2025

	Scholarship Programs	General and Administrative	Special Events	Fundraising	Total
Scholarships	\$ 11,818,738	\$ --	\$ --	\$ --	\$ 11,818,738
Wages and benefits	1,400,591	1,506,225	--	1,868,452	4,775,268
Direct events expenses	--	--	2,845,801	--	2,845,801
Advertising and promotion	235,732	3,036	--	583,187	821,955
Professional fees	309,637	75,868	--	349,816	735,321
Bad debt expense	--	607,565	--	--	607,565
Information technology	132,786	87,564	--	235,152	455,502
Direct mail	--	--	--	414,534	414,534
Meetings and conferences	146,343	41,508	--	123,593	311,444
Travel	120,049	9,950	--	163,448	293,447
Office expenses	35,586	32,213	--	156,621	224,420
Occupancy	52,807	63,607	--	92,733	209,147
Other expense	6,604	37,408	--	132,029	176,041
Legal and accounting	28,878	46,566	--	46,078	121,522
Insurance	14,591	15,771	--	23,281	53,643
Total Functional Expenses	\$ 14,302,342	\$ 2,527,281	\$ 2,845,801	\$ 4,188,924	\$ 23,864,348

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

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2024

	Scholarship Programs	General and Administrative	Special Events	Fundraising	Total
Scholarships	\$ 11,663,753	\$ --	\$ --	\$ --	\$ 11,663,753
Wages and benefits	1,285,319	1,520,161	--	1,794,792	4,600,272
Direct events expenses	--	--	2,762,274	--	2,762,274
Advertising and promotion	236,735	1,425	--	500,785	738,945
Professional fees	310,483	88,790	--	184,501	583,774
Bad debt expense	--	115,000	--	--	115,000
Information technology	107,236	64,786	--	195,039	367,061
Direct mail	--	--	--	416,307	416,307
Meetings and conferences	318,462	33,294	--	82,686	434,442
Travel	155,725	7,320	--	160,599	323,644
Office expenses	32,050	24,518	--	149,563	206,131
Occupancy	60,229	66,279	--	82,940	209,448
Other expense	8,827	29,505	--	144,513	182,845
Legal and accounting	24,055	38,786	--	37,008	99,849
Insurance	16,548	15,762	--	25,458	57,768
Total Functional Expenses	<u>\$ 14,219,422</u>	<u>\$ 2,005,626</u>	<u>\$ 2,762,274</u>	<u>\$ 3,774,191</u>	<u>\$ 22,761,513</u>

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
Cash Flows From Operating Activities		
Change in net assets	\$ 20,355,302	\$ 15,564,192
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Permanently restricted contributions	(6,303,562)	(2,504,950)
Change in value of trust and annuity obligations	67,927	488,084
Amortization of operating right of use asset	156,045	151,834
Net realized and unrealized gain on investments	(9,879,135)	(12,356,558)
Bad debt expense	--	115,000
Change in contributions receivable discount	391,143	(58,343)
Change in assets and liabilities		
Contributions receivable	263,565	2,493,480
Prepaid expenses and other assets	(303,048)	(141,686)
Accounts payable and accrued expenses	218,460	(50,477)
Scholarships payable	540,519	1,024,447
Lease liability- operating lease	(149,880)	(141,786)
Deferred event revenue	(406,957)	468,549
Net Cash Provided by Operating Activities	<u>4,950,379</u>	<u>5,051,786</u>
Cash Flows From Investing Activities		
Purchases of investments	(77,595,960)	(25,135,039)
Proceeds from sales of investments	67,884,832	20,377,077
Net Cash Used by Investing Activities	<u>(9,711,128)</u>	<u>(4,757,962)</u>
Cash Flows From Financing Activities		
Receipts under charitable trusts and annuities	--	21,273
Payments under charitable trusts and annuities	(44,578)	(19,734)
Contributions with donor restrictions – perpetuity	6,303,562	2,504,950
Net Cash Provided by Financing Activities	<u>6,258,984</u>	<u>2,506,489</u>
Net Increase in Cash and Cash Equivalents	1,498,235	2,800,313
Cash and Cash Equivalents – Beginning of Year	<u>17,056,136</u>	<u>14,255,823</u>
Cash and Cash Equivalents – End of Year	<u>\$ 18,554,371</u>	<u>\$ 17,056,136</u>
Supplemental Disclosure of Noncash Information		
Receipt of donated stock	<u>\$ 392,557</u>	<u>\$ 246,687</u>

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND 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.

