Marines' Memorial Association and Affiliate

Consolidated Financial Report
June 30, 2024

Contents

Independent Auditor's Report

Board of Directors
Marines' Memorial Association and Affiliate

Opinion
We have audited the consolidated financial statements of Marines' Memorial Association and its affiliate, Marines' Memorial Foundation (the Association), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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 Association's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 Association'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

McLean, Virginia
November 1, 2024

Marines' Memorial Association and Affiliate

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 1,590,487	$ 1,987,904
Investments, current	157,475	1,583,051
Accounts receivable, net of allowance for credit losses and doubtful accounts	42,274	273,241
Pledges receivable, current	109,055	133,516
Other receivables	2,989	15,416
Inventories	107,239	138,696
Prepaid expenses	104,793	101,306
Total current assets	2,114,312	4,233,130
Pledges receivable, long-term, net of allowance for doubtful accounts and discount	128,656	147,895
Investments, long-term	1,119,506	1,160,249
Property and equipment, net	6,675,216	6,955,672
Total assets	$ 10,037,690	$ 12,496,946
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 638,394	$ 512,413
Accrued liabilities:		
Salaries and wages	596,048	493,286
Taxes other than income	63,324	80,273
Other	510,349	512,022
Deposits	364,674	382,666
Deferred revenue	638,475	546,828
Current portion of long-term debt	6,303,209	299,121
Total current liabilities	9,114,473	2,826,609
Long-term debt, net of current portion and deferred financing costs	-	6,302,068
Total liabilities	9,114,473	9,128,677
Commitments (Note 11)		
Net assets (deficit):		
Without donor restrictions	(1,224,083)	1,164,457
With donor restrictions	2,147,300	2,203,812
Total net assets	923,217	3,368,269
Total liabilities and net assets	$ 10,037,690	$ 12,496,946

See notes to consolidated financial statements.

Marines' Memorial Association and Affiliate

Consolidated Statements of Activities
Years Ended June 30, 2024 and 2023

	2024	2023
Revenues and support without donor restrictions:		
Rooms	**$ 4,545,043**	$ 4,537,729
Food and beverage	**3,150,893**	3,031,344
Memorabilia	**22,028**	14,400
Space rentals	**84,684**	77,569
Investment return, net	**259,084**	171,049
Membership	**690,442**	680,755
Contributions	**2,152,824**	2,160,624
Miscellaneous	**121,863**	165,109
Net assets released from restrictions	**298,716**	408,635
Total revenues and support without donor restrictions	**11,325,577**	11,247,214
Expenses:		
Program services	**10,960,181**	10,337,302
Supporting services:		
Management and general	**2,204,330**	2,233,987
Fundraising	**549,606**	802,495
Total expenses	**13,714,117**	13,373,784
Change in net assets without donor restrictions	**(2,388,540)**	(2,126,570)
Revenues and support with donor restrictions:		
Contributions	**242,204**	305,447
Net assets released from restrictions	**(298,716)**	(408,635)
Total revenues and support with donor restrictions	**(56,512)**	(103,188)
Change in net assets	**(2,445,052)**	(2,229,758)
Net assets, beginning of year	**3,368,269**	5,598,027
Net assets, end of year	**$ 923,217**	$ 3,368,269

See notes to consolidated financial statements.

Marines' Memorial Association and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Compensation	$ 6,334,509	$ 1,311,463	$ 310,976	$ 7,956,948
Depreciation	540,714	7,125	-	547,839
Utilities	664,954	8,337	-	673,291
Professional fees	311,628	125,429	-	437,057
Licenses and fees	12,425	491,226	-	503,651
Program supplies	195,567	-	-	195,567
Food and beverage	797,512	-	-	797,512
Events	131,447	-	-	131,447
Information systems	245,515	3,235	-	248,750
Advertising and marketing	145,059	-	111,803	256,862
Interest	258,719	3,409	-	262,128
Employee relations	-	89,570	-	89,570
Printing and postage	118,670	22,150	20,347	161,167
Repairs and maintenance	292,486	3,854	-	296,340
Insurance	339,602	4,475	-	344,077
Telephone	110,139	593	-	110,732
Taxes	126,091	38,697	-	164,788
Scholarships	126,000	-	-	126,000
Equipment rental	91,595	1,207	-	92,802
Member relations	37,623	-	98,722	136,345
Parking	-	40,252	-	40,252
Training and development	5,162	897	-	6,059
Board of directors	-	20,357	-	20,357
Miscellaneous	74,764	32,054	7,758	114,576
Total expenses	$ 10,960,181	$ 2,204,330	$ 549,606	$ 13,714,117

See notes to consolidated financial statements.

