

**NAVAL WAR COLLEGE FOUNDATION**

**Financial Statements**

**Years Ended December 31, 2025 and 2024**

**(With Independent Auditors' Report Thereon)**

**NAVAL WAR COLLEGE FOUNDATION**  
**FINANCIAL STATEMENTS**  
**Years Ended December 31, 2025 and 2024**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Naval War College Foundation:

### **Opinion**

We have audited the accompanying financial statements of the Naval War College Foundation (the Foundation) (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Naval War College Foundation as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Prior Period Financial Statements**

The financial statements of Naval War College Foundation as of December 31, 2024, were audited by other auditors whose report dated June 4, 2025 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

*Kahn, Litwin, Kenya & Co, Ltd.*

June 22, 2026

**NAVAL WAR COLLEGE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2025 and 2024**

|   | 2025                 | 2024                 |
|---|----------------------|----------------------|
| <b>Assets</b>                                 |                      |                      |
| Current Assets:                               |                      |                      |
| Cash and cash equivalents                     | \$ 532,590           | \$ 435,462           |
| Pledges receivable, current portion           | 191,655              | 181,031              |
| Prepaid expenses and other current assets     | 112,241              | 48,862               |
| <b>Total current assets</b>                   | <b>836,486</b>       | <b>665,355</b>       |
| Pledges Receivable, less current portion, net | 114,852              | 202,432              |
| Investments                                   | 78,779,581           | 70,986,099           |
| Inventory                                     | 73,951               | 44,955               |
| Furniture and Equipment, net                  | 1,838                | 2,574                |
| Historical Collections                        | -                    | 67,598               |
| <b>Total Assets</b>                           | <b>\$ 79,806,708</b> | <b>\$ 71,969,013</b> |
| <b>Liabilities and Net Assets</b>             |                      |                      |
| Current Liabilities:                          |                      |                      |
| Accounts payable                              | \$ 31,989            | \$ 30,352            |
| Grants payable                                | 306,000              | 16,579               |
| Accrued payroll and related                   | 163,256              | 190,950              |
| <b>Total current liabilities</b>              | <b>501,245</b>       | <b>237,881</b>       |
| Long-term Liabilities:                        |                      |                      |
| Obligation under charitable gift annuities    | 208,161              | 226,314              |
| <b>Total long-term liabilities</b>            | <b>208,161</b>       | <b>226,314</b>       |
| <b>Total liabilities</b>                      | <b>709,406</b>       | <b>464,195</b>       |
| Net Assets:                                   |                      |                      |
| Without donor restrictions                    | 20,441,265           | 18,397,884           |
| With donor restrictions                       | 58,656,037           | 53,106,934           |
| <b>Total net assets</b>                       | <b>79,097,302</b>    | <b>71,504,818</b>    |
| <b>Total Liabilities and Net Assets</b>       | <b>\$ 79,806,708</b> | <b>\$ 71,969,013</b> |