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.

PRINCIPLES OF CONSOLIDATION

While MCSF and BHNSF, collectively referred to as the Organization, operate as separate entities, the 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.

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.

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. The Organization does not consider money market funds that are part of the investment portfolio to be cash equivalents.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of unconditional promises to give from various individual and corporate donors and are stated at their net realizable value. At each consolidated statement of financial position date, the Organization recognizes an allowance for uncollectible receivables based on a review of all individual receivable balances. Uncollectible accounts are written off when all efforts to collect these receivables have been exhausted and there is no possibility of recovery. Management has established an allowance of \$175,000 as of June 30, 2025 and 2024, for those contributions receivable it does not believe to be collectible. A discount to present value is recorded for unconditional promises to give that are expected to be collected in more than one year. Amortization of the discount is included in grants and contributions in the accompanying consolidated statements of activities. As of June 30, 2025 and 2024, the discount to present value was \$674,608 and \$283,465, respectively.

INVESTMENTS

Investments in marketable securities with readily determinable fair values are stated at their fair values in the accompanying consolidated statements of financial position. The Organization 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.

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 (3 to 7 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. Expenditures for major repairs and improvements are capitalized. Expenditures for minor repairs and maintenance costs are expensed when incurred. As of June 30, 2025 and 2024, property and equipment, net of accumulated depreciation, totaled \$248,319 and \$40,457, respectively, and is included in prepaid expenses and other assets in the accompanying consolidated statements of financial position.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating in the consolidated statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

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

Represents resources of the Organization available to support general operations and exempt purpose programs.

With Donor Restrictions

Time and Purpose

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET ASSETS (CONTINUED)

With Donor Restrictions (continued)

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 – perpetual endowments.

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 – perpetual endowments 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 statements of activities as net assets released from restrictions.

CONTRIBUTIONS

Unconditional contributions are recognized as revenue and support in the accounting period in which they are received or when an unconditional promise to give is made. Conditional promises to give, which require certain conditions to be met, either a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Unconditional contributions are considered available for general expenditure unless specifically restricted by a donor. Amounts that are designated for future periods or restricted by the donor for a specific purpose are reported as contributions with donor restrictions in the accompanying consolidated statements of activities. When a donor 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 released from restriction.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRIBUTIONS (CONTINUED)

There was no concentration of contribution revenue for the years ended June 30, 2025 and 2024.

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.

SPECIAL EVENTS

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

MCSF receives various levels of sponsorships from special event sponsors. Sponsorships and ticket sales are bifurcated into their exchange and nonexchange components. Revenue is recognized when the sponsorship benefits are delivered to the sponsor typically at the time of the sponsored event when the conditions and performance obligations are met. Future year event sponsorships are deemed conditional until the event takes place in the respective fiscal years, unless the sponsor explicitly waives the condition of the event taking place, and are recorded as deferred event revenue in the consolidated statements of financial position.

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. All license plate program revenue is in the form of unconditional contributions and is recognized as revenue and support in the accounting period in which it is received or when an unconditional promise to give is made. As of June 30, 2025 and 2024, there were no contributions receivable or deferred revenue related to the license plate programs.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SCHOLARSHIPS

Scholarships are awarded for a period of one academic year and an expense is recognized when an unconditional scholarship is awarded. During the years ended June 30, 2025 and 2024, the Organization awarded 2,886 and 2,882, respectively, of scholarships for use during the 2025-2026 and 2024-2025 academic years, respectively. Total scholarship expense for the years ended June 30, 2025 and 2024, was \$11,818,738 and \$11,663,753. Scholarships payable represent unconditional scholarship awards which were not yet paid out as of fiscal year-end. Total scholarships payable as of June 30, 2025 and 2024 was \$11,248,071 and \$10,707,552, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. 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 estimate 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.

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 net asset value (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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 statements 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.