Marines' Memorial Association and Affiliate

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
Compensation	$ 5,466,486	$ 1,327,601	$ 237,646	$ 7,031,733
Depreciation	626,754	8,259	-	635,013
Board of directors	648,120	8,126	-	656,246
Professional fees	308,216	195,895	-	504,111
Licenses and fees	13,944	422,921	-	436,865
Program supplies	235,698	-	-	235,698
Food and beverage	1,065,757	-	1,571	1,067,328
Events	230,511	-	-	230,511
Information systems	213,706	2,816	-	216,522
Advertising and marketing	164,349	-	465,774	630,123
Interest	262,928	3,465	-	266,393
Employee relations	-	114,600	-	114,600
Printing and postage	114,066	10,063	13,050	137,179
Repairs and maintenance	201,963	2,661	-	204,624
Insurance	259,740	3,423	-	263,163
Telephone	90,255	492	-	90,747
Taxes	120,477	29,267	-	149,744
Scholarships	109,700	-	-	109,700
Equipment rental	49,539	653	-	50,192
Member relations	42,228	-	77,901	120,129
Parking	-	33,884	-	33,884
Training and development	4,741	489	-	5,230
Board of directors	-	43,988	-	43,988
Miscellaneous	108,124	25,384	6,553	140,061
Total expenses	$ 10,337,302	$ 2,233,987	$ 802,495	$ 13,373,784

See notes to consolidated financial statements.

Marines' Memorial Association and Affiliate

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	**$ (2,445,052)**	$ (2,229,758)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**547,839**	635,013
Amortization of deferred financing costs	**3,352**	3,349
Net realized and unrealized gain on investments	**(92,574)**	(23,868)
Change in discount on long-term pledges receivable	**(1,909)**	(13,203)
(Increase) decrease in assets:		
Accounts receivable	**230,967**	(74,279)
Pledges receivable	**45,609**	30,393
Other receivables	**12,427**	218,605
Inventories	**31,457**	14,649
Prepaid expenses	**(3,487)**	(13,848)
Increase (decrease) in liabilities:		
Accounts payable	**125,981**	234,413
Accrued salaries and wages	**102,762**	128,841
Accrued taxes other than income	**(16,949)**	(3,462)
Accrued other	**(1,673)**	261,570
Deposits	**(17,992)**	(43,730)
Deferred revenue	**91,647**	9,108
Net cash used in operating activities	**(1,387,595)**	(866,207)
Cash flows from investing activities:		
Proceeds from sale of investments	**1,561,447**	2,201,886
Purchase of investments	**(2,554)**	(1,275,000)
Purchase of property and equipment	**(267,383)**	(851,707)
Net cash provided by investing activities	**1,291,510**	75,179
Cash flows from financing activities:		
Payments on long-term debt	**(301,332)**	-
Net cash used in financing activities	**(301,332)**	-
Net decrease in cash and cash equivalents	**(397,417)**	(791,028)
Cash and cash equivalents		
Beginning	**1,987,904**	2,778,932
Ending	**$ 1,590,487**	$ 1,987,904
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 262,128**	$ 277,028

See notes to consolidated financial statements.

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: Marines' Memorial Association is a nonprofit veterans' organization located in San Francisco, California, formed as a tribute to those Marines who have gone before, and a service to those who carry on. The United States Marine Corps provided the initial contribution for the establishment of Marines' Memorial Association in 1946. Membership is limited to persons who have honorably served, or are serving, in the Armed Forces of the United States of America. Marines' Memorial Association provides hotel and restaurant services to members and their guests.

Marines' Memorial Foundation (the Foundation) is a nonprofit 501(c)(3) that was established on July 1, 2012, to operate the theatre located in the hotel, and to align the management practices of the theatre with similar nonprofit performing arts venues and organizations within the Bay Area. The Foundation, formerly known as Marines' Memorial Theatre, changed its name to Marines' Memorial Foundation on November 17, 2015. Through a lease agreement, Marines' Memorial Association leases the operation of the theatre to the Foundation.

On June 22, 2023, the Association entered into a memorandum of understanding with the Korean War Memorial Foundation (KWMF), a California nonprofit public benefit corporation, to acquire certain assets of KWMF. The transaction was completed during the year ended June 30, 2024.

A summary of significant accounting policies is as follows:

Principles of consolidation: The consolidated financial statements include the operations of Marines' Memorial Association and its affiliate, Marines' Memorial Foundation (collectively referred to as the Association). Marines' Memorial Foundation is consolidated as a result of economic interest and control. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of accounting: The Association presents its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents consist of cash and money market funds. The Association considers investments with maturities of three months or less at the time of purchase to be cash equivalents. The Association maintains certificates of deposit, which are fully insured by the Federal Deposit Insurance Corporation within the $250,000 limit. The Association also maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk related to cash.

