

**MARINE CORPS ASSOCIATION AND
MARINE CORPS ASSOCIATION FOUNDATION**
**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED DECEMBER 31, 2021 AND 2020



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**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	20
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	21
CONSOLIDATING STATEMENT OF ACTIVITIES	22



INDEPENDENT AUDITORS' REPORT

Board of Governors
Marine Corps Association
Marine Corps Association Foundation
Quantico, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Marine Corps Association and Marine Corps Association Foundation, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years 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 Association and Marine Corps Association Foundation as of December 31, 2021 and 2020, and the changes in their net assets and their 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 Consolidated Financial Statements section of our report. We are required to be independent of Marine Corps Association and Marine Corps Association Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Association and Marine Corps Association Foundation's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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 Association and Marine Corps Association Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Marine Corps Association and Marine Corps Association Foundation's ability to continue as a going concern for a reasonable period of time.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
June 28, 2022

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,653,782	\$ 1,943,174
Accounts Receivable, Net of Allowance for Bad Debt of \$15,000 and \$20,000 at December 31, 2021 and 2020, Respectively	201,314	467,380
Contributions Receivable	46,981	50,831
Inventory, Net of Allowance for Obsolete Inventory of \$55,000 and \$60,000 at December 31, 2021 and 2020, Respectively	2,175,808	2,237,643
Prepaid Expenses and Deposits	<u>187,023</u>	<u>151,410</u>
Total Current Assets	4,264,908	4,850,438
INVESTMENTS	11,944,811	10,480,242
PROPERTY AND EQUIPMENT		
Land	106,000	106,000
Building and Building Improvements	8,807,576	8,784,699
Furniture, Software, Equipment, and Vehicles	<u>1,127,823</u>	<u>1,119,978</u>
Total	10,041,399	10,010,677
Less: Accumulated Depreciation	7,411,396	7,095,824
Total Property and Equipment	2,630,003	2,914,853
OTHER ASSETS	-	40,000
Total Assets	<u>\$ 18,839,722</u>	<u>\$ 18,285,533</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 789,677	\$ 886,049
Capital Lease Obligations	18,092	17,801
Deferred Revenue:		
Subscriptions	1,019,936	1,130,684
Other	<u>34,311</u>	<u>32,605</u>
Total Deferred Revenue	<u>1,054,247</u>	<u>1,163,289</u>
Total Current Liabilities	1,862,016	2,067,139
CAPITAL LEASE OBLIGATIONS, Net of Current Portion	59,686	99,377
DEFERRED SUBSCRIPTIONS REVENUE, Net of Current Portion	<u>756,147</u>	<u>804,242</u>
Total Liabilities	2,677,849	2,970,758
NET ASSETS		
Without Donor Restrictions	15,630,439	14,747,294
With Donor Restrictions:		
Time or Purpose Restrictions	476,334	512,381
Perpetual in Nature	<u>55,100</u>	<u>55,100</u>
Total Net Assets	<u>16,161,873</u>	<u>15,314,775</u>
Total Liabilities and Net Assets	<u>\$ 18,839,722</u>	<u>\$ 18,285,533</u>

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
REVENUE		
Retail Operations	\$ 6,027,941	\$ 5,734,134
Publications and Membership	2,120,303	2,390,701
Contributions	1,709,810	2,023,040
Sponsorships	1,298,870	1,511,751
Group Benefit Programs and Royalties	123,115	141,511
Other	107,222	103,257
Interest, Dividends, and Realized Gains (Loss), Net of Fees	912,605	37,936
Net Assets Released from Restrictions - Awards	238,299	262,801
Total Revenue	12,538,165	12,205,131
EXPENSES		
Retail Operations	6,070,857	5,549,451
Publications and Membership	1,677,841	1,650,570
Awards and Other	978,812	817,347
Professional Development	461,377	407,752
Management and General	2,437,157	2,261,352
Fundraising	633,082	568,976
Total Expenses	12,259,126	11,255,448
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE UNREALIZED GAIN ON INVESTMENTS	279,039	949,683
Unrealized Gain on Investments	604,107	1,048,134
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	883,146	1,997,817
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	202,251	359,635
Net Assets Released from Restrictions - Awards	(238,299)	(262,801)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(36,048)	96,834
CHANGE IN NET ASSETS	847,098	2,094,651
Net Assets - Beginning of Year	15,314,775	13,220,124
NET ASSETS - END OF YEAR	\$ 16,161,873	\$ 15,314,775