**NAVAL WAR COLLEGE FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2025 and 2024**



|   | 2025                          |                            |                      | 2024                          |                            |                      |
|---|-------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|----------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                |
| Change in Operating Net Assets:   |                               |                            |                      |                               |                            |                      |
| Operating revenue and support:  |                               |                            |                      |                               |                            |                      |
| Contributions   | \$ 1,586,766                  | \$ 659,465                 | \$ 2,246,231         | \$ 1,164,578                  | \$ 327,607                 | \$ 1,492,185         |
| Contributed non-financial assets  | 153,440                       | -                          | 153,440              | 250,696                       | -                          | 250,696              |
| Special events, net of direct expenses of \$252,366 and \$608,714, respectively | 328,881                       | -                          | 328,881              | 123,066                       | -                          | 123,066              |
| Museum sales  | 101,102                       | -                          | 101,102              | 89,217                        | -                          | 89,217               |
| Net investment return   | 3,041,466                     | -                          | 3,041,466            | 3,161,875                     | -                          | 3,161,875            |
| Appropriations under spending policy  | 1,539,565                     | -                          | 1,539,565            | 1,041,644                     | -                          | 1,041,644            |
| Net assets released from restrictions   | 304,150                       | (304,150)                  | -                    | 409,306                       | (409,306)                  | -                    |
| <b>Total operating revenue and support</b>                                      | <b>7,055,370</b>              | <b>355,315</b>             | <b>7,410,685</b>     | <b>6,240,382</b>              | <b>(81,699)</b>            | <b>6,158,683</b>     |
| Operating Expenses:   |                               |                            |                      |                               |                            |                      |
| Program:  |                               |                            |                      |                               |                            |                      |
| Foundation grants   | 1,957,922                     | -                          | 1,957,922            | 1,178,254                     | -                          | 1,178,254            |
| Other program expenses  | 1,836,711                     | -                          | 1,836,711            | 1,715,461                     | -                          | 1,715,461            |
| <b>Total program expenses</b>   | <b>3,794,633</b>              | <b>-</b>                   | <b>3,794,633</b>     | <b>2,893,715</b>              | <b>-</b>                   | <b>2,893,715</b>     |
| Management and general  | 487,607                       | -                          | 487,607              | 470,420                       | -                          | 470,420              |
| Fundraising   | 719,645                       | -                          | 719,645              | 717,478                       | -                          | 717,478              |
| <b>Total operating expenses</b>   | <b>5,001,885</b>              | <b>-</b>                   | <b>5,001,885</b>     | <b>4,081,613</b>              | <b>-</b>                   | <b>4,081,613</b>     |
| <b>Change in Operating Net Assets</b>   | <b>2,053,485</b>              | <b>355,315</b>             | <b>2,408,800</b>     | <b>2,158,769</b>              | <b>(81,699)</b>            | <b>2,077,070</b>     |
| Change in Non-operating Net Assets:   |                               |                            |                      |                               |                            |                      |
| Endowment contributions   | -                             | 55,881                     | 55,881               | -                             | 100,657                    | 100,657              |
| Net investment endowment return   | -                             | 6,677,472                  | 6,677,472            | -                             | 4,548,577                  | 4,548,577            |
| Appropriations under spending policy  | -                             | (1,539,565)                | (1,539,565)          | -                             | (1,041,644)                | (1,041,644)          |
| Change in value of charitable gift annuities                                    | (10,104)                      | -                          | (10,104)             | -                             | -                          | -                    |
| <b>Change in Non-operating Net Assets</b>                                       | <b>(10,104)</b>               | <b>5,193,788</b>           | <b>5,183,684</b>     | <b>-</b>                      | <b>3,607,590</b>           | <b>3,607,590</b>     |
| <b>Change in Net Assets</b>   | <b>2,043,381</b>              | <b>5,549,103</b>           | <b>7,592,484</b>     | <b>2,158,769</b>              | <b>3,525,891</b>           | <b>5,684,660</b>     |
| <b>Net Assets, beginning of year</b>  | <b>18,397,884</b>             | <b>53,106,934</b>          | <b>71,504,818</b>    | <b>16,239,115</b>             | <b>49,581,043</b>          | <b>65,820,158</b>    |
| <b>Net Assets, end of year</b>  | <b>\$ 20,441,265</b>          | <b>\$ 58,656,037</b>       | <b>\$ 79,097,302</b> | <b>\$ 18,397,884</b>          | <b>\$ 53,106,934</b>       | <b>\$ 71,504,818</b> |

See accompanying notes to the financial statements and independent auditors' report.