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

Accounts receivable: Accounts receivable generally consist of amounts due from members for the use of facilities for special events. Invoices are due 30 days from date of invoice. The Association adopted Accounting Standards Codification (ASC) 326, Financial Instruments—Credit Losses, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. There was no significant impact of this adoption as of July 1, 2023. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include billed and unbilled receivables as well as contract assets. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. Management recorded an allowance of $3,000 at June 30, 2024.

Prior to adoption of ASC 326, the collectability of each receivable balance was assessed based on management's knowledge of the customer and the age of the receivable balance. Customer balances deemed to be uncollectible were charged directly to bad debt expense to the extent not covered by the allowance. Management recorded an allowance of $3,000 at June 30, 2023.

Pledges receivable: The Association receives unconditional promises to give as a result of solicited contribution campaigns, as well as unsolicited promises. Unconditional promises to give are recognized when received and allowances are provided for pledges estimated to be uncollectible. An allowance for uncollectible pledges is provided based on management's evaluation of potential uncollectible pledges receivable at year-end.

The Association's ability to collect these pledges is affected by economic fluctuations that may affect contributors' ability to honor their obligations. Pledges receivable are written off when deemed uncollectible.

Unconditional promises to give that will be received in a future period are discounted using current market rates to their net present value at the time the revenue is recorded. The Association's promises to give are generally receivable over a two to five-year period based on management's experience with prior contributions and its analysis of specific promises to give.

Inventories: Inventories consist of food, beverage, merchandise and supplies, and are stated at the lower of cost, determined by the first-in, first-out method, or net realizable value.

Investments: Investments are reported at fair value based on quoted market prices. Realized and unrealized gains and losses are reported in the consolidated statement of activities. Interest and dividends are recognized as revenue in the period they are earned. Investment income is reported as increase or decreases in net assets without restriction unless a donor or law restricts their use. Investments maturing within the next 12 months are categorized as current assets on the consolidated statements of financial position.

Property and equipment: Property and equipment is stated at cost. Depreciation is computed by the straight-line method over estimated useful lives as follows: building and improvements, six to 39 years; furniture and equipment, three to 15 years. The cost of maintenance and repairs is charged to expense as incurred. Construction in progress is placed into service when the entire project is complete.

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

Valuation of long-lived assets: The Association accounts for the valuation of long-lived assets under the Financial Accounting Standards Board (FASB), Accounting for the Impairment or Disposal of Long-Lived Assets. This standard requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount the carrying amount of the assets exceeds their estimated fair value. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. There were no impairment losses recorded for the years ended June 30, 2024 or 2023.

Deferred financing costs: Deferred financing costs are presented as a direct deduction from the carrying amount of the related debt on the consolidated statements of financial position. The costs are amortized over the term of the respective loan on the straight-line method, which approximates the effective interest rate method. Total amortization expense was approximately $3,000 for both the years ended June 30, 2024 and 2023, and is recorded as interest expense on the accompanying consolidated statements of activities.

Net assets: Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: The Association reports contributions as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions. Net assets with donor restrictions include donations restricted for annually awarded scholarships and specific programs. Depending upon the amount of the donation and upon donor-imposed restrictions, scholarships may be awarded in the name of the donor.

Revenue recognition: The Association recognizes occupancy revenue (consisting of rooms, food and beverage, memorabilia and miscellaneous revenue on the accompanying consolidated statements of activities) and the exchange transaction portion of membership revenue in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue From Contracts With Customers (Topic 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers.

The five-step model defined by Topic 606 requires the Association to: (1) identify the contracts with the customer, (2) identify the performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate the transaction price to the performance obligations in those contracts and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the residents in an amount that reflects the consideration expected in exchange for those goods or services.

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

Occupancy revenue: Occupancy revenue is recognized at a point in time when rooms are occupied and services have been rendered. Revenue from restaurant sales is recognized at a point in time when food and beverage products are sold. Foundation theatre revenue is recognized at a point in time after the completion of a show or event, net of expenses for box office fees, production fees and other miscellaneous charges.