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 847,098	\$ 2,094,651
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	329,185	330,716
Unrealized Gain on Investments	(604,107)	(1,048,134)
Realized (Gain) Loss on Sales of Investments	(482,487)	277,972
Loss on Disposal of Property and Equipment	8,529	24,510
Change in Assets and Liabilities:		
Accounts Receivable	266,066	(31,399)
Contributions Receivable	3,850	(876)
Inventory	61,835	520,485
Prepaid Expenses and Deposits	(35,613)	(2,393)
Other Assets	40,000	-
Accounts Payable and Accrued Expenses	(96,372)	(278,542)
Deferred Revenue	<u>(157,137)</u>	<u>(438,838)</u>
Net Cash Provided by Operating Activities	180,847	1,448,152
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(2,288,230)	(2,905,542)
Sales and Maturities of Investments	1,910,255	3,155,817
Purchases of Property and Equipment	<u>(52,864)</u>	<u>(103,248)</u>
Net Cash Provided (Used) by Investing Activities	<u>(430,839)</u>	<u>147,027</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of Credit Payments	-	(500,000)
Payments on Capital Lease Obligations	<u>(39,400)</u>	<u>(16,399)</u>
Net Cash Used in Financing Activities	<u>(39,400)</u>	<u>(516,399)</u>
NET INCREASE (DECREASE) IN CASH	(289,392)	1,078,780
Cash - Beginning of Year	<u>1,943,174</u>	<u>864,394</u>
CASH - END OF YEAR	\$ 1,653,782	\$ 1,943,174
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	<u>\$ 2,462</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment Financed through Capital Lease Obligation	<u>\$ -</u>	<u>\$ 126,707</u>

See accompanying Notes to Consolidated Financial Statements.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Marine Corps Association (MCA), a nonprofit organization as defined under Section 501(c)(19) of the Internal Revenue Code (IRC), was formed in 1913 and incorporated in the District of Columbia in 1972. MCA is the preeminent association devoted to providing professional development and selected services to Marines. The Association disseminates knowledge of the military arts and sciences among its Marines, provides opportunities for professional development for Marines, and fosters the spirit and preserves the traditions of the Marine Corps.

To effect the above, MCA produces two monthly publications, the Marine Corps Gazette and the Leatherneck Magazine of the Marines (included in Publications and Membership). The Marine Corps Gazette's mission has remained unchanged during its 108 years of publication: that is "to provide a forum for the exchange of ideas that will advance knowledge, interest, and esprit in the Marine Corps." Leatherneck Magazine continues its commitment to telling the Corps' story with articles on its illustrious history, current operations and exercises, continuing updates on the organization and equipment of Marines, and plans for the future. These magazines are offered as part of the benefits of MCA membership.

Since the MCA is the premier provider of all in-print books listed on the Marine Corps professional reading program, it operates a retail book service (both online and through brick and mortar stores) for the convenience of members in building their own professional libraries. The Marine Shop is located in Quantico, Virginia. The mail order service is located in Quantico, Virginia, in the MCA headquarters. With the purchase of The Marine Shop in Quantico, Virginia, in January 2007, MCA is now able to offer quality uniforms, accessories, and services to all Marines. These products and services complement MCA's other professional offerings and enable MCA to better serve all Marines' needs.