**NAVAL WAR COLLEGE FOUNDATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2025 and 2024**



|                                    | 2025                |                           |                   | 2024                |                     |                           |                   |                     |
|------------------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|---------------------------|-------------------|---------------------|
|                                    | Program             | Management<br>and General | Fundraising       | Total               | Program             | Management<br>and General | Fundraising       | Total               |
| Grant distributions and support    | \$ 1,957,922        | \$ -                      | \$ -              | \$ 1,957,922        | \$ 1,178,254        | \$ -                      | \$ -              | \$ 1,178,254        |
| Personnel and related:             |                     |                           |                   |                     |                     |                           |                   |                     |
| Salaries                           | 973,225             | 329,907                   | 346,402           | 1,649,534           | 969,088             | 328,504                   | 344,930           | 1,642,522           |
| Payroll taxes                      | 71,897              | 24,372                    | 25,591            | 121,860             | 70,852              | 24,018                    | 25,218            | 120,088             |
| Employee benefits                  | 136,580             | 46,299                    | 48,614            | 231,493             | 117,460             | 39,817                    | 41,808            | 199,085             |
| <b>Total personnel and related</b> | <b>1,181,702</b>    | <b>400,578</b>            | <b>420,607</b>    | <b>2,002,887</b>    | <b>1,157,400</b>    | <b>392,339</b>            | <b>411,956</b>    | <b>1,961,695</b>    |
| Other expenses:                    |                     |                           |                   |                     |                     |                           |                   |                     |
| Accounting services                | 54,280              | 18,400                    | 19,320            | 92,000              | 49,576              | 16,805                    | 17,646            | 84,027              |
| Advertising and promotion          | 72,520              | -                         | 151,700           | 224,220             | 145,908             | -                         | 145,908           | 291,816             |
| Historical collections             | 139,244             | -                         | -                 | 139,244             | -                   | -                         | -                 | -                   |
| Depreciation                       | 434                 | 147                       | 155               | 736                 | 434                 | 147                       | 154               | 735                 |
| Gift processing fees               | 8,308               | -                         | -                 | 8,308               | 8,940               | -                         | -                 | 8,940               |
| Information technology             | 105,870             | 35,888                    | 37,682            | 179,440             | 103,024             | 34,923                    | 36,669            | 174,616             |
| Insurance                          | 17,072              | 5,787                     | 6,077             | 28,936              | 19,554              | 6,628                     | 6,959             | 33,141              |
| Legal services                     | 17,811              | 6,038                     | 6,340             | 30,189              | 2,202               | 747                       | 784               | 3,733               |
| Memberships and subscriptions      | 8,344               | 2,828                     | 2,970             | 14,142              | 5,605               | 1,900                     | 1,995             | 9,500               |
| Miscellaneous                      | 7,215               | 3,141                     | 2,568             | 12,924              | 6,285               | 2,131                     | 2,237             | 10,653              |
| Museum expenses                    | 60,482              | -                         | -                 | 60,482              | 56,762              | -                         | -                 | 56,762              |
| Occupancy                          | 43,660              | 14,800                    | 15,540            | 74,000              | 43,660              | 14,800                    | 15,540            | 74,000              |
| Office expenses                    | 63,084              | -                         | -                 | 63,084              | 38,481              | -                         | -                 | 38,481              |
| Travel and related                 | 56,685              | -                         | 56,686            | 113,371             | 77,630              | -                         | 77,630            | 155,260             |
| <b>Total other expenses</b>        | <b>655,009</b>      | <b>87,029</b>             | <b>299,038</b>    | <b>1,041,076</b>    | <b>558,061</b>      | <b>78,081</b>             | <b>305,522</b>    | <b>941,664</b>      |
| <b>Total expenses</b>              | <b>\$ 3,794,633</b> | <b>\$ 487,607</b>         | <b>\$ 719,645</b> | <b>\$ 5,001,885</b> | <b>\$ 2,893,715</b> | <b>\$ 470,420</b>         | <b>\$ 717,478</b> | <b>\$ 4,081,613</b> |

**NAVAL WAR COLLEGE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**December 31, 2025 and 2024**

|   | <b>2025</b>       | <b>2024</b>        |
|---|-------------------|--------------------|
| Cash Flows from Operating Activities:   |                   |                    |
| Change in net assets  | \$ 7,592,484      | \$ 5,684,660       |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                   |                    |
| Depreciation  | 736               | 735                |
| Loss on write-off of historical collections   | 67,598            | -                  |
| Net gain on investments   | (8,497,753)       | (7,565,852)        |
| Change in pledge receivable discount  | (3,772)           | (24,153)           |
| Change in value of charitable gift annuities  | 10,104            | -                  |
| Contributions of stock  | (62,757)          | (151,948)          |
| Contributions restricted for long-term investments                                      | (55,881)          | (100,657)          |
| Changes in operating assets and liabilities   |                   |                    |
| Pledges receivable  | 80,728            | 60,228             |
| Inventory   | (28,996)          | (7,753)            |
| Prepaid expenses and other current assets   | (63,379)          | (6,768)            |
| Accounts payable and accrued expenses   | (26,057)          | (424,707)          |
| Grants payable  | 289,421           | 16,579             |
| Obligation under charitable gift annuities  | (28,257)          | 34,024             |
| <b>Net cash used by operating activities</b>  | <b>(725,781)</b>  | <b>(2,485,612)</b> |
| Cash Flows from Investing Activities:   |                   |                    |
| Purchases of investments  | (82,133,896)      | (356,572)          |
| Proceeds from sale of investments   | 82,900,924        | 2,375,000          |
| <b>Net cash provided by investing activities</b>  | <b>767,028</b>    | <b>2,018,428</b>   |
| Cash Flows from Financing Activities:   |                   |                    |
| Contributions restricted for long-term investment                                       | 55,881            | 281,242            |
| <b>Net cash provided by financing activities</b>  | <b>55,881</b>     | <b>281,242</b>     |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                             | <b>97,128</b>     | <b>(185,942)</b>   |
| <b>Cash and Cash Equivalents, beginning of year</b>                                     | <b>435,462</b>    | <b>621,404</b>     |
| <b>Cash and Cash Equivalents, end of year</b>   | <b>\$ 532,590</b> | <b>\$ 435,462</b>  |
| <b>Non-cash Operating and Investing Activity:</b>                                       |                   |                    |
| Donated stock   | <b>\$ 62,757</b>  | <b>\$ 151,948</b>  |

See accompanying notes to the financial statements and independent auditors' report.

