Financial Statements

Naval War College Foundation, Inc.

December 31, 2024 and 2023

NAVAL WAR COLLEGE FOUNDATION, INC.

Financial Statements

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Financial Statements:

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Independent Auditors' Report

The Board of Trustees
Naval War College Foundation, Inc.
Newport, Rhode Island

Opinion

We have audited the financial statements of Naval War College Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024 and 2023, and the results of its operations 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 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 Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern 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 judgement 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 Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

CBIZ CPAs P.C.

Providence, Rhode Island
June 4, 2025

NAVAL WAR COLLEGE FOUNDATION, INC.

Statements of Financial Position

	December 31, 2024	December 31, 2023
Assets		
Cash	$ 435,462	$ 621,404
Contributions receivable, net	383,463	600,123
Investments	70,967,794	65,268,422
Inventory	44,955	37,202
Prepaid expenses and other assets	67,167	60,399
Property and equipment, net	2,574	3,309
Historical collections	67,598	67,598
Total assets	**$ 71,969,013**	**$ 66,658,457**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 237,881	$ 646,009
Obligation under split-interest agreements	226,314	192,290
Total liabilities	**464,195**	**838,299**
Net assets:		
Without donor restrictions	18,431,206	16,214,962
With donor restrictions	53,073,612	49,605,196
Total net assets	**71,504,818**	**65,820,158**
Total liabilities and net assets	**$ 71,969,013**	**$ 66,658,457**

See accompanying notes to the financial statements.

NAVAL WAR COLLEGE FOUNDATION, INC.

Statement of Activities

Year Ended December 31, 2024
(with comparative totals for 2023)

	Without Donor Restrictions	*With Donor Restrictions*	*2024 Total*	*2023 Total*
Operating revenues:				
Contributions	$ 2,072,459	$ 303,454	$ 2,375,913	$ 7,206,213
Contributions - in-kind	98,748	-	98,748	117,413
Total support	**2,171,207**	**303,454**	**2,474,661**	**7,323,626**
Investment return	3,174,486	-	3,174,486	2,089,965
Museum store sales, net	35,707	-	35,707	43,200
Endowment return used in operations	1,041,644	-	1,041,644	1,163,070
Net assets released from restriction	442,628	(442,628)	-	-
Total operating revenues	**6,865,672**	**(139,174)**	**6,726,498**	**10,619,861**
Operating expenses:				
Foundation grants	1,178,254	-	1,178,254	1,868,975
Program services	1,324,296	-	1,324,296	788,426
Management and resource development	2,146,878	-	2,146,878	2,495,911
Total operating expenses	**4,649,428**	**-**	**4,649,428**	**5,153,312**
Change in net assets from operations	**2,216,244**	**(139,174)**	**2,077,070**	**5,466,549**
Non-operating activities:				
Contributions	-	100,657	100,657	6,131,787
Investment return, net of endowment return used in operations	-	3,506,933	3,506,933	1,909,738
Change in value of split-interest agreements	-	-	-	(18,098)
Change in net assets from non-operating activities	**-**	**3,607,590**	**3,607,590**	**8,023,427**
Change in net assets	**2,216,244**	**3,468,416**	**5,684,660**	**13,489,976**
Net assets, beginning of year	16,214,962	49,605,196	65,820,158	52,330,182
Net assets, end of year	**$ 18,431,206**	**$ 53,073,612**	**$ 71,504,818**	**$ 65,820,158**

NAVAL WAR COLLEGE FOUNDATION, INC.