Approximately one-third of MCA's members are active duty Marines. The remainder are primarily retired or veteran Marines. In addition to sending members their choice of the magazines described above, MCA provides member value by offering its members participation in its professional development events, member value pricing on MCA merchandise, and sponsoring a group benefit program for its members that includes group term life insurance, various group health care plans and affinity programs, such as a low-interest credit card.

In April 2009, the Marine Corps Association Foundation (MCAF), a nonprofit organization as defined under Section 501(c)(3) of the IRC, was formed to support and expand the programs and activities of the Marine Corps Association. MCA and MCAF sponsor a large range of professional military education (PME) presentations developed to provide educational experiences for Marines on topics most critical to the Marine Corps. MCAF sponsors the attendance of active duty Marines at MCAF events where they have an opportunity to come together for lively discussions and listen to noteworthy key speakers.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

MCAF is also committed to providing well-earned recognition to superior performing Marines as well as emerging leaders at the USNA and NROTC units across the nation through the Marine Excellence Award Program. The organization is the largest provider of awards to Marines in the world, with more than 6,800 Excellence Awards and 42 Writing Awards given to Marines in 2021, recognizing scholastic, leadership, and technical skill accomplishments.

MCAF provides grants and assists Commanders in developing and providing forum opportunities specifically tailored to enhance their Marines' and Sailors' knowledge of the operational matters from a historical, cultural, and operational perspective. In 2021, 89 forums served almost 8,900 Marine leaders. These forums are normally more than twice as many annually, serving over double the number of Marine leaders, but COVID impacts on travel and large group gatherings impacted the ability to provide them. Grants are also provided to commanders to establish and sustain 128 professional libraries. 40,000 Marines were served in 2021 through these libraries.

While MCA and MCAF, collectively referred to as "the Organizations," 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.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with U.S. generally accepted accounting principles. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

Use of Estimates

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

Income Tax Status

MCA and MCAF are tax-exempt but are both subject to income taxes on unrelated business activities.

MCA and MCAF have adopted the guidance on the income tax standard regarding the recognition and measurement of uncertain tax positions. The adoption of this standard had no impact on the consolidated financial statements. Both Organizations file as a tax-exempt organization.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTES 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. All accounts past due are individually analyzed for collectability. When all collection efforts have been exhausted, the account is written off against the allowance for doubtful accounts or bad debt expense. MCA maintained an allowance for doubtful account provision of \$15,000 and \$20,000 as of December 31, 2021 and 2020, respectively, in the event that certain receivables are not collectible.

Inventory

Inventory consists of professional books, manuscripts, Marine Corps memorabilia and Marine Corps uniforms and accessories for resale and is stated at the lower of cost or net realizable value using the average cost method of valuation. A \$55,000 and \$60,000 allowance for obsolete inventory was recorded as of December 31, 2021 and 2020, respectively, to recognize the possible write-offs due to dated and obsolete items.

Investments

Investments in equity and fixed income securities are carried at fair value as determined by quoted market prices. Changes in fair value are recognized in the consolidated statements of activities. Net investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method. Included in property and equipment are computer hardware and software costs and vehicles. Assets with a cost of \$1,500 or more and useful lives of at least one year are capitalized. The MCA building is being depreciated over the life of the lease of the land on which it is located; the annex building is being depreciated over 25 years; and the Marine Shop is being depreciated over 40 years. Furniture, equipment, software, and vehicles are depreciated over their estimated useful lives, ranging from 3 to 10 years.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Organizations, their 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:

Net Assets without Donor Restrictions – Represents resources of the Organizations available to support general operations.

Net Assets with Donor Restrictions – Represents resources that result from contributions and investment income limited to use by donor-imposed or time stipulations, primarily for the MCAF awards and events programs. Such restrictions either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Perpetual in Nature – Represents Endowment Funds to be held in perpetuity by MCA. Investment income earned on these endowment funds is temporarily restricted for their purposes. The "Major General Richard C. Schulze Memorial Essay Fund" and the "Colonel Francis Fox Parry Award Fund" support an annual Memorial Essay contest and an award for the best combat initiative article, respectively. Both writings are published in the *Marine Corps Gazette*. The "Colonel Phil Yeckel Award Fund" supports the honor graduate of each class in the Marine Corps Officer Candidate School.