MEASURE OF OPERATIONS

The accompanying consolidated statements of activities distinguish 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give made to the Organization by various individual and corporate donors and were due as follows at June 30, 2025 and 2024:

	2025	2024
Receivables due in one year	\$ 3,308,000	\$ 4,698,565
Receivables due in two to five years	2,324,000	2,847,000
Receivables due in more than five years	1,800,000	150,000
Total Contributions Receivable	7,432,000	7,695,565
Less:		
Discount to reduce to present value	(674,608)	(283,465)
Allowance for uncollectible receivables	(175,000)	(175,000)
Net Contributions Receivable	\$ 6,582,392	\$ 7,237,100

As of June 30, 2025 and 2024, the discount rate used to discount contributions receivable due beyond one year to present value ranges from 0.87%-4.72% and 0.89%-4.59%, respectively. Approximately 62% and 67% of the Organization's net contributions receivable balance were comprised of amounts due from three and two donors at both June 30, 2025 and 2024, respectively.

NOTE 3 - INVESTMENTS

Investments consist of the following as reported in the accompanying consolidated statements of financial position as of June 30, 2025 and 2024:

	2025	2024
Investments	\$ 167,684,107	\$ 148,366,903
Assets held under charitable annuities	3,452,496	3,179,437
Total	\$ 171,136,603	\$ 151,546,340

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 3 – INVESTMENTS (CONTINUED)

Investments disaggregated by type consist of the following at June 30, 2025 and 2024:

	2025	2024
Cash and money market funds	\$ 8,268,332	\$ 6,893,679
Equity securities	34,139,420	54,952,992
Mutual funds – fixed income	48,475,822	42,400,684
ETF – equities	--	18,691,048
Mutual funds – equities	70,762,709	19,929,460
Hedge funds	9,490,320	8,678,477
Total	\$ 171,136,603	\$ 151,546,340

Investment income is comprised of the following for the years ended June 30, 2025 and 2024:

	2025	2024
Interest and dividend income	\$ 6,244,346	\$ 5,251,847
Net realized and unrealized gain on investments	9,879,135	12,356,558
Less: Investment fees	(464,185)	(440,276)
Total	\$ 15,659,296	\$ 17,168,129

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

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 statements of financial position at June 30, 2025 and 2024:

	2025			Total
	Level 1	Level 2	Level 3	
Investments				
Cash and money market	\$ 8,206,043	\$ --	\$ --	\$ 8,206,043
Equity securities	34,139,420	--	--	34,139,420
Mutual funds - fixed income	47,192,179	--	--	47,192,179
Mutual Funds – equities	<u>68,656,145</u>	<u>--</u>	<u>--</u>	<u>68,656,145</u>
Subtotal	<u>158,193,787</u>	<u>--</u>	<u>--</u>	<u>158,193,787</u>
Hedge fund measured at NAV:				
Blackstone private credit fund class I				4,741,008
Owl rock core income corp. class I				<u>4,749,312</u>
Total Hedge Funds				<u>9,490,320</u>
Subtotal				<u>167,684,107</u>
Assets held under charitable Annuities				
Cash and money market	62,289	--	--	62,289
Mutual funds – equities	2,106,564	--	--	2,106,564
Mutual funds – fixed income	<u>1,283,643</u>	<u>--</u>	<u>--</u>	<u>1,283,643</u>
Subtotal	<u>3,452,496</u>	<u>--</u>	<u>--</u>	<u>3,452,496</u>
Total Investments	<u>\$ 171,136,603</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$171,136,603</u>

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

	2024			
	Level 1	Level 2	Level 3	Total
Investments				
Cash and money market	\$ 6,805,314	\$ --	\$ --	\$ 6,805,314
Equity securities	54,952,992	--	--	54,952,992
Mutual funds - fixed income	41,217,730	--	--	41,217,730
Mutual Funds – equities	18,530,377	--	--	18,530,377
ETF – equities	<u>18,182,013</u>	<u>--</u>	<u>--</u>	<u>18,182,013</u>
Subtotal	<u>139,688,426</u>	<u>--</u>	<u>--</u>	<u>139,688,426</u>
Hedge fund measured at NAV:				
Blackstone private credit fund class I				4,332,834
Owl rock core income corp. class I				<u>4,345,643</u>
Total Hedge Funds				<u>8,678,477</u>
Subtotal				<u>148,366,903</u>
Assets held under charitable annuities				
Cash and money market	88,365	--	--	88,365
Mutual funds – equities	1,399,083	--	--	1,399,083
Mutual funds – fixed income	1,182,954	--	--	1,182,954
ETF – equities	<u>509,035</u>	<u>--</u>	<u>--</u>	<u>509,035</u>
Subtotal	<u>3,179,437</u>	<u>--</u>	<u>--</u>	<u>3,179,437</u>
Total Investments	<u>\$ 142,867,863</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 151,546,340</u>

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC. AND
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Equity securities, mutual funds, exchange-traded funds, and money market funds are securities which are traded on a national securities exchange and are valued at the last reported NAV or sales price on the last business day of the year.

