

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
MCRD Museum Foundation
A Nonprofit Organization

We have audited the accompanying financial statements of MCRD Museum Foundation, A Nonprofit Organization, which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Foundation's 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MCRD Museum Foundation, A Nonprofit Organization, as of September 30, 2017 and 2016, and the changes of net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE
An Accountancy Corporation

December 18, 2017

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016**

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	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 455,377	\$ 576,528
Receivables	-	2,960
Museum Support and Promotional Center Inventory (Note 3)	244,028	242,760
Prepaid Expenses	6,827	5,079
	706,232	827,327
PROPERTY AND EQUIPMENT (Note 4)	33,952	26,596
OTHER ASSETS		
Investments (Note 5)	1,775,286	1,589,366
TOTAL ASSETS	2,515,470	2,443,289
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	12,770	18,820
Accrued Expenses	24,841	15,161
TOTAL LIABILITIES	37,611	33,981
NET ASSETS (Note 6)		
Unrestricted - Undesignated	816,629	875,808
Unrestricted - Board Designated	1,302,012	1,177,446
Temporarily Restricted	31,675	28,511
Permanently Restricted	327,543	327,543
	2,477,859	2,409,308
TOTAL LIABILITIES AND NET ASSETS	\$ 2,515,470	\$ 2,443,289

See Accompanying Notes

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Museum Support and Promotional Center Sales	\$ 753,987	\$ -	\$ -	\$ 753,987
Museum Support and Promotional Center Cost of Sales	(422,311)	-	-	(422,311)
	331,676	-	-	331,676
Special Events	35,130	-	-	35,130
Direct Benefits to Donors	(7,833)	-	-	(7,833)
	27,297	-	-	27,297
Donations	47,145	7,414	-	54,559
Membership Fees	36,674	-	-	36,674
Platoon Photo Sales	20,085	-	-	20,085
T-56 Contract	11,840	-	-	11,840
Membership and Public Events	4,010	-	-	4,010
Grants - Restricted	-	22,600	-	22,600
Released from Restrictions	26,850	(26,850)	-	-
	173,901	3,164	-	177,065
Total Revenue	505,577	3,164	-	508,741
EXPENSES				
Program Services:				
Museum and Grants	263,394	-	-	263,394
Museum Support and Promotional Center	256,806	-	-	256,806
Support Services:				
Management and General	43,196	-	-	43,196
Fundraising	62,713	-	-	62,713
	626,109	-	-	626,109
OPERATING CHANGE IN NET ASSETS	(120,532)	3,164	-	(117,368)
OTHER INCOME				
Interest and Dividends	53,424	-	-	53,424
Unrealized Gain on Investments	132,495	-	-	132,495
	185,919	-	-	185,919
CHANGE IN NET ASSETS	65,387	3,164	-	68,551
NET ASSETS, BEGINNING	2,053,254	28,511	327,543	2,409,308
NET ASSETS, ENDING	\$ 2,118,641	\$ 31,675	\$ 327,543	\$ 2,477,859

See Accompanying Notes

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Museum Support and Promotional Center Sales	\$ 880,327	\$ -	\$ -	\$ 880,327
Museum Support and Promotional Center Cost of Sales	(463,488)	-	-	(463,488)
	416,839	-	-	416,839
Special Events	80,040	-	-	80,040
Direct Benefits to Donors	(26,938)	-	-	(26,938)
	53,102	-	-	53,102
Donations	27,724	4,100	-	31,824
Membership Fees	23,330	-	-	23,330
Platoon Photo Sales	20,236	-	-	20,236
T-56 Contract	11,470	-	-	11,470
Grants - Restricted	-	16,689	-	16,689
Released From Restrictions	27,928	(27,928)	-	-
	163,790	(7,139)	-	156,651
Total Revenue	580,629	(7,139)	-	573,490
EXPENSES				
Program Services:				
Museum and Grants	210,043	-	-	210,043
Museum Support and Promotional Center	216,360	-	-	216,360
Support Services:				
Management and General	39,317	-	-	39,317
Fundraising	74,739	-	-	74,739
	540,459	-	-	540,459
OPERATING CHANGE IN NET ASSETS	40,170	(7,139)	-	33,031
OTHER INCOME				
Interest and Dividends	55,857	-	-	55,857
Unrealized Gain on Investments	163,952	-	-	163,952
	219,809	-	-	219,809
CHANGE IN NET ASSETS	259,979	(7,139)	-	252,840
NET ASSETS, BEGINNING	1,793,275	35,650	327,543	2,156,468
NET ASSETS, ENDING	\$ 2,053,254	\$ 28,511	\$ 327,543	\$ 2,409,308