**NAVAL WAR COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2025 and 2024**

**1. Nature of Operations**

The Naval War College Foundation (the Foundation), organized in 1969, is a charitable organization that provides private support to advance the Naval War College's (the College) mission of developing military and civilian leaders and strengthening strategic and operational education and research. The Foundation is powered by contributions from donors and members and provides critical funding to enhance the College's programs and capabilities.

The Foundation focuses its support on priorities that include research and scholarship, curriculum and instruction, endowed chairs, capital improvements, achievement awards, conferences and events, regional studies programs, and public awareness initiatives. By investing in these areas, the Foundation helps the College prepare leaders to address evolving strategic challenges and support national security objectives.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Foundation is presented to assist the reader in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

***Financial Statement Presentation***

The Foundation prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes.

***Net Assets With Donor Restrictions***

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Donor restrictions that are satisfied in the same fiscal year as they are received are reported as net assets without donor restrictions in the statement of activities.

**NAVAL WAR COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2025 and 2024**

***Performance Indicator***

In the accompanying statements of activities, the primary indicator of the Foundation’s results is “change in operating net assets.” As such, it includes support and revenue and expenditures related to the ongoing operations of the Foundation. Transactions such as endowment contributions, net investment endowment return, appropriations under spending policy, and change in value of charitable gift annuities are included as components of the change in non-operating net assets on the statements of activities.

***Cash and Cash Equivalents***

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less.

***Pledges Receivable***

Pledges receivable (unconditional promises to give) that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using an appropriate discount rate commensurate with the risks involved. Amortization of the discount is included in contributions revenue.

The Foundation records an allowance for estimated uncollectible pledges in an amount approximating anticipated losses. Individual uncollectible pledges are written off against the allowance when collection of the individual pledge appears doubtful. At December 31, 2025 and 2024, management determined that no allowance was necessary.

***Investments and Fair Value Measurements***

The Foundation reports its investments at fair value. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.

Level 2 inputs (other than quoted prices included within Level 1) are observable for the asset or liability, either directly or indirectly.

**NAVAL WAR COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Level 3 inputs are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

The Foundation's investments are classified as Level 1 within the fair value hierarchy as follows:

Level 1 investments owned by the Foundation and listed on a National Securities Exchange are valued at the last recorded sales price as of the financial statement reporting date. In the absence of recorded sales, Level 1 investments are valued at the last quoted bid price reported as of the financial statement reporting date.

Certain investments are valued at net asset value (NAV), which is used as a practical expedient to estimate fair value.

Realized and unrealized gains and losses are included in net investment return in the statement of activities. Gains and losses on investments are reported as changes in net assets without donor restrictions, unless gains and losses on investments are restricted by a donor's explicit stipulation or by a law that extends a donor's restriction.

Interest and dividends on investments are reported as part of investment return. Dividends are recorded on the ex-dividend date and interest is recorded on the accrual basis of accounting. Purchases and sales of securities are recorded on the trade date.

***Inventory***

Inventory is composed of items held for resale in the Foundation's museum shop and is stated at the lower of cost (first-in, first-out) or net realizable value.

***Furniture and Equipment***

The Foundation follows the policy of capitalizing all significant purchases of furniture and equipment at cost. Furniture and equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than one year. Repairs and maintenance costs that do not significantly increase the useful life of the asset are expensed as incurred. Donated assets are recorded at fair value.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of five years.

**NAVAL WAR COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2025 and 2024**

***Collections***

The historical collections (Note 11) are not capitalized by the Foundation. In addition, the Foundation does not capitalize repairs, restoration, or improvements to inexhaustible collections. Purchases of collection items and costs to restore or improve inexhaustible collections are recorded as expenses in the year incurred. Donations of historical collection items are not recorded in the statement of activities, in accordance with the Foundation's non-capitalization policy. Proceeds from the disposition of deaccessioned collection items are considered restricted for collection acquisitions and direct care. Direct care includes expenditures that preserve, protect, or restore collection items.