Hedge funds are pooled investment funds that may invest in a wide variety of assets globally, including equity and debt. Fair value is determined based on the fund's NAV or its equivalent, as provided by the fund's management, using a variety of methodologies, relevant to the particular investment portfolio that combine primary market data available from national securities exchanges for underlying securities that are actively traded, as well as other factors. These investments are measured at NAV or its equivalent, as a practical expedient and have not been classified in the fair value hierarchy.

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, 2025 and 2024.

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, 2025 and 2024.

NOTE 5 - 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 Unitrust, which are included within investments in the accompanying consolidated statements of financial position at June 30, 2025 and 2024, totaled \$967,554 and \$891,300, respectively. The liability under the Unitrust at June 30, 2025 and 2024, which represents the present value of the beneficiary's projected payments,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 5 - OBLIGATIONS UNDER CHARITABLE TRUSTS AND ANNUITIES (CONTINUED)

using an assumed long-term rate of return on Unitrust assets of 5% at both June 30, 2025 and 2024, a pay-out assumption of annual income being earned on the Unitrust assets at 2.5% at both June 30, 2025 and 2024, and a risk-free discount rate of 4.91% at both June 30, 2025 and 2024, totaled \$102,611 and \$94,525, respectively, and is included within obligations under charitable trusts and annuities on the accompanying consolidated statements of financial position.

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 installment 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. These investments are included as assets held under charitable annuities on the accompanying consolidated statements of financial position. As of June 30, 2025 and 2024, assets held under charitable annuities totaled \$3,452,496 and \$3,179,437, respectively. 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 statements of financial position. The balance at June 30, 2025 and 2024, was \$1,660,468 and \$1,645,205, respectively.

NOTE 6 - ENDOWMENTS

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 6 - ENDOWMENTS (CONTINUED)

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 contribution 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.

At MCSF's discretion, and as consistent with UPMIFA, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 6 - ENDOWMENTS (CONTINUED)

As of and for the years ended June 30, 2025 and 2024, the Organization's endowment net asset composition by fund type and related activity is as follows:

	Accumulated Endowment Earnings	Donor Funds Restricted in Perpetuity	Total
Endowment Net Assets, June 30, 2023	\$ 12,115,715	\$ 69,794,659	\$ 81,910,374
Investment gain	10,025,980	--	10,025,980
Contributions collected	--	2,240,525	2,240,525
Scholarship appropriations	(2,751,234)	--	(2,751,234)
Administrative expenses	(430,580)	--	(430,580)
Reclassifications	--	264,425	264,425
 Endowment Net Assets, June 30, 2024	 18,959,881	 72,299,609	 91,259,490
Investment gain	9,179,210	--	9,179,210
Contributions collected	--	6,458,019	6,458,019
Scholarship appropriations	(2,812,213)	--	(2,812,213)
Administrative expenses	(430,631)	--	(430,631)
Reclassifications	(196,630)	(154,457)	(351,087)
 Endowment Net Assets, June 30, 2025	 <u>\$ 24,699,617</u>	 <u>\$ 78,603,171</u>	 <u>\$ 103,302,788</u>

As of June 30, 2025, and 2024, endowment net assets restricted in perpetuity include \$1,610,000 and \$2,505,003, respectively, of contributions receivable, net of allowance and any associated discount.

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, 2025, there were no funds

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 6 - ENDOWMENTS (CONTINUED)

FUND WITH DEFICIENCIES (CONTINUED)

with deficiencies of this nature. At June 30, 2024, deficiencies of this nature existed in 3 donor-restricted endowment funds, which had an original gift value of \$354,700, a current fair value of \$341,899, and a deficiency of \$12,801. 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. The Organization's interpretation and the policy under UPMIFA is that it has the ability and will continue to spend from underwater funds.