Retail Operations

The Marine Shop and retail book service includes sales of uniforms, accessories, books, and Marine Corps memorabilia. Such sales are recognized as revenue at the time of sale.

Publications and Membership

Memberships are accounted for on an anniversary-date basis and are recognized as revenue ratably over the membership period since performance obligations are delivered to members throughout the membership period. Advanced payments on memberships represent unearned revenue that are expected to be earned within the next 1 to 46 years are reflected as deferred revenue on the accompanying consolidated statements of financial position. A significant portion of the memberships are recognized over one to three-year periods; and life memberships are recognized as revenue over 18 to 46-year periods.

Advertising sales from the monthly publications, *Marine Corps Gazette* and the *Leatherneck Magazine of the Marines*, are recognized as revenue upon distribution of publications. Amounts received for subsequent years are reflected as deferred revenue on the accompanying consolidated statements of financial position.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sponsorships and Contributions

Revenues from contributions and sponsorships are recognized as revenue when an unconditional pledge is received or when cash is received if no pledge exists. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met. The Organizations report contributions with donor restrictions if they are received with donor stipulations, such as time restrictions or restrictions as to the nature of the program that limit the use of the contributions. When a donor restriction expires (i.e., when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

Group Benefit Programs and Royalties

Group benefit insurance and credit card programs revenue consists of royalties. Royalty revenue is earned and recognized as revenue when received throughout the calendar year.

All other revenues are recognized when earned.

Shipping and Handling Costs

MCA classifies shipping and handling costs as cost of goods sold and such costs are included in the Retail Operations expense line item in the accompanying consolidated statements of activities. The shipping and handling costs included in cost of goods sold total to approximately \$380,900 and \$360,800, for the years ended December 31, 2021 and 2020, respectively.

Advertising Costs

Advertising costs, which include media and print advertising, supplies and complimentary material for direct mail to new and existing members, plus catalogs and postage, are expensed as incurred. Advertising costs charged to expense totaled approximately \$123,500 and \$71,100 for the years ended December 31, 2021 and 2020, respectively.

Measure of Operations

The Organizations consider unrealized gain on investments to be an item not included in operations.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

MCA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. MCA accounts for certain financial assets and liabilities at fair value under various accounting literature. MCA also accounts for certain assets at fair value under applicable industry guidance.

Fair Value Hierarchy

MCA 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 MCA has the ability to access. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange. MCA's Level 1 securities consist of fixed income and equities securities.

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 of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in nonactive markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

MCA's investments did not include any Level 2 funds at December 31, 2021 and 2020.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

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. MCA does not have any Level 3 investments.

Subsequent Events

In accordance with generally accepted accounting principles, management has evaluated subsequent events involving MCA and MCAF for potential recognition or disclosure in the accompanying consolidated financial statements. Subsequent events are events or transactions which occurred after December 31, 2021 up through June 28, 2022, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,177,448	\$ 1,430,793
Accounts Receivable	201,314	467,380
Investments	11,889,711	10,425,142
Contributions Receivable	46,981	50,831
Total	<u>\$ 13,315,454</u>	<u>\$ 12,374,146</u>

Endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As part of MCA's liquidity management plan, cash in excess of daily requirements are invested in CDs and money market funds.