Statement of Activities

Year Ended December 31, 2023

	Without Donor Restrictions	*With Donor Restrictions*	*Total*
Operating revenues:			
Contributions	$ 2,104,994	$ 5,101,219	$ 7,206,213
Contributions - in-kind	117,413	-	117,413
Total support	**2,222,407**	5,101,219	**7,323,626**
Investment return	2,089,965	-	2,089,965
Museum store sales, net	43,200	-	43,200
Endowment return used in operations	1,163,070	-	1,163,070
Net assets released from restriction	878,036	(878,036)	-
Total operating revenues	**6,396,678**	**4,223,183**	**10,619,861**
Operating expenses:			
Foundation grants	1,868,975	-	1,868,975
Program services	788,426	-	788,426
Management and resource development	2,495,911	-	2,495,911
Total operating expenses	**5,153,312**	-	**5,153,312**
Change in net assets from operations	**1,243,366**	**4,223,183**	**5,466,549**
Non-operating activities:			
Contributions	-	6,131,787	6,131,787
Investment return, net of endowment return used in operations	-	1,909,738	1,909,738
Change in value of split-interest agreements	(18,098)	-	(18,098)
Change in net assets from non-operating activities	**(18,098)**	**8,041,525**	**8,023,427**
Change in net assets	**1,225,268**	**12,264,708**	**13,489,976**
Net assets, beginning of year	14,989,694	37,340,488	52,330,182
Net assets, end of year	**$ 16,214,962**	**$ 49,605,196**	**$ 65,820,158**

NAVAL WAR COLLEGE FOUNDATION, INC.

Statements of Cash Flows

		Years Ended December 31,	
		2024	**2023**
Cash flows from operating activities:			
Change in net assets		$ 5,684,660	$ 13,489,976
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation		735	10,360
Net realized and unrealized gain on investments		(7,565,852)	(5,216,469)
Change in contributions receivable discount		(24,153)	30,634
Contributions restricted for long-term investment		(100,657)	(6,131,787)
Changes in:			
Contributions receivable		60,228	365,854
Inventory		(7,753)	16,247
Prepaid expenses and other assets		(6,768)	46,501
Accounts payable and accrued expenses		(408,128)	453,738
Obligation under split-interest agreements		34,024	(4,634)
Total adjustments		**(8,018,324)**	**(10,429,556)**
Net cash provided by (used in) operating activities		**(2,333,664)**	**3,060,420**
Cash flows from investing activities:			
Acquisition of property and equipment		-	(3,676)
Purchase of investments		(508,520)	(11,088,212)
Proceeds from sale/maturities of investments		2,375,000	2,500,000
Net cash provided by (used in) investing activities		**1,866,480**	**(8,591,888)**
Cash flows from financing activities:			
Proceeds restricted for long-term investment		281,242	5,691,787
Net cash provided by financing activities		**281,242**	**5,691,787**
Increase (decrease) in cash		**(185,942)**	**160,319**
Cash, beginning of year		621,404	461,085
Cash, end of year		**$ 435,462**	**$ 621,404**

Note 1 - Organization and Summary of Significant Accounting Policies

The Naval War College Foundation, Inc. (the "Foundation"), organized in 1969, is a charitable organization whose purpose is to provide a source of support to assist the Naval War College in carrying out its mission to enhance the professional capabilities of its students and conduct research in the development of advanced strategic and tactical concepts. The Internal Revenue Service has determined that the Foundation is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the U.S. which requires that information regarding its financial position and activities are reported based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for general use and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for specific purposes. These assets are held to provide earnings to fund various lectures, awards, conferences and "chairs" at the Naval War College.

Cash and Cash Equivalents

The Foundation maintains its cash and securities in bank and investment deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Cash and cash equivalents held by investment managers are considered part of investments given the expectations of near-term investment. The Foundation considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable debt and equity securities are valued at fair value. Fair value is determined as per the fair value policies described later in this section.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Dividends, interest and net gains on investments are reported as increases in endowment corpus included in net assets with donor restrictions if the terms of the underlying gift required that they be added to the principal of a permanent endowment fund, or as increases in accumulated earnings on endowment corpus included in net assets with donor restrictions if the terms of the underlying gift or relevant state law impose restriction on the use of the income or net gains. Income and net gains on board-designated and other funds are reported as an increase in net assets without donor restrictions. Endowment and similar funds are pooled for investment purposes. Investment income is allocated ratably.

Inventory

Inventory consists of museum store merchandise held for resale. The inventory is valued at the lower of cost or net realizable value determined on a first-in, first-out basis.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over estimated useful lives ranging from three to five years. It is the policy of the Foundation to capitalize those items with a fair value at date of donation or cost exceeding $1,000.