NOTE 7 - LEASES

The Organization leases office space in Alexandria, VA under a noncancelable operating lease agreement. The initial lease was effective April 1, 2011 and was scheduled to expire on February 28, 2022. The lease was amended in October 2019 and extended for an additional 10-year term effective March 1, 2022 and ending February 28, 2032. The extended lease term calls for monthly payments of \$14,787 commencing in March 1, 2022, with annual scheduled increases thereafter of 2.5%. In connection with this lease, the landlord provided the Organization with a lease incentive of \$59,260 for tenant improvements.

The Organization recognized an operating right of use asset of \$1,623,941, representing future cash flows net of lease incentives and discounted at 2.88%, which represents the risk-free rate. The operating right-of-use asset is being amortized on a straight-line basis over the lease term. As of June 30, 2025 and 2024, the accumulated amortization of the operating right-of-use asset totaled \$455,753 and \$299,708, respectively.

The operating right of use asset and lease liability as of June 30, 2025 and 2024 were as follows:

	2025	2024
Right-of-use asset – operating	\$ 1,168,188	\$ 1,324,233
Lease liability – operating	\$ 1,258,757	\$ 1,408,637

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 7 - LEASES (CONTINUED)

The operating lease expense under the lease totaled \$194,199 for both of the years ended June 30, 2025 and 2024 and is included in occupancy in the accompanying consolidated statements of functional expenses. Cash paid for operating lease for the years ended June 30, 2025 and 2024 totaled \$188,754 and \$184,151, respectively.

As of June 30, 2025, future minimum lease payments under the Alexandria, VA office lease are as follows:

Year Ending June 30,	Operating
2026	\$ 193,473
2027	198,310
2028	203,268
2029	208,350
2030	213,558
Thereafter	367,554
Total Undiscounted Cash Flows	1,384,513
Less: Present Value Discount	(125,756)
Lease Liability	<u>\$ 1,258,757</u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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 statements of financial position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

OTHER COMMITMENTS

The Organization has entered into agreements with hotels for room and space accommodations and various event providers for services. The agreements indicate that the Organization is liable for liquidated damages in the event of cancellation as calculated in accordance with the terms of the agreements. The Organization's management does not believe that any of these commitments will result in a loss due to liquidated damages. Accordingly, no amount for this potential liability has been reflected in the accompanying consolidated financial statements.

NOTE 9 - RELATED PARTIES

For the years ended June 30, 2025 and 2024, the Organization recognized contributions from the Board of approximately \$1,795,000 and \$175,000, respectively. Contributions receivable, net of allowance and discount, from Board members totaled approximately \$952,000 and \$485,000 at June 30, 2025 and 2024, respectively.

NOTE 10 - 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 \$177,877 and \$153,805 for the years ended June 30, 2025 and 2024, respectively.

NOTE 11 - AVAILABILITY AND 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 11 - AVAILABILITY AND LIQUIDITY (CONTINUED)

The Organization’s financial assets available for general expenditure within one year of the consolidated statements of financial position date are as follows:

	2025	2024
Cash and cash equivalents	\$ 18,554,371	\$ 17,056,136
Contributions receivable, net	6,582,392	7,237,100
Investments	167,684,107	148,366,903
 Total	 192,820,870	 172,660,139
 Less: Net assets with donor restrictions	 (129,756,955)	 (116,757,895)
 Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	 \$ 63,063,915	 \$ 55,902,244

NOTE 12 - CONDITIONAL PROMISE TO GIVE

On December 30, 2021, 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. During the years ended June 30, 2025 and 2024, the Organization received and recognized \$6,075,000 and \$3,500,000, respectively, of revenue from the agreement, which is included as contributions in the accompanying consolidated statement of activities. As of June 30, 2025, the cumulative revenue recognized and received under the agreement totaled \$9,575,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

NOTE 13 - INCOME TAXES

Both the Marine Corps Scholarship Foundation, Inc. and Brown Hudner Navy Scholarship Foundation, Inc. qualify as tax-exempt organizations under Section 501(c)(3) of the IRC and are classified as publicly supported organizations under section 509(a)(1) of the IRC. No provision for income taxes is required for the years ended June 30, 2025 and 2024, as the Organization had no net unrelated business income.

The Organization has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, Income Taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization evaluated its uncertainty in income taxes for the years ended June 30, 2025 and 2024, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of June 30, 2025, there are no audits for any tax periods in progress. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. There are currently no examinations pending or in progress regarding the Organization's tax returns.

NOTE 14 - SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 26, 2026, the date the consolidated financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in the consolidated financial statements.