NOTE 3 CONCENTRATION OF CREDIT RISK

Credit Risk

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

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 INVESTMENTS AND FAIR VALUE

Investments are recorded at fair value and are classified as long-term assets based on the intentions of MCA. The investment strategies and asset allocation have been selected with the goal of attaining a growth of principal that will, at a minimum, maintain a constant level of purchasing power. Investments consist of the following at December 31:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents	\$ 26,551	\$ 26,551	\$ 31,636	\$ 31,636
Money Market	246,287	246,287	106,672	106,672
Mutual Funds - Equities	5,253,467	6,764,336	5,420,931	6,425,210
ETF - Equities	1,135,573	1,422,799	1,076,825	1,212,271
Mutual Funds - Fixed Income	3,487,271	3,484,838	2,652,623	2,704,453
Total	<u>\$ 10,149,149</u>	<u>\$ 11,944,811</u>	<u>\$ 9,288,687</u>	<u>\$ 10,480,242</u>

The following table presents MCA's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 246,287	\$ -	\$ -	\$ 246,287
Mutual Funds - Equities	6,764,336	-	-	6,764,336
ETF - Equities	1,422,799	-	-	1,422,799
Mutual Funds - Fixed Income	3,484,838	-	-	3,484,838
Total	<u>\$ 11,918,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,918,260</u>

	2020			
	Level 1	Level 2	Level 3	Total
Money Market	\$ 106,672	\$ -	\$ -	\$ 106,672
Mutual Funds - Equities	6,425,210	-	-	6,425,210
ETF - Equities	1,212,271	-	-	1,212,271
Mutual Funds - Fixed Income	2,704,453	-	-	2,704,453
Total	<u>\$ 10,448,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,448,606</u>

Return on investments consists of the following at December 31:

	2021		2020	
Interest and Dividends	\$ 487,890		\$ 373,592	
Realized Gain (Loss)	482,487		(277,972)	
Investment Expenses	(57,772)		(57,684)	
Total	912,605		37,936	
Unrealized Gain	604,107		1,048,134	
Total	<u>\$ 1,516,712</u>		<u>\$ 1,086,070</u>	

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 CAPITAL LEASES

MCA entered into leases for a new copier machine during 2016 and other equipment in prior years under long-term lease agreements, which are classified as capital leases. These leases were replaced with two new capital leases during the year ended December 31, 2020. The value of the copier machine and other equipment have been capitalized and recorded as furniture and equipment within the consolidated statements of financial position and is being depreciated on a straight-line basis. As of December 31, 2021, the cost of the capitalized equipment and the related accumulated amortization totaled \$92,208 and \$18,842, respectively. As of December 31, 2020, the cost of the capitalized equipment and the related accumulated amortization totaled \$92,208 and \$11,096, respectively. Imputed interest rates ranging from 2% to 15% are being amortized over the lease terms.

Future minimum lease payments under these leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 32,840
2023	20,040
2024	20,040
2025	<u>9,058</u>
Total Minimum Lease Payments	81,978
Less: Amount Representing Interest	<u>(4,200)</u>
Present Value of Minimum Lease Payments	77,778
Less: Current Maturities	<u>(18,092)</u>
Noncurrent Portion of Obligations Under Capital Lease	<u>\$ 59,686</u>

NOTE 6 LINE OF CREDIT

MCA had a \$500,000 revolving line of credit with a financial institution, secured by cash balances. As of December 31, 2019, MCA withdrew the full \$500,000 available, bearing interest at 4.185%. This line of credit was paid in full and closed in June 2020.

In April 2020, MCA entered into a \$6,000,000 revolving line of credit with another financial institution. The line of credit is secured by MCA's investment accounts held with the financial institution. MCA did not withdraw funds from its line of credit as of December 31, 2021. Borrowings under this line of credit at December 31, 2021 bear interest at 2.71%. The line of credit does not expire.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Commanders' Forum Program	\$ 65,852	\$ 67,933
Marine Excellence Awards Program	161,480	144,344
Marine Writing Awards Program	98,957	72,932
Wounded Marine Support Program	20,945	20,852
Events	129,100	206,076
Commander's Unit Library	-	244
Total	\$ 476,334	\$ 512,381

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Time and Purpose Restriction	<u>\$ 238,299</u>	<u>\$ 262,801</u>