Historical Collections

In accordance with accounting standards for contributions received and contributions made, the Foundation does not recognize contributions of works of art or historical treasures, which meet the following conditions. They are: (1) held for public exhibition, education, or research in furtherance of public service rather than financial gain, (2) protected, kept unencumbered, cared for, and preserved, and (3) subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collection.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions, unless use of the related asset is limited by donor-imposed restrictions, as follows:

Contributions and Recognition of Donor Restrictions

Contributions, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk-adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition and Operations (Continued)

Contributions and Recognition of Donor Restrictions (Continued)

restrictions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon incurring expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purpose restriction has been satisfied.

Gifts of property, plant and equipment are recorded as without donor restrictions unless the donor explicitly states how such assets should be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. The Foundation reports expirations of donor restrictions when the donated or acquired long-lived asset is placed into service.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

Government grants have been accounted for as conditional contributions and are recorded as revenue when such amounts become unconditional which generally involved meeting the barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs, or other barriers. The Foundation received such conditional contributions of $0 and $500,000 during 2024 and 2023, respectively.

In-Kind Contribution Revenue

The Foundation receives certain donated services from various parties. The Foundation recognizes these amounts as revenue and expenses when the recognition criteria are met for recordation at their estimated fair value.

Operating and Non-operating Activity

The statements of activities report the changes in net assets without donor restrictions and net assets with donor restrictions from operating and non-operating activities. Operating revenues without restrictions consist primarily of contributions without donor restrictions and net museum store sales. Investment income included in non-operating includes investment earnings on restricted endowment funds. All other investment income or losses are reported as operating revenue. The Foundation also considers all other contributions and releases from restrictions to be used for long-term purposes as non-operating.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The cost of providing program and other services has been summarized on a functional basis in the statements of activities. The natural classification detail of expenses by function are presented at Note 13. Accordingly, management has allocated certain costs among the program and supporting services benefited. Personnel and other costs have been allocated based upon actual time spent or usage.

Fair Value Measurements

The Foundation reports required types of financial instruments in accordance with the fair value standards of accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the Foundation reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Items reported at fair value on a recurring basis include short-term investments and long-term investments. Non-recurring fair values include items such as the initial recording of contributions receivable.

The fair value standards require that for each item carried at fair value that such be disclosed in accordance with the valuation methods used which fall into three categories as follows:

Level 1 – inputs are quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at measurement date.

Level 2 – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3 – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Uncertain Tax Positions

The Foundation accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Foundation has identified its tax status as a tax-exempt entity as a tax position; however, the Foundation has determined that such tax position does not result in an uncertainty requiring recognition. The Foundation is not currently under examination by any taxing jurisdiction. Its Federal tax returns are generally open for examination for the past three years.

Use of Estimates

The preparation of financial statements 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

Subsequent Events

The Foundation has evaluated subsequent events through June 4, 2025, the date the Audit Committee of the Board of Trustees approved and authorized the financial statements to be issued.

Note 2 - Liquidity and Availability

The Foundation regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt and equity securities.

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

In addition to the financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Although not expected to be needed, the spendable yet restricted portion of the Foundation's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use. See Notes 4 and 10 for further information about the Foundation's investment portfolio, net assets and endowment funds.

The following table shows the total financial assets held by the Foundation available within one year of the balance sheet date to meet general expenditures at December 31:

	2024	***2023***
Cash	$ 435,462	$ 621,404
Current contributions receivable	36,031	84,384
Investments	70,967,794	65,268,422
Interest receivable, included in prepaid expenses and other assets	18,305	29,264
Endowment spending rate distribution and appropriations	1,701,000	1,050,000
Less: Net assets with donor restrictions	(53,073,612)	(49,605,196)
Total financial assets available to meet general expenditures over the next 12 months	**$ 20,084,980**	**$ 17,448,278**

Note 3 - Contributions Receivable

At December 31, 2024, contributions receivable consist of:

		Without Donor Restrictions		*With Donor Restrictions*		*Total*
Gross contributions:						
Due within one year	$	36,031	$	145,000	$	181,031
Due within two to five years		-		211,666		211,666
Total	**$**	**36,031**	**$**	**356,666**	**$**	**392,697**
Discount to present value		-		(9,234)		(9,234)
Contributions receivable, net	**$**	**36,031**	**$**	**347,432**	**$**	**383,463**

At December 31, 2023, contributions receivable consist of:

		Without Donor Restrictions		*With Donor Restrictions*		*Total*
Gross contributions:						
Due within one year	$	84,384	$	215,959	$	300,343
Due within two to five years		-		333,167		333,167
Total	**$**	**84,384**	**$**	**549,126**	**$**	**633,510**
Discount to present value		-		(33,387)		(33,387)
Contributions receivable, net	**$**	**84,384**	**$**	**515,739**	**$**	**600,123**

Contributions receivable from one and two donors represented 76% and 73% of total gross contributions receivable at December 31, 2024 and 2023, respectively.