During the year ended December 31, 2025, the Foundation removed a nominal historical cost balance previously recorded for historical collections; the effect on the financial statements was not material.

***Revenue and Support Recognition***

***Contributions***

Contributions are recognized in the year in which the contribution is made. Contributions are recorded either as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

***Contributed Nonfinancial Assets***

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Foundation. Volunteers also provide services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met. No significant services were provided in 2025 and 2024.

***Museum Sales***

Revenue from museum admissions and retail sales is recognized at the point of sale. Sales are recorded net of taxes collected from customers.

***Special Events***

Special event revenue is recognized at the point in time the event takes place.

***Grant Distributions and Support***

The Foundation provides financial support to the College through grants that may be restricted for specific purposes in accordance with gift fund agreements. Grant expense is recognized and a grant payable is recorded when grant amounts are approved and become unconditional commitments. Cash distributions to the College are recorded as reductions of the related grants payable.

**NAVAL WAR COLLEGE FOUNDATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2025 and 2024**

***Advertising and Promotion***

Advertising and promotion costs are expensed when incurred.

***Income Taxes***

The Foundation is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Foundation operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Foundation annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The Foundation currently has no tax examinations in progress.

***Allocation of Expenses***

The Foundation's operating costs have been allocated between program, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. Expenditures that require allocation are allocated based on time and effort in all cases except for advertising and travel expenditures, which are allocated equally between program and fundraising.

***Estimates and Assumptions***

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. Accordingly, actual results could differ from those estimates.

***Reclassification***

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 presentation.

***Subsequent Events***

Management of the Foundation has evaluated subsequent events through June 22, 2026, which is the date these financial statements were available to be issued.

**NAVAL WAR COLLEGE FOUNDATION**  
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**3. 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 at December 31, 2025 and 2024:

|   | 2025          | 2024          |
|---|---------------|---------------|
| Financial assets:   |               |               |
| Cash and cash equivalents   | \$ 532,590    | \$ 435,462    |
| Pledges receivable, net   | 306,507       | 383,463       |
| Investments   | 78,779,581    | 70,986,099    |
| Financial assets, at end of year  | 79,618,678    | 71,805,024    |
| Less financial assets unavailable<br>for general expenditure:                   |               |               |
| Subject to expenditure for specific purpose                                     | 6,111,334     | 5,788,576     |
| Subject to time restriction   | 85,879        | 53,322        |
| Subject to spending policy and appropriation                                    | 21,072,693    | 15,934,786    |
| Subject to restriction in perpetuity  | 31,386,131    | 31,330,250    |
|   | 58,656,037    | 53,106,934    |
| Financial assets available to meet general<br>expenditure needs within one year | \$ 20,962,641 | \$ 18,698,090 |

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 investments.

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 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.

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**4. Pledges Receivable**

Pledges receivable consist of promises to give from donors to support the Foundation's charitable mission.

At year-end, long-term pledges receivable have been discounted using the risk-free rate of 4.78% and 4.30% (the Federal Reserve interest rate at December 31, 2025 and 2024, respectively) to reflect the present value of those receivables.

The promised contributions are due as follows:

|   | 2025       | 2024       |
|---|------------|------------|
| Within one year                               | \$ 191,655 | \$ 181,031 |
| One to two years                              | 110,314    | 211,666    |
| One to two years                              | 10,000     | -          |
| Total pledges receivable                      | 311,969    | 392,697    |
| Less present value component                  | 5,462      | 9,234      |
| Total pledges receivable, net                 | 306,507    | 383,463    |
| Less current portion                          | 191,655    | 181,031    |
| Pledges receivable, less current portion, net | \$ 114,852 | \$ 202,432 |

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**5. Investments**

Investments are presented in the statements of financial position at their aggregate fair value and consisted of the following:

|                              | 12/31/2025           |                      |                      |
|------------------------------|----------------------|----------------------|----------------------|
|                              | Level 1              | NAV (a)              | Total                |
| Cash and cash equivalents    | \$ 2,436,545         | \$ -                 | \$ 2,436,545         |
| Common equities:             |                      |                      |                      |
| Communication services       | 667,653              | -                    | 667,653              |
| Consumer discretionary       | 274,449              | -                    | 274,449              |
| Consumer staples             | 705,464              | -                    | 705,464              |
| Energy                       | 1,123,513            | -                    | 1,123,513            |
| Healthcare                   | 821,129              | -                    | 821,129              |
| Industrials                  | 113,547              | -                    | 113,547              |
| Materials                    | 261,990              | -                    | 261,990              |
| Real estate                  | 218,269              | -                    | 218,269              |
| Utilities                    | 1,385,348            | -                    | 1,385,348            |
|                              | <u>5,571,362</u>     | <u>-</u>             | <u>5,571,362</u>     |
| Exchange traded funds:       |                      |                      |                      |
| Equities                     | 40,204,318           |                      | 40,204,318           |
| Fixed income                 | 999,593              | -                    | 999,593              |
|                              | <u>41,203,911</u>    | <u>-</u>             | <u>41,203,911</u>    |
| Real estate investment trust | <u>3,543,523</u>     | <u>-</u>             | <u>3,543,523</u>     |
| U.S. Treasuries              | <u>2,723,111</u>     | <u>-</u>             | <u>2,723,111</u>     |
| Alternative investments:     |                      |                      |                      |
| Core fixed income            | -                    | 8,234,161            | 8,234,161            |
| Global absolute return       | -                    | 7,394,717            | 7,394,717            |
| Multi-sector credit          | -                    | 5,141,812            | 5,141,812            |
| Short-term liquidity         | -                    | 2,530,439            | 2,530,439            |
|                              | <u>-</u>             | <u>23,301,129</u>    | <u>23,301,129</u>    |
| Total investments            | <u>\$ 55,478,452</u> | <u>\$ 23,301,129</u> | <u>\$ 78,779,581</u> |

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|                           | 12/31/2024           |                      |                      |
|---------------------------|----------------------|----------------------|----------------------|
|                           | Level 1              | NAV (a)              | Total                |
| Cash and cash equivalents | \$ 423,042           | \$ -                 | \$ 423,042           |
| Common equities:          |                      |                      |                      |
| Communication services    | 632,861              | -                    | 632,861              |
| 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            |
| Utilities                 | 1,194,025            | -                    | 1,194,025            |
|                           | <u>5,972,114</u>     | <u>-</u>             | <u>5,972,114</u>     |
| Exchange traded funds     | <u>238,600</u>       | <u>-</u>             | <u>238,600</u>       |
| U.S. Treasuries           | <u>7,897,162</u>     | <u>-</u>             | <u>7,897,162</u>     |
| Alternative investments:  |                      |                      |                      |
| Equity funds              | -                    | 47,283,549           | 47,283,549           |
| Hedge funds               | -                    | 9,171,632            | 9,171,632            |
|                           | <u>-</u>             | <u>56,455,181</u>    | <u>56,455,181</u>    |
| Total investments         | <u>\$ 14,530,918</u> | <u>\$ 56,455,181</u> | <u>\$ 70,986,099</u> |

- (a) In accordance with Subtopic 820-10, certain financial instruments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position and notes to the financial statements.

The Foundation's alternative investments as of December 31, 2025 permit redemptions ranging from weekly to quarterly. The Core Fixed Income and Short-term Liquidity holdings are priced daily and permit weekly redemptions with five business days' prior written notice. The Multi-Sector Credit holding is priced monthly and permits monthly redemptions either (i) up to 15% of NAV with five business days' prior written notice or (ii) for amounts in excess of 15% of NAV with 90 calendar days' prior written notice. The Global Absolute Return holding is priced monthly and permits quarterly redemptions subject to a 25% per-quarter limit; accordingly, a request to fully redeem the investment would generally be paid in four equal installments over the subsequent four quarters.

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The Foundation’s alternative investments at December 31, 2024 allowed for quarterly redemption.

At December 31, 2025, the Foundation had unfunded capital commitments of approximately \$5,500,000 related to alternative investments. These commitments are callable at the discretion of the investment manager in accordance with the applicable subscription/commitment agreements. There were no unfunded commitments associated with investments at December 31, 2024.

**6. Furniture and Equipment**

Furniture and equipment consisted of the following:

|                               | 2025       | 2024       |
|-------------------------------|------------|------------|
| Furniture and Equipment       | \$ 143,597 | \$ 143,597 |
| Less accumulated depreciation | 141,759    | 141,023    |
| Furniture and Equipment, net  | \$ 1,838   | \$ 2,574   |

**7. Obligation under Charitable Gift Annuities**

The Foundation has entered into charitable gift annuity agreements whereby donors transfer assets to the Foundation and, in return, the Foundation agrees to pay fixed annuity payments to designated beneficiaries for the duration of their lives. Upon termination of each agreement, the remaining assets are available for the Foundation’s general use.