Membership revenue and deferred revenue: Membership revenue consists of annual memberships, as well as lifetime memberships (Benefactor). Annual membership fees are bifurcated between contribution revenue and exchange transaction revenue based on the estimated value of the benefits received by the members. The contribution portion is recognized in the period received. The exchange transaction portion is recorded as deferred revenue and recognized as revenue over a period of one year as the member is considered to receive the benefits of the membership. Individuals are entitled to a Benefactor membership designation within the Association for a contribution of $3,500 or more. Benefactor members are not required to make any additional annual contributions to remain a member of the Association. Benefactor membership fees are bifurcated between contribution revenue and exchange transaction revenue based on the characteristics of estimated value of the benefits received by the members. The contribution portion is recognized in the period received. The exchange transaction portion is recorded as deferred revenue and recognized as revenue over a period of nine to 26 years, as the member is considered to receive the benefits of the membership.

Of total membership fees recognized for 2024 and 2023, exchange transactions, or transactions for which members are deemed to have received value for fees paid, are estimated at approximately $690,000 and $681,000, respectively. The difference between the amount paid and the exchange transaction is recognized as a contribution without donor restrictions to the Association, which were approximately $812,000 and $814,000 during 2024 and 2023, respectively.

There are no contract assets associated with membership revenue. Contract liabilities consist of deferred revenue in the accompanying consolidated statements of financial position. Deferred revenue at July 1, 2021 was $466,412.

Contributions: Unconditional contributions, including unconditional promises to give and the contribution portion of membership revenue, are recognized as revenues in the period received in accordance with ASC 958, Not-for-Profit Entities. Conditional promises to give are not recognized until they become unconditional. A contribution is conditional if a barrier must be overcome before the Association is entitled to the asset and a right of return or release exists. Conditional promises to give are recognized as revenue when the barriers outlined by the donor have been met. Unconditional contributions to be received after one year are discounted using an appropriate discount rate to obtain the present value of the receivable amount. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contributions.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions. Contributions of stock are recognized at fair value when received.

Lease income: The Association recognizes lease income on space rentals from tenants on a straight-line basis over the terms of the respective leases in accordance with the provisions of ASC 842, Leases.

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

Advertising: The Association advertises primarily to promote the activities of the Association and to solicit donations. Total advertising costs are reported under advertising and marketing on the consolidated statements of functional expenses.

Functional allocation of expenses: The costs of program and supporting services activities have been summarized on a functional basis on the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function.

Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include repairs and maintenance, depreciation, utilities, insurance, taxes, information systems, telephone and equipment and compensation for certain employees. These expenses are allocated based on square footage. All other expenses are directly charged to their functional classification based on the nature of the expense incurred.

Income taxes: Marines' Memorial Association and its affiliate, Marines' Memorial Foundation, are not-for-profit organizations as described under Internal Revenue Code Sections 501(c)(19) and 501(c)(3), respectively. The Association is subject to taxation at regular corporate rates on income unrelated to its exempt function.

The Association has implemented the guidance for income taxes in accordance with FASB ASC 740 as it relates to Accounting for Uncertainty in Income Taxes, which clarifies the treatment of the entities' position of accounting for income taxes recognized in the consolidated financial statements. The guidance also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in the tax return. In addition, it provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Management evaluated the entities' tax positions and concluded that the entities have no uncertain tax positions at June 30, 2024 or 2023. With few exceptions, the Association is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years before 2021.

Presentation of certain taxes: The Association collects various taxes, generally occupancy and sales taxes, from customers and remits these amounts to applicable taxing authorities. The Association's accounting policy is to net these taxes from revenues and expenses.

Reclassifications: Certain amounts included in the 2023 consolidated financial statements have been reclassified to conform to the 2024 presentation. These reclassifications had no impact on total consolidated assets or consolidated change in net assets.

Note 2. Liquidity

The Association has a policy to maintain available cash and investments to meet the greater of 60 days of normal operating expenses which, on average, approximate $2,300,000, or the liquidity required by the Association's loan covenants, which is $3,000,000. Cash in excess of daily requirements is available to be invested in various investments with maturities designated to meet obligations as they come due. Investments whose maturity is greater than twelve months beyond the statement maintenance financial position date are reported as long-term, as MMA intends to hold these investments until maturity. However, MMA is able to liquidate these investments for the fair value of the investment at any point in time, accordingly long-term investments are included below.

Note 2. Liquidity (Continued)

Financial assets available for general expenditures within one year of June 30, 2024 and 2023 are as follows:

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 1,590,487	$ 1,987,904
Accounts receivable, net	42,274	273,241
Pledges receivable, net	237,711	281,411
Other receivables	2,989	15,416
Investments	1,276,981	2,743,300
Total financial assets	3,150,442	5,301,272
Less long-term pledges receivable	(128,656)	(147,895)
Less assets with donor restrictions	(2,018,644)	(2,055,917)
Financial assets available to meet general expenditures within one year	$ 1,003,142	$ 3,097,460

Note 3. Pledges Receivable

During 2020, the Association began a capital campaign to enhance the hotel facilities. Three donors to this campaign accounted for 45% of total pledges receivable at both June 30, 2024 and 2023.