Note 4 - Fair Value of Financial Instruments

The valuation of the Foundation's financial instruments using the fair value hierarchy consisted of the following as of December 31, 2024:

	Level 1	*Level 2*	*NAV*	*Total*
Cash and cash equivalents	$ 404,737	$ -	$ -	$ 404,737
Common equities:				
Consumer staples	1,398,375	-	-	1,398,375
Energy	1,014,910	-	-	1,014,910
Healthcare	661,392	-	-	661,392
Real Estate	59,520	-	-	59,520
Materials	1,011,031	-	-	1,011,031
Telecommunication services	632,861	-	-	632,861
Utilities	1,194,025	-	-	1,194,025
ETFs	238,600	-	-	238,600
Total common stocks	6,210,714	-	-	6,210,714
Alternative investments:				
Equity funds	-	-	47,283,549	47,283,549
Hudge funds	-	-	9,171,632	9,171,632
Total alternative investments	-	-	56,455,181	56,455,181
Bonds:				
U.S. treasuries	-	7,897,162	-	7,897,162
Total bonds	-	7,897,162	-	7,897,162
	$ 6,615,451	**$ 7,897,162**	**$ 56,455,181**	**$ 70,967,794**

Note 4 - Fair Value of Financial Instruments (Continued)

The valuation of the Foundation's financial instruments using the fair value hierarchy consisted of the following as of December 31, 2023:

	Level 1	*Level 2*	*NAV*	*Total*
Cash and cash equivalents	$ 1,302,926	$ -	$ -	$ 1,302,926
Common equities:				
Consumer staples	1,454,601	-	-	1,454,601
Energy	1,376,646	-	-	1,376,646
Healthcare	874,443	-	-	874,443
Industrials	243,390	-	-	243,390
Materials	246,780	-	-	246,780
Telecommunication services	531,016	-	-	531,016
Utilities	419,850	-	-	419,850
Total common stocks	5,146,726	-	-	5,146,726
Alternative investments:				
Equity funds	-	-	42,933,033	42,933,033
Hedge funds	-	-	7,793,158	7,793,158
Total alternative investments	-	-	50,726,191	50,726,191
Bonds:				
Corporates - domestic	-	960,480	-	960,480
U.S. treasuries	-	7,132,099	-	7,132,099
Total bonds	-	8,092,579	-	8,092,579
	$ 6,449,652	**$ 8,092,579**	**$ 50,726,191**	**$ 65,268,422**

Investments measured at Level 1 or Level 2 allow for daily redemption. Investments measured at NAV allow for quarterly redemption. There were no unfunded commitments associated with investments at December 31, 2024 and 2023.

Note 5 - Historical Collections

The Foundation has a collection, which consists of paintings, sculptures, charts, memoirs, letters and other rare books and memorabilia of historical significance to the Navy and the Naval War College. This collection is currently loaned to the Naval War College for display in the Naval War College Museum and in the various Naval War College buildings. Post-1991 collection items donated to the Foundation are not capitalized as no estimation of fair value is readily determinable.

Note 6 - Property and Equipment, Net

Property and equipment, net, consists of the following as of December 31:

	2024	***2023***
Furniture and equipment	$ 143,597	$ 143,597
Less accumulated depreciation	(141,023)	(140,288)
Furniture and equipment, net	**$ 2,574**	**$ 3,309**

Depreciation expense was $735 and $10,360 for the years ended December 31, 2024 and 2023, respectively.