NOTE 8 ENDOWMENTS

Endowments (the Endowment) consist of approximately three individual funds established by donors to provide annual funding for specific activities. The Endowment also includes certain unrestricted net assets designated for endowment by the Board of Governors. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Governors has interpreted the Virginia 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, unless there are explicit donor stipulations to the contrary. At December 31, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, we classify as perpetual in nature net assets (a)the original value of gifts donated to the Endowment, (b)the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value), and (c)accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 ENDOWMENTS (CONTINUED)

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowments are to be held in perpetuity and the net earnings may be used for the following Award Programs as of December 31, 2021 and 2020:

	2021	2020
Yeckel OCS Award	\$ 10,000	\$ 10,000
Schulze Essay Award	25,100	25,100
Parry Writing Award	20,000	20,000
Total	<u>\$ 55,100</u>	<u>\$ 55,100</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2021, funds with original gift values of \$55,100, fair values of \$55,100, and deficiencies of \$-0- were reported in net assets with donor restrictions.

NOTE 9 OFFICE SUBLICENSES

MCA subleases certain office space to multiple tenants in its Headquarters building under operating leases expiring in various years through May 2025. Future minimum sublease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 88,860
2023	7,260
2024	7,260
2025	3,025
	<u>\$ 106,405</u>

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 10 GROUP BENEFIT PROGRAMS

Group Term Life Insurance Plan

MCA sponsors a group term life insurance plan for its members through Hartford Life Insurance, which is administered by a third-party administrator. Under the plan, MCA receives a royalty fee of 7% of the annual premiums. For the years ended December 31, 2021 and 2020, royalties totaled \$48,729 and \$47,056, respectively.

Group Health Care Plans

MCA also sponsors various types of health insurance plans for its members which are underwritten by various insurance companies and administered by a third-party administrator. Under the agreements with the third-party administrator, MCA receives a royalty fee of 1% - 10% of annual premiums. For the years ended December 31, 2021 and 2020, royalty fees totaled \$19,386 and \$29,462, respectively.

MCA also received dividends of \$-0- and \$9,993 from the insurance carriers for the years ended December 31, 2021 and 2020, respectively, as a result of the plans' claims experience being lower than anticipated.

NOTE 11 RETIREMENT PLAN

MCA sponsors a 401(k) plan which covers all employees who meet certain eligibility requirements. Under the plan, MCA matches contributions up to 5% of an employee's annual wages. The employees in the plan become fully vested after three years of service. Retirement plan expense for the years ended December 31, 2021 and 2020, totaled \$164,878 and \$147,081, respectively.

NOTE 12 FUNCTIONAL EXPENSES

The Organizations are required to disclose their direct and indirect expenses on a functional basis. As a result, the Organizations have allocated their indirect expenses to the program and supporting services benefited on the basis of estimated time worked in each area. Fully allocated expenses, by function, are as follows for the years ended December 31:

The tables below present expenses by both their nature and function for the years ended December 31, 2021 and 2020:

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 12 FUNCTIONAL EXPENSES (CONTINUED)

2021	Program Services						Support Services		
	Publications				Total				
	Retail Operations	and Membership	Awards and Other	Professional Development	Program Expenses	Management and General	Fundraising	Total Expenses	
Salaries and Benefits	\$ 1,032,280	\$ 887,485	\$ 300,557	\$ 180,021	\$ 2,400,343	\$ 1,622,692	\$ 134,024	\$ 4,157,059	
Direct Expenses	165,292	6,992	671,405	265,235	1,108,924	107,266	-	1,216,190	
Cost of Goods Sold	3,939,927	508,764	-	-	4,448,691	-	-	4,448,691	
Professional Services	-	-	-	-	-	70,029	78,000	148,029	
Office and Occupancy	829,636	236,077	4,735	15,770	1,086,218	457,888	415,866	1,959,972	
Depreciation	103,722	38,523	2,115	351	144,711	179,282	5,192	329,185	
Total Expenses	<u>\$ 6,070,857</u>	<u>\$ 1,677,841</u>	<u>\$ 978,812</u>	<u>\$ 461,377</u>	<u>\$ 9,188,887</u>	<u>\$ 2,437,157</u>	<u>\$ 633,082</u>	<u>\$ 12,259,126</u>	