**MARINE CORPS SCHOLARSHIP FOUNDATION, INC. AND
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

	MCSF	BHNSF	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 18,352,022	\$ 202,349	\$ --	\$ 18,554,371
Contributions receivable, net	6,582,392	--	--	6,582,392
Investments	163,136,636	4,547,471	--	167,684,107
Assets held under charitable annuities	3,452,496	--	--	3,452,496
Prepaid expenses and other assets	1,431,058	2,743	(23,629)	1,410,172
Right of use asset – operating	1,168,188	--	--	1,168,188
Total Assets	<u>\$ 194,122,792</u>	<u>\$ 4,752,563</u>	<u>\$ (23,629)</u>	<u>\$ 198,851,726</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 862,981	\$ 33,086	\$ (23,629)	\$ 872,438
Scholarships payable	11,120,871	127,200	--	11,248,071
Lease liability – operating lease	1,258,757	--	--	1,258,757
Deferred event revenue	635,428	--	--	635,428
Obligations under charitable trusts and annuities	1,763,079	--	--	1,763,079
Total Liabilities	<u>15,641,116</u>	<u>160,286</u>	<u>(23,629)</u>	<u>15,777,773</u>
Net Assets				
Without donor restrictions- undesignated	48,724,721	4,592,277	--	53,316,998
With donor restrictions				
Time restricted	948,915	--	--	948,915
Purpose restricted	50,204,869	--	--	50,204,869
Perpetual endowments	78,603,171	--	--	78,603,171
Total With Donor Restrictions	<u>129,756,955</u>	<u>--</u>	<u>--</u>	<u>129,756,955</u>
Total Net Assets	<u>178,481,676</u>	<u>4,592,277</u>	<u>--</u>	<u>183,073,953</u>
Total Liabilities and Net Assets	<u>\$ 194,122,792</u>	<u>\$ 4,752,563</u>	<u>\$ (23,629)</u>	<u>\$ 198,851,726</u>

See independent auditors' report on supplementary information.

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

	MCSF	BHNSF	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 15,570,877	\$ 1,485,259	\$ --	\$ 17,056,136
Contributions receivable, net	7,237,100	--	--	7,237,100
Investments	148,366,903	--	--	148,366,903
Assets held under charitable annuities	3,179,437	--	--	3,179,437
Prepaid expenses and other assets	1,087,923	30,713	(11,512)	1,107,124
Right of use asset – operating	1,324,233	--	--	1,324,233
Total Assets	<u>\$ 176,766,473</u>	<u>\$ 1,515,972</u>	<u>\$ (11,512)</u>	<u>\$ 178,270,933</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 659,832	\$ 5,658	\$ (11,512)	\$ 653,978
Scholarships payable	10,618,772	88,780	--	10,707,552
Lease liability – operating lease	1,408,637	--	--	1,408,637
Deferred event revenue	1,042,385	--	--	1,042,385
Obligations under charitable trusts and annuities	1,739,730	--	--	1,739,730
Total Liabilities	<u>15,469,356</u>	<u>94,438</u>	<u>(11,512)</u>	<u>15,552,282</u>
Net Assets				
Without donor restrictions- undesignated	44,539,222	1,421,534	--	45,960,756
With donor restrictions				
Time restricted	1,582,609	--	--	1,582,609
Purpose restricted	42,875,677	--	--	42,875,677
Perpetual endowments	72,299,609	--	--	72,299,609
Total With Donor Restrictions	<u>116,757,895</u>	<u>--</u>	<u>--</u>	<u>116,757,895</u>
Total Net Assets	<u>161,297,117</u>	<u>1,421,534</u>	<u>--</u>	<u>162,718,651</u>
Total Liabilities and Net Assets	<u>\$ 176,766,473</u>	<u>\$ 1,515,972</u>	<u>\$ (11,512)</u>	<u>\$ 178,270,933</u>

See independent auditors' report on supplementary information.