At the inception of each charitable gift annuity, the Foundation records the assets received at fair value and recognizes a liability for the present value of the estimated future annuity payments, calculated using applicable actuarial assumptions, including discount rates and mortality tables in effect at the date the agreement is established. The excess of the fair value of the assets received over the recorded annuity obligation is recognized as contribution revenue without donor restrictions in the period the agreement is established.

Assets held under charitable gift annuity arrangements are included in investments on the statements of financial position. During 2025, the Foundation did not receive any assets under charitable gift annuity agreements. During 2024, the Foundation received assets under charitable gift annuity agreements totaling \$60,000.

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The annuity obligation is subsequently measured by accreting the liability using the discount rate established at the inception of each agreement and reducing the liability for actual annuity payments made to beneficiaries. The present value of the estimated future annuity payments was \$208,161 and \$226,314 at December 31, 2025 and 2024, respectively. Discount rates used at the original dates of the agreements ranged from 1.80% to 6.70%.

**8. Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following:

|  | 2025          | 2024          |
|--|---------------|---------------|
| Subject to Expenditure for Specific Purpose:                               |               |               |
| Restricted to fund various academic programs<br>at the Naval War College   | \$ 6,111,334  | \$ 5,788,576  |
| Subject to Time Restrictions:  |               |               |
| Pledges receivable   | 85,879        | 53,322        |
| Subject to Spending Policy and Appropriation:                              |               |               |
| Faculty support  | 12,052,544    | 10,339,472    |
| Lectures and conferences   | 1,329,121     | 980,174       |
| Program support  | 6,524,959     | 3,606,710     |
| Student support  | 1,166,069     | 1,008,430     |
|  | 21,072,693    | 15,934,786    |
| Total net assets with donor restrictions<br>restricted by time and purpose | 27,269,906    | 21,776,684    |
| Subject to Restriction in Perpetuity:                                      |               |               |
| Faculty support  | 10,446,876    | 10,537,033    |
| Lectures and conferences   | 2,385,246     | 2,385,246     |
| Program support (a)  | 17,587,542    | 17,441,504    |
| Student support  | 966,467       | 966,467       |
| Total net assets with donor<br>restrictions restricted in perpetuity       | 31,386,131    | 31,330,250    |
| Total net assets with donor restrictions                                   | \$ 58,656,037 | \$ 53,106,934 |

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- (a) Included within program support are pledges receivable representing original donor-restricted gift amounts to be maintained in perpetuity. Pledges receivable, net related to these endowment funds totaled \$220,628 and \$330,141 at December 31, 2025 and 2024, respectively.

**9. Endowment**

The Foundation's endowment consists of approximately 50 individual funds established for a variety of purposes by donors.

***Interpretation of Relevant Law***

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as net assets with donor restrictions (a) the original value of the gift donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund.

The unappropriated endowment earnings portion of the donor-restricted endowment fund is classified as donor-restricted net assets 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 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

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Changes in endowment net assets were as follows for the year ended December 31, 2025:

|  | With Donor Restrictions |                            | Total<br>Endowment |
|--|-------------------------|----------------------------|--------------------|
|  | In<br>Perpetuity        | Unappropriated<br>Earnings |                    |
| Endowment net assets,<br>beginning of year | \$ 31,330,250           | \$ 15,934,786              | \$ 47,265,036      |
| Contributions                              | 55,881                  | -                          | 55,881             |
| Endowment return, net                      | -                       | 6,677,472                  | 6,677,472          |
| Amounts appropriated<br>for expenditure    | -                       | (1,539,565)                | (1,539,565)        |
| Endowment net assets, end of year          | \$ 31,386,131           | \$ 21,072,693              | \$ 52,458,824      |

Changes in endowment net assets were as follows for the year ended December 31, 2024:

|  | With Donor Restrictions |                            | Total<br>Endowment |
|--|-------------------------|----------------------------|--------------------|
|  | In<br>Perpetuity        | Unappropriated<br>Earnings |                    |
| Endowment net assets,<br>beginning of year | \$ 31,229,593           | \$ 12,427,853              | \$ 43,657,446      |
| Contributions                              | 100,657                 | -                          | 100,657            |
| Endowment return, net                      | -                       | 4,548,577                  | 4,548,577          |
| Amounts appropriated<br>for expenditure    | -                       | (1,041,644)                | (1,041,644)        |
| Endowment net assets, end of year          | \$ 31,330,250           | \$ 15,934,786              | \$ 47,265,036      |

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at December 31, 2025 and 2024

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***Investment Objectives and Spending Policy***

The Foundation has adopted investment and spending policies 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. Under this policy, as approved by the Board, 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 year ended December 31, 2025, the Board applied a rate of 4.25% 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. Under the Foundation's endowment spending policy for the year ended December 31, 2024, the Board 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.