2020	Program Services						Support Services		
	Publications				Total				
	Retail Operations	and Membership	Awards and Other	Professional Development	Program Expenses	Management and General	Fundraising	Total Expenses	
Salaries and Benefits	\$ 899,570	\$ 840,935	\$ 302,284	\$ 204,062	\$ 2,246,851	\$ 1,512,868	\$ 138,703	\$ 3,898,422	
Direct Expenses	149,396	8,851	500,956	187,858	847,061	80,671	282	928,014	
Cost of Goods Sold	3,635,287	558,585	-	-	4,193,872	-	-	4,193,872	
Professional Services	-	-	-	-	-	103,241	75,000	178,241	
Office and Occupancy	777,985	175,176	12,222	15,744	981,127	392,493	352,563	1,726,183	
Depreciation	87,213	67,023	1,885	88	156,209	172,079	2,428	330,716	
Total Expenses	<u>\$ 5,549,451</u>	<u>\$ 1,650,570</u>	<u>\$ 817,347</u>	<u>\$ 407,752</u>	<u>\$ 8,425,120</u>	<u>\$ 2,261,352</u>	<u>\$ 568,976</u>	<u>\$ 11,255,448</u>	

NOTE 13 INCOME TAXES

MCA is subject to income taxes on its unrelated business income tax activities, which consist of advertising in its two monthly publications. Income tax expense was \$-0- for the years ended December 31, 2021 and 2020.

NOTE 14 COMMITMENTS

Land Lease with U.S. Government

The U.S. government provides 1.3957 acres of land at no monetary cost to MCA in exchange for the U.S. government's use of approximately 6,000 square feet of administrative space in MCA's building on that land. The terms of this agreement began on April 1, 2011 and ends on June 30, 2026. In the event the U.S. government vacates the administrative space, MCA shall pay annual rent in the amount of \$14,000. As the substance of this agreement represents an arm's length transaction recorded at fair value for both parties, no contribution has been recorded on the consolidated statements of activities.

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 14 COMMITMENTS (CONTINUED)

Severance

In the event of an involuntary termination due to a reduction in force or downsizing, change in company direction, or job elimination, MCA provides a severance benefit for the affected employees as part of a Separation Pay Agreement and Release. The rate of severance is based upon service with MCA. No severance payments were made for the year ended December 31, 2021 and 2020.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Governors
Marine Corps Association
Marine Corps Association Foundation
Quantico, Virginia

We have audited the consolidated financial statements of the Marine Corps Association and Marine Corps Association Foundation as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon dated June 28, 2022, which expressed an unmodified opinion on those consolidated financial statements. Our audits were 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
June 28, 2022