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

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

	MCSF			BHNSF			Eliminations	Consolidated Total
	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 and Support								
Contributions	\$ 4,259,922	\$ 5,689,463	\$ 5,320,708	\$ 3,058,100	\$ --	\$ --	\$ --	\$ 18,328,193
Special events	6,174,235	2,220,409	1,124,272	--	--	--	--	9,518,916
License plate programs	100,000	641,172	--	--	--	--	--	741,172
North Carolina funds program	40,000	--	--	--	--	--	--	40,000
Change in value of obligations under charitable trusts and annuities	--	(80,965)	13,038	--	--	--	--	(67,927)
Net assets reclassifications:								
Satisfaction of purpose and time restrictions	11,201,461	(11,201,461)	--	--	--	--	--	--
Transfers due to change in contribution terms	--	154,456	(154,456)	--	--	--	--	--
Total Revenue and Support	<u>21,775,618</u>	<u>(2,576,926)</u>	<u>6,303,562</u>	<u>3,058,100</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>28,560,354</u>
Expenses								
Scholarship programs	14,157,555	--	--	144,787	--	--	--	14,302,342
General and administrative	2,487,273	--	--	40,008	--	--	--	2,527,281
Special events	2,845,801	--	--	--	--	--	--	2,845,801
Fundraising	4,188,891	--	--	33	--	--	--	4,188,924
Total Expenses	<u>23,679,520</u>	<u>--</u>	<u>--</u>	<u>184,828</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>23,864,348</u>
Change in Net Assets From Operations	<u>(1,903,902)</u>	<u>(2,576,926)</u>	<u>6,303,562</u>	<u>2,873,272</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>4,696,006</u>
Nonoperating Activities								
Investment income	6,089,401	9,272,424	--	297,471	--	--	--	15,659,296
Total Nonoperating Activities	<u>6,089,401</u>	<u>9,272,424</u>	<u>--</u>	<u>297,471</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,659,296</u>
Change in Net Assets	4,185,499	6,695,498	6,303,562	3,170,743	--	--	--	20,355,302
Net Assets – Beginning of Year	<u>44,539,222</u>	<u>44,458,286</u>	<u>72,299,609</u>	<u>1,421,534</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>162,718,651</u>
Net Assets – End of Year	<u>\$ 48,724,721</u>	<u>\$ 51,153,784</u>	<u>\$ 78,603,171</u>	<u>\$ 4,592,277</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 183,073,953</u>

See independent auditors' report on supplementary information.

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

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2024

	MCSF			BHNSF			Eliminations	Consolidated Total
	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 and Support								
Contributions	\$ 4,759,215	\$ 3,261,364	\$ 1,807,801	\$ 1,756,600	\$ --	\$ --	\$ --	\$ 11,584,980
Special events	6,270,280	2,563,034	422,950	--	--	--	--	9,256,264
License plate programs	150,000	646,916	--	--	--	--	--	796,916
North Carolina funds program	7,500	--	--	--	--	--	--	7,500
Change in value of obligations under charitable trusts and annuities	--	(497,858)	9,774	--	--	--	--	(488,084)
Net assets reclassifications:								
Satisfaction of purpose and time restrictions	12,510,245	(12,510,245)	--	--	--	--	--	--
Transfers due to change in contribution terms	--	(264,425)	264,425	--	--	--	--	--
Total Revenue and Support	<u>23,697,240</u>	<u>(6,801,214)</u>	<u>2,504,950</u>	<u>1,756,600</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>21,157,576</u>
Expenses								
Scholarship programs	14,105,560	--	--	113,862	--	--	--	14,219,422
General and administrative	1,954,732	--	--	50,894	--	--	--	2,005,626
Special events	2,762,274	--	--	--	--	--	--	2,762,274
Fundraising	3,773,970	--	--	221	--	--	--	3,774,191
Total Expenses	<u>22,596,536</u>	<u>--</u>	<u>--</u>	<u>164,977</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>22,761,513</u>
Change in Net Assets From Operations	<u>1,100,704</u>	<u>(6,801,214)</u>	<u>2,504,950</u>	<u>1,591,623</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(1,603,937)</u>
Nonoperating Activities								
Investment income	7,044,204	10,123,925	--	--	--	--	--	17,168,129
Total Nonoperating Activities	<u>7,044,204</u>	<u>10,123,925</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>17,168,129</u>
Change in Net Assets	8,144,908	3,322,711	2,504,950	1,591,623	--	--	--	15,564,192
Net Assets – Beginning of Year	<u>36,394,314</u>	<u>41,135,575</u>	<u>69,794,659</u>	<u>(170,089)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>147,154,459</u>
Net Assets – End of Year	<u>\$ 44,539,222</u>	<u>\$ 44,458,286</u>	<u>\$ 72,299,609</u>	<u>\$ 1,421,534</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 162,718,651</u>

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