**10. Contributed Assets**

***Contributed Nonfinancial Assets***

The Foundation's office space and museum store space are owned by the College and are provided to the Foundation for use at no cost to the Foundation. Accordingly, the Foundation has recognized a contribution and a matching rent expense of \$74,000 for each of the years ended December 31, 2025 and 2024. This estimated fair value was derived from similar market data for the location of the space used.

During the years ended December 31, 2025 and 2024, the Foundation received contributed use of event space, either provided free of charge or paid for directly by a donor, with an estimated fair value of approximately \$8,100 and \$12,900, respectively. These contributed nonfinancial assets were valued based on estimated fair values provided by the donors or similar market data. These amounts are included in special events, net of direct expenses, in the accompanying statements of activities.

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During the years ended December 31, 2025 and 2024, the Foundation received donated investment management services with an estimated fair value of approximately \$8,600 and \$11,900, respectively. These contributed services are included within net investment return and net investment endowment return in the accompanying statements of activities.

***Donated Stock***

The Foundation received donated stock valued at \$62,757 and \$151,948 for the years ended December 31, 2025 and 2024, respectively.

**11. Collections**

The Foundation's collections consist of over 2,400 objects related to U.S. Navy history that are held for public exhibition, education, and research. The collections include archival materials and photographs, prints and lithographs, original artworks, uniforms and insignia, militaria, ship and recognition models, sculptural and commemorative objects, and flags and related textiles. This collection is currently loaned to the College for display in the museum and in the various College buildings.

The Foundation maintains a museum collections policy addressing accessioning, deaccessioning, and collections stewardship practices. Proceeds from deaccessioned collection items are used solely for collection acquisitions and direct care of the collection.

**12. Commitments**

***Grant Distributions***

In February 2026, the Foundation provided its gift offer letter to the College, which included approximately \$3,313,300 of unrestricted and restricted grants for the 2026 calendar year. In addition, approximately \$6,106,700 of temporary restricted funding was made available for the College's 2026 calendar year. The Foundation will recognize grant distribution and support expense upon approval of the requested grant disbursement, when it becomes an unconditional commitment for future periods.

***Retirement Plan***

The Foundation has established a defined contribution retirement plan (the "Plan") under Section 401(k) of the Internal Revenue Code, covering all employees who meet certain eligibility requirements. Employees may elect to defer a percentage of their compensation into the Plan. In addition, the Foundation contributes 2% 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 for the years ended December 31, 2025 and 2024 were approximately \$86,100 and \$84,600, respectively.

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***Operating Lease***

The Foundation leases a printer under an operating lease agreement, which expires in February 2027, with monthly rent payments of approximately \$270. The Foundation also incurs variable lease costs for usage of the printer, which are not included in the monthly rent payment. For the years ended December 31, 2025 and 2024, operating lease expense was approximately \$4,200 and \$4,000, respectively.

Since the lease payments are not considered material, authoritative guidance related to lease accounting has not been applied.

Approximate minimum lease payments under the operating lease are as follows:

Year Ending

|       |    |          |
|-------|----|----------|
| 2026  | \$ | 3,200    |
| 2027  |    | 500      |
| Total |    | \$ 3,700 |

**13. Related Party Transactions**

Contribution revenue includes amounts contributed by Board members of the Foundation, their respective foundations and employees totaling approximately \$1,308,300 and \$961,000 for the years ended December 31, 2025 and 2024, respectively.

The College provides office space and museum store space to the Foundation at no cost, which the Foundation records as contributed nonfinancial assets and a corresponding occupancy expense (Note 10).

**14. Concentrations of Risk**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, pledges receivable and investments.

The Foundation maintains its cash balance in one financial institution. The balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Foundation’s cash balance may exceed this limit. Cash balances in excess of \$250,000 are generally uninsured.

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At December 31, 2025 and 2024, 81% and 76%, respectively, of the pledges receivable, net balance was due from two donors and one donor, respectively. Management has performed an analysis of these receivables at year-end and does not believe that significant credit risk exists relating to pledges receivable.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such changes could materially affect investment balances and activity included in the financial statements.