See Accompanying Notes

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Program Services		Support Services		Total
	Museum and Grants	Museum Support and Promotional Center	Management and General	Fundraising	
EXPENSES					
Advertising and Marketing	\$ 5,791	\$ 6,080	\$ 1,158	\$ 1,448	\$ 14,477
Board Expenses	-	-	1,967	-	1,967
Catalog and Printing	-	-	281	305	586
Credit Card Fees and Bank Charges	-	22,723	1,894	2,435	27,052
Depreciation	-	9,443	497	-	9,940
Donations	6,000	-	-	-	6,000
Education	22,906	-	-	-	22,906
Food, Beverages, and Entertainment - Special Event	-	-	-	9,217	9,217
Insurance	7,507	7,882	1,501	1,877	18,767
Membership and Public Events	-	22,212	-	-	22,212
Museum Exhibits	41,698	-	-	-	41,698
Museum Support and Promotional Center Materials	422,311	-	-	-	422,311
Office	8,690	9,124	1,738	2,172	21,724
Outside Services	2,933	3,080	587	733	7,333
Personnel Cost	160,549	168,577	32,110	40,137	401,373
Postage	703	738	140	176	1,757
Professional Services	6,617	6,948	1,323	1,654	16,542
Rent and Facility Costs - Special Event	-	-	-	4,829	4,829
Supplies and Printing - Special Event	-	-	-	5,563	5,563
TOTAL EXPENSES	685,705	256,806	43,196	70,546	1,058,202
Less: Expenses Included With Revenues on Statement of Activities	(422,311)	-	-	(7,833)	(430,144)
TOTAL OPERATING EXPENSES	\$ 263,394	\$ 256,806	\$ 43,196	\$ 62,713	\$ 626,109

See Accompanying Notes

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Services		Support Services		Total
	Museum and Grants	Museum Support and Promotional Center	Management and General	Fundraising	
EXPENSES					
Advertising and Marketing	\$ 4,932	\$ 5,179	\$ 987	\$ 1,233	\$ 12,331
Board Expenses	-	-	2,668	-	2,668
Catalog and Printing	-	-	326	354	680
Credit Card Fees and Bank Charges	-	33,785	2,815	3,620	40,220
Depreciation	-	7,237	381	-	7,618
Education	15,909	-	-	-	15,909
Food, Beverage, and Entertainment - Special Event	-	-	-	30,953	30,953
Insurance	4,866	5,109	973	1,217	12,165
Membership and Public Events	-	1,418	-	-	1,418
Museum Exhibits	28,495	-	-	-	28,495
Museum Support and Promotional Center Materials	463,488	-	-	-	463,488
Office	6,722	7,058	1,344	1,681	16,805
Outside Services	3,795	3,985	759	949	9,488
Personnel Cost	136,533	143,359	27,307	34,134	341,333
Postage	831	872	165	208	2,076
Professional Services	7,960	8,358	1,592	1,990	19,900
Rent and Facility Costs - Special Event	-	-	-	4,498	3,289
Supplies and Printing - Special Event	-	-	-	20,840	10,505
TOTAL EXPENSES	673,531	216,360	39,317	101,677	1,030,885
Less: Expenses Included With Revenues on Statement of Activities	(463,488)	-	-	(26,938)	(490,429)
TOTAL OPERATING EXPENSES	<u>\$ 210,043</u>	<u>\$ 216,360</u>	<u>\$ 39,317</u>	<u>\$ 74,739</u>	<u>\$ 540,459</u>

See Accompanying Notes

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

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	2017	2016
CASH FLOWS (USED)/PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 68,551	\$ 252,840
ADJUSTMENTS TO RECONCILE THE CHANGE IN NET ASSETS TO NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES		
Depreciation	9,940	7,618
Unrealized Gain	(132,495)	(163,952)
Change in Operating Assets and Liabilities		
Receivables	2,960	(2,960)
Museum Support and Promotional Center Inventory	(1,268)	15,496
Prepaid Expenses	(1,748)	(997)
Accounts Payable	(6,050)	3,225
Accrued Expenses	9,680	(7,633)
	(118,981)	(149,203)
NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES	(50,430)	103,637
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(17,297)	(20,206)
Reinvestment of Interest and Dividends	(53,424)	(55,857)
	(70,721)	(76,063)
NET (DECREASE)/INCREASE IN CASH	(121,151)	27,574
CASH, BEGINNING	576,528	548,954
CASH, ENDING	\$ 455,377	\$ 576,528

See Accompanying Notes

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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NOTE 1 ORGANIZATION

MCRD Museum Foundation (the "Foundation") is a not-for-profit organization incorporated on August 25, 1988 in California and providing services in San Diego County. It is governed by a Board of Directors who volunteer their services to the Organization. The purpose of the Foundation is to support the MCRD Command Museum. The mission of the Museum is "to provide an educational setting that portrays the legacy of the Marine Corps for the training of recruits and the continuing education of Marines, that functions as a supporting arm to the recruiting effort, and that serves as a bridge to the civilian community." The Foundation supports these efforts by raising funds to promote the legacy of the Marine Corps, provide historic preservation and conservation programs, free education programs, and community outreach programs that enrich the lives of Marines, Sailors, and the communities they serve. The Foundation maintains an office and an educational resource center in Building 26 on the Marine Corps Recruit Depot, San Diego.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles in the United States of America (GAAP).

Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Basis of Presentation - The Foundation reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are all resources over which the board of directors and management have discretion to use in carrying on unrestricted activities of the Foundation in accordance with its bylaws.

Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Foundation may spend the funds.

Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

Cash - The Foundation considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Foundation maintains bank accounts with a commercial bank. The Foundation maintains cash balances in bank accounts that at times may exceed the federal insured limit. As of September 30, 2017, \$223,499 was in excess of the FDIC limits.

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables - Receivables are stated at the outstanding balances, less an allowance for doubtful accounts. The Foundation provides for losses on receivables using the allowance method. The allowance is based on experience. It is the Foundation's policy to charge off uncollectible receivables when management determines the receivable will not be collected. As of September 30, 2017 and 2016, management has determined all amounts to be collectible and as such, no allowance has been recorded.

Inventory - Museum Support and Promotional Center inventories, which consist of educational and promotional items to promote the Marine Corps, are valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Inventories of graduate class books are received as donations and are recorded at estimated fair value. Management periodically reviews inventories for obsolescence. Management has determined no inventory allowance is necessary for the years ended September 30, 2017 and 2016.

Property and Equipment - Property and equipment are carried at cost or, if donated, at approximate value at the date of the gift. The Foundation follows the practice of capitalizing expenditures in excess of \$500. Expenditures for repairs and maintenance are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of five to seven years. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Investments - The Foundation reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the Statements of Financial Position at fair value with any realized or unrealized gains or losses reported in the Statements of Activities and Changes in Net Assets. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services - Donated materials and services are recorded at fair market value where an objective basis is available to measure their value. To qualify for recognition, donated goods and services must create a nonfinancial asset or must require specialized skills that would have been purchased if not donated. Such items are capitalized or charged to operations as appropriate. As of September 30, 2017 and 2016, the Foundation recognized \$7,554 and \$0, respectively, of donated goods or services in the financial statements.

Advertising - The Foundation expenses advertising costs as incurred and include newsletter and website materials. Advertising expense for the years ended September 30, 2017 and 2016 were \$14,477 and \$12,331, respectively.

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among program services and supporting services on the basis of estimates made by management.

Income Taxes - The Foundation is a private not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Foundation, however, may be subject to tax on income which is not related to its exempt purpose. For the years ended September 30, 2017 and 2016, no such unrelated business taxable income was reported and, therefore, no provision for income taxes has been made.

The Foundation follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in its financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of September 30, 2017 and 2016, the Foundation has not accrued interest or penalties related to uncertain tax positions. The Foundation files tax returns in the U.S. Federal jurisdiction and the State of California.

NOTE 3 MUSEUM SUPPORT AND PROMOTIONAL CENTER INVENTORY

Inventory consists of the following:

	2017	2016
Graduate Class Books	\$ 134,040	\$ 136,044
Museum Support and Promotional Center	109,988	106,716
	<u>\$ 244,028</u>	<u>\$ 242,760</u>

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Computers, Equipment and Furniture	\$ 131,402	\$ 115,826
Fixtures	8,434	6,714
Museum Support and Promotional Center Improvements	6,641	6,641
	146,477	129,181
Accumulated Depreciation	(112,525)	(102,585)
	\$ 33,952	\$ 26,596

Depreciation expense was \$9,940 and \$7,618 for the years ended September 30, 2017 and 2016, respectively.

NOTE 5 INVESTMENTS

Cost and fair value of available-for-sale securities are as follows:

	2017	
	Cost	Fair Value
Corporate Stock	\$ 808,130	\$ 1,199,880
Corporate Bonds, interest rates 2.80% to 6.375%, maturing through October 2033	342,381	392,362
Money Market	183,044	183,044
	\$ 1,333,555	\$ 1,775,286

	2016	
	Cost	Fair Value
Corporate Stock	\$ 886,136	\$ 1,103,597
Corporate Bonds, interest rates 2.80% to 6.375%, maturing through October 2033	342,381	390,156
Money Market	95,613	95,613
	\$ 1,324,130	\$ 1,589,366

The following schedule summarizes the Foundation's return on available for sale securities and its classification in the Statements of Activities and Changes in Net Assets for the years ended September 30:

	2017	2016
Unrealized Investment Gains, Net	\$ 132,495	\$ 163,952
Interest and Dividends	53,424	55,857
	\$ 185,919	\$ 219,809

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 6 NET ASSETS

Net assets consist of the following at September 30, 2017 and 2016:

	2017	2016
Unrestricted:		
Undesignated	\$ 816,629	\$ 875,808
Board Designated - Endowment	1,177,952	1,053,386
Board Designated - Iwo Jima Project	124,060	124,060
	2,118,641	2,053,254
Temporarily Restricted:		
Iwo Jima Project	10,000	10,000
Commencement Grant	6,273	10,929
Neighborhood Reinvestment Program	5,000	-
Field Trips	3,203	-
Colonel Nate Smith Memorial Scholarships	2,646	5,596
History Alive Curriculum Workshops	1,762	-
Goldstar Program	1,500	-
Dialogues in the Experience of War	1,291	-
Gold Star Memorial Gardens	-	70
San Diego Military History Initiative for Local Schools	-	1,916
	31,675	28,511
Permanently Restricted Endowment		
Donor - Endowment	327,543	327,543
	\$ 2,477,859	\$ 2,409,308

NOTE 7 ENDOWMENT FUNDS

The Foundation's endowment consists of two funds established to support the Foundation. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) original value of subsequent gifts to the permanent endowment. The earnings on the investment are unrestricted and therefore are recorded as unrestricted income.

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 7 ENDOWMENT FUNDS (Continued)

The portion of the Endowment Fund that is classified as permanently restricted is not reduced by losses on the investments of the fund. Losses on the investments of permanently restricted funds reduce the unrestricted net assets.

The Foundation's investment and expenditure appropriation decisions are made by the Board of Directors. The distribution policy allows for the income to be distributed to serve the purpose of the endowments or be reinvested into the endowment. The goal of the investments is to preserve the principal and provide stable growth.

Endowment net asset composition by type of fund as of September 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor - Restricted	\$ 269,791	\$ -	\$ 327,543	\$ 597,334
Board - Designated	1,177,952	-	-	1,177,952
	<u>\$ 1,447,743</u>	<u>\$ -</u>	<u>\$ 327,543</u>	<u>\$ 1,775,286</u>

Endowment net asset composition by type of fund as of September 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor - Restricted	\$ 208,437	\$ -	\$ 327,543	\$ 535,980
Board - Designated	1,053,386	-	-	1,053,386
	<u>\$ 1,261,823</u>	<u>\$ -</u>	<u>\$ 327,543</u>	<u>\$ 1,589,366</u>

A summary of the activity for the year ended September 30, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment Funds, Beginning	\$ 1,261,824	\$ -	\$ 327,543	\$ 1,589,366
Contributions	-	-	-	-
Board Designated Transfer In	-	-	-	-
Interest and Dividends	53,424	-	-	53,424
Unrealized Gain	132,495	-	-	132,495
Investment Fees	-	-	-	-
Distributions	-	-	-	-
Endowment Funds, Ending	<u>\$ 1,447,743</u>	<u>\$ -</u>	<u>\$ 327,543</u>	<u>\$ 1,775,286</u>

**MCRD MUSEUM FOUNDATION
A NONPROFIT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 7 ENDOWMENT FUNDS (Continued)

A summary of the activity for the year ended September 30, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment Funds, Beginning	\$ 1,042,015	\$ -	\$ 327,543	\$ 1,369,558
Contributions	-	-	-	-
Board Designated Transfer In	-	-	-	-
Interest and Dividends	55,857	-	-	55,857
Unrealized Loss	163,952	-	-	163,952
Investment Fees	-	-	-	-
Distributions	-	-	-	-
Endowment Funds, Ending	<u>\$ 1,261,824</u>	<u>\$ -</u>	<u>\$ 327,543</u>	<u>\$ 1,589,366</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. At September 30, 2017 and 2016, the Foundation did not have a deficiency associated with the donor-restricted endowment funds.

NOTE 8 CONDITIONAL PROMISE TO GIVE

During the year ending September 30, 2016, the Foundation received a restricted grant totaling \$10,000 that contained donor conditions of performance. Since this grant was a promise conditioned on future uncertain events, it was not recorded as contribution revenue in the year ending September 30, 2016. In the year ending September 30, 2017, the conditions were met and the grant was received and recorded as contribution revenue.

NOTE 9 COMMITMENT

In August 2015, the Foundation entered into a contract to construct two new outdoors exhibits valued at approximately \$800,000 total (\$400,000 each). The contract is contingent on the U.S. government's approval of the project, which is pending. Once approved, the Foundation will conduct a capital campaign to fund the exhibits.

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 18, 2017, the date the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.