Note 7 - Obligation under Split-Interest Agreements

From time to time, the Foundation receives charitable gift annuities in which donors contribute assets and receive a promise of payment for life. At the end of an agreement's term, the remaining assets are available for the Foundation's use. The portion of the gifts attributable to the present value of the future benefits to be received by the Foundation are recorded in the statements of activities as a contribution without donor restrictions in the period the trust is established. During 2024 and 2023, the Foundation received assets under such arrangements totaling $60,000 and $10,000, respectively. Total assets held under such arrangements were $463,551 and $403,551 at December 31, 2024 and 2023, respectively, and are included within investments on the statements of financial position. On an annual basis, the Foundation revalues the liability based on actuarial assumptions. The present value of the estimated future payments was $226,314 and $192,290 at December 31, 2024 and 2023, respectively, calculated utilizing a discount rate at the original date of the instrument (ranging from 1.8% to 6.7%) and applicable mortality tables.

Note 8 - Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statements of activities included the following for the years ended December 31:

		2024		2023
Professional services	$	11,861	$	18,798
Advertising and event support		12,887		24,615
Office space and utilities		74,000		74,000
	$	**98,748**	**$**	**117,413**

The Organization recognizes contributed nonfinancial assets within revenue, including professional services, office space and utilities and advertising and event support.

Professional services recognized are comprised of investment brokerage fees. Advertising and event support are comprised primarily of online advertising to support the Foundation's fundraising efforts. These services are valued and reported at the estimated fair value in the financial statements based on current rates for similar investment brokerage services and advertising offerings.

Office space and utilities is comprised of the estimated rent and utilities to occupy the Foundation's administrative office space based on estimated local market price per square footage for like space.

Note 9 - Museum Store Sales, Net

The Foundation operates a store in the Naval War College Museum, which sells souvenirs and memorabilia. Sales and cost of goods sold were as follows for the years ended December 31:

		2024		2023
Sales	$	89,217	$	102,560
Cost of goods sold		(53,510)		(59,360)
Net sales	**$**	**35,707**	**$**	**43,200**

Additionally, the museum store incurs other operating costs consisting primarily of personnel costs and credit card processing fees.

Note 10 - Net Assets and Endowment Matters

Net assets with donor restrictions are comprised of the following as of December 31:

	2024	*2023*
Consumable funds with restrictions:		
Purpose or time restriction:		
Restricted to fund various academic programs at the Naval War College	$ 5,808,576	$ 5,947,750
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amount required to be maintained in perpetuity:		
Faculty support	10,537,033	10,436,376
Student support	966,467	966,467
Lectures and conferences	1,885,246	1,885,246
Program support	17,941,504	17,941,504
Total gifts held in perpetuity	31,330,250	31,229,593
Accumulated gains:		
Faculty support	10,339,472	8,456,825
Student support	1,008,430	849,120
Lectures and conferences	980,174	852,660
Program support	3,606,710	2,269,248
Total accumulated gains	15,934,786	12,427,853
Total endowment funds	47,265,036	43,657,446
Net assets with donor restrictions	**$ 53,073,612**	**$ 49,605,196**

Note 10 - Net Assets and Endowment Matters (Continued)

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

	2024	2023
Spending policy releases:		
Faculty support	$ 209,045	$ 322,230
Student support	34,402	36,130
Lectures and conferences	81,162	13,379
Program support	221,128	365,480
Foundation administrative fee	495,907	425,851
	1,041,644	1,163,070
Purpose or time restrictions met:		
Academic programs at the Naval War College	442,628	878,036
Net assets released from restrictions	**$ 1,484,272**	**$ 2,041,106**

The following represents required disclosures relative to the composition of donor restricted endowment assets at December 31:

	2024	2023
Endowment assets, beginning of year	$ 43,657,446	$ 35,519,196
Gifts and additions	100,657	6,131,787
Total investment return	4,548,577	3,169,533
Appropriated for expenditure	(1,041,644)	(1,163,070)
Change in endowment assets and those functioning as endowment assets	3,607,590	8,138,250
Endowment assets, end of year	**$ 47,265,036**	**$ 43,657,446**

Note 10 - Net Assets and Endowment Matters (Continued)

Endowment

The Foundation's endowment consists of approximately 50 individual funds established for a variety of purposes by donors. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which requires the tracking of the original value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit stipulations to the contrary. The Foundation classifies as endowment net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in endowment net assets is classified as consumable funds with restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. UPMIFA allows the Board of Trustees to appropriate a percentage of net appreciation as is prudent considering the Foundation's long- and short-term needs, present and anticipated financial requirements, and expected total return on its investments, price level trends, and general economic conditions.