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidating Information			Consolidated Total
	MCA	MCAF	Eliminations	
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,312,072	\$ 341,710	\$ -	\$ 1,653,782
Accounts Receivable, Net of Allowance for Bad Debt of \$15,000 at December 31, 2021	266,106	-	(64,792)	201,314
Contributions Receivable	-	46,981	-	46,981
Inventory, Net of Allowance for Obsolete Inventory of \$55,000 at December 31, 2021	2,175,808	-	-	2,175,808
Prepaid Expenses and Deposits	125,891	61,132	-	187,023
Total Current Assets	<u>3,879,877</u>	<u>449,823</u>	<u>(64,792)</u>	<u>4,264,908</u>
INVESTMENTS	<u>11,315,566</u>	<u>629,245</u>	<u>-</u>	<u>11,944,811</u>
PROPERTY AND EQUIPMENT				
Land	106,000	-	-	106,000
Building and Building Improvements	8,807,576	-	-	8,807,576
Furniture, Software, Equipment, and Vehicles	1,104,810	23,013	-	1,127,823
Total	<u>10,018,386</u>	<u>23,013</u>	<u>-</u>	<u>10,041,399</u>
Less: Accumulated Depreciation	<u>7,395,567</u>	<u>15,829</u>	<u>-</u>	<u>7,411,396</u>
Total Property and Equipment	<u>2,622,819</u>	<u>7,184</u>	<u>-</u>	<u>2,630,003</u>
Total Assets	<u><u>\$ 17,818,262</u></u>	<u><u>\$ 1,086,252</u></u>	<u><u>\$ (64,792)</u></u>	<u><u>\$ 18,839,722</u></u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 717,833	\$ 136,636	\$ (64,792)	\$ 789,677
Capital Lease Obligations	18,092	-	-	18,092
Deferred Revenue:				
Subscriptions	1,019,936	-	-	1,019,936
Other	4,950	29,361	-	34,311
Total Deferred Revenue	<u>1,024,886</u>	<u>29,361</u>	<u>-</u>	<u>1,054,247</u>
Total Current Liabilities	<u>1,760,811</u>	<u>165,997</u>	<u>(64,792)</u>	<u>1,862,016</u>
CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	<u>59,686</u>	<u>-</u>	<u>-</u>	<u>59,686</u>
DEFERRED SUBSCRIPTIONS REVENUE				
Net of Current Portion	<u>756,147</u>	<u>-</u>	<u>-</u>	<u>756,147</u>
Total Liabilities	<u>2,576,644</u>	<u>165,997</u>	<u>(64,792)</u>	<u>2,677,849</u>
NET ASSETS				
Without Donor Restrictions	15,038,206	592,233	-	15,630,439
With Donor Restrictions:				
Time or Purpose Restrictions	148,312	328,022	-	476,334
Perpetual in Nature	55,100	-	-	55,100
Total Net Assets	<u>15,241,618</u>	<u>920,255</u>	<u>-</u>	<u>16,161,873</u>
Total Liabilities and Net Assets	<u><u>\$ 17,818,262</u></u>	<u><u>\$ 1,086,252</u></u>	<u><u>\$ (64,792)</u></u>	<u><u>\$ 18,839,722</u></u>

**MARINE CORPS ASSOCIATION
MARINE CORPS ASSOCIATION FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Consolidating Information			Consolidated Total
	MCA	MCAF	Eliminations	
REVENUE				
Retail Operations	\$ 6,027,941	\$ -	\$ -	\$ 6,027,941
Publications and Membership	2,120,303	-	-	2,120,303
Contributions	3,058	1,731,752	(25,000)	1,709,810
Sponsorships	1,272,082	26,788	-	1,298,870
Group Benefit Programs and Royalties	123,115	-	-	123,115
Other	107,222	-	-	107,222
Interest, Dividends, and Realized Gain, Net of Fees	881,625	30,980	-	912,605
Net Assets Released from Restrictions - Awards	187,317	50,982	-	238,299
Total Revenue	10,722,663	1,840,502	(25,000)	12,538,165
EXPENSES				
Retail Operations	6,070,857	-	-	6,070,857
Publications and Membership	1,677,841	-	-	1,677,841
Awards and Other	-	978,812	-	978,812
Professional Development	461,377	-	-	461,377
Management and General	2,356,170	105,987	(25,000)	2,437,157
Fundraising	-	633,082	-	633,082
Total Expenses	10,566,245	1,717,881	(25,000)	12,259,126
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE UNREALIZED GAIN ON INVESTMENTS				
	156,418	122,621	-	279,039
Unrealized Gain on Investments	553,844	50,263	-	604,107
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
	710,262	172,884	-	883,146
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	108,456	93,795	-	202,251
Net Assets Released from Restrictions - Awards	(187,317)	(50,982)	-	(238,299)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
	(78,861)	42,813	-	(36,048)
CHANGE IN NET ASSETS				
	631,401	215,697	-	847,098
Net Assets - Beginning of Year	14,610,217	704,558	-	15,314,775
NET ASSETS - END OF YEAR	\$ 15,241,618	\$ 920,255	\$ -	\$ 16,161,873