In accordance with UPMIFA, the Foundation considers the following factors in determining appropriate spending levels from donor-restricted endowment funds:

1. Duration and preservation of the endowment fund
2. Purposes of the Foundation and the endowed fund
3. General economic conditions
4. Possible effects of inflation or deflation
5. Expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. Investment policy of the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. Deficiencies of this nature are reported as reductions in net assets with donor restrictions. Future market gains will be used to restore this reduction in net assets. There were no funds with deficiencies at December 31, 2024 and 2023.

Note 10 - Net Assets and Endowment Matters (Continued)

Investment Objectives and Spending Policy

The Foundation has adopted investment and spending polices for endowment assets that attempt to provide a predictable stream of funding for annual operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various indexes while assuming a moderate level of investment risk. Actual returns in any given year may vary. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Distributions from long-term investments are made using the total return method. Under the total return method, distributions consist of interest, dividends and realized and unrealized gains. The Foundation has adopted this spending policy in order to protect the nature of the original corpus of gifts as well as to preserve the purchasing power of these funds into the future. Under the Foundation's endowment spending policy for the years ended December 31, 2024 and 2023, the Board of Trustees applied a rate of 3.25% to a 3-year average of the endowment value. Included in the rate is a 1.25% administrative fee allocated to the Foundation for general operations in accordance with spending policy as approved by the Board of Trustees. The Board has approved a 4.25% spend, inclusive of 1.25% administrative fee, for the year ending December 31, 2025.

Note 11 - Related Parties

Contributions received from employees and members of the Board of Trustees totaled approximately $961,000 and $879,000 for the years ended December 31, 2024 and 2023, respectively. Contributions receivable include approximately $10,000 and $91,000 due from employees and Board members at December 31, 2024 and 2023, respectively.

The Foundation's office space and museum store space are owned by the Naval War College and provided to the Foundation for use at no cost to the Foundation. Accordingly, the Foundation has recognized an in-kind contribution and a matching rent expense of $74,000 for the years ended December 31, 2024 and 2023.

Note 12 - Pension Plan

The Foundation has a tax-sheltered retirement plan (the "Plan") covering all employees who meet certain eligibility requirements. Employees may elect to defer a percentage of their compensation into the Plan. The Foundation contributes 1% of an employee's compensation. Additionally, matching contributions are made by the Foundation equal to 100% of the first 4% deferred by an employee. Contributions made by the Foundation were approximately $85,000 and $68,000 for the years ended December 31, 2024 and 2023, respectively.

Note 13 - Natural Classification of Expenses

Expenses presented by natural classification and function are as follows for the year ended December 31, 2024:

	Program Services and Foundation Grants	Management and Resource Development	Total
Salaries and benefits	$ 697,393	$ 1,254,433	$ 1,951,826
Supplies and services	626,903	779,299	1,406,202
Support to College	1,178,254	-	1,178,254
Occupancy and related expenses	-	112,411	112,411
Depreciation	-	735	735
Total expenses	**$ 2,502,550**	**$ 2,146,878**	**$ 4,649,428**

Expenses presented by natural classification and function are as follows for the year ended December 31, 2023:

	Program Services and Foundation Grants	Management and Resource Development	Total
Salaries and benefits	$ 418,519	$ 1,075,130	$ 1,493,649
Supplies and services	369,907	1,311,871	1,681,778
Support to College	1,868,975	-	1,868,975
Occupancy and related expenses	-	98,550	98,550
Depreciation	-	10,360	10,360
Total expenses	**$ 2,657,401**	**$ 2,495,911**	**$ 5,153,312**

Management and resource development on the statements of activities includes approximately $1,536,000 and $1,698,000 of fundraising costs for the years ended December 31, 2024 and 2023, respectively. This amount represents travel, printing, mailing and promotion costs as well as an allocation of employees' costs for salary, taxes, and benefits based on time spent on fundraising activities.