The total of all pledges receivable as of June 30, 2024 and 2023, mature as follows:

	2024	2023
Amounts due:		
Within one year	$ 109,055	$ 133,516
Two to five years	135,700	158,200
More than five years	10,000	10,000
	254,755	301,716
Less:		
Provision for estimated uncollectible pledges	(7,351)	(8,703)
Pledges receivable discount at an average rate of 2%	(9,693)	(11,602)
	$ 237,711	$ 281,411

Note 4. Investments

Fair value measurements: Under the FASB's authoritative guidance on fair value measurements, 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. In determining fair value, the Association uses various methods, including the market, income and cost approaches.

Note 4. Investments (Continued)

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access.

Level 2: These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable, either directly or indirectly, for substantially the full term of the investments.

Level 3: These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's level within the fair value hierarchy is based on the lower level input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

While the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Exchange-traded funds, stocks and bonds: The fair value of equity securities and bonds is the market value based on quoted market prices.

Mutual funds: Mutual funds are valued at the published net asset values or quoted market prices for identical assets provided by the fund manager.

There have been no changes to the valuation methodologies as of June 30, 2024 or 2023.

The following summarizes the estimated fair values of the Association's investments:

	Fair Value Measurements at June 30, 2024			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Recorded at June 30, 2024
Exchange-traded funds	$ 367,741	$ -	$ -	$ 367,741
Mutual funds	565,919	-	-	565,919
Corporate bonds	-	50,297	-	50,297
	$ 933,660	$ 50,297	$ -	983,957
Certificates of deposit (a)				293,024
				$ 1,276,981

Note 4. Investments (Continued)

Description	Fair Value Measurements at June 30, 2023 — Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Recorded at June 30, 2023
Exchange-traded funds	$ 292,209	$ -	$ -	$ 292,209
Mutual funds	532,907	-	-	532,907
Corporate bonds	-	1,004,532	-	1,004,532
Other bonds	-	266,067	-	266,067
	$ 825,116	$ 1,270,599	$ -	2,095,715
Certificates of deposit (a)				647,585
				$ 2,743,300

(a) Certificates of deposit are measured at amortized cost and have not been classified in the fair value hierarchy.

Note 5. Property and Equipment

Property and equipment at June 30, 2024 and 2023 is carried at cost less accumulated depreciation and consists of the following:

	2024	2023
Land	$ 120,000	$ 120,000
Buildings and improvement	14,524,814	14,736,097
Furniture and fixtures	9,807,289	9,731,244
	24,452,103	24,587,341
Less accumulated depreciation	(20,327,309)	(20,040,961)
	4,124,794	4,546,380
Construction in progress	2,550,422	2,409,292
	$ 6,675,216	$ 6,955,672

Note 6. Long-Term Debt and Line of Credit

Long-term debt: The Association had a $7,500,000 term loan agreement with First Republic Bank. During the year ended June 30, 2021, the Association refinanced the loan agreement with First Republic Bank, entering into an $8,553,429 term loan agreement effective July 28, 2020. The initial balance of the term loan is $6,651,731, with an additional $1,901,698 available for disbursement during the initial 12-month term of the loan. Beginning August 28, 2020, a monthly interest payment will be due for 24 months at a fixed rate of 3.95%, followed by monthly payments of approximately $49,000, composed of principal and interest for 60 months at a fixed rate of 3.95%. Beginning August 28, 2023, monthly payments of principal and interest are due until maturity on July 28, 2038, at a variable rate equal to 0.15% below the Prime Index. The loan is guaranteed by Marines' Memorial Foundation, is subject to financial and nonfinancial covenants and collateralized by a deed of trust executed by the Association, consisting of a first lien on the property of the Association.

Note 6. Long-Term Debt and Line of Credit (Continued)

As of June 30, 2024, the Association was not in compliance with the financial covenants related to its long-term debt. The non-compliance could result in the debt being callable by the creditor. The creditor has not indicated whether they will call the loan. Due to the uncertainty regarding the creditor's actions, the long-term debt is classified as current on the statement of financial position as of June 30, 2024.

Deferred financing costs, net of accumulated amortization, were approximately $48,000 and $51,000 at June 30, 2024 and 2023, respectively.

Line of credit: The Association previously had available a line of credit of $1,000,000 that was closed in July 2023. No amounts were outstanding on the line at June 30, 2024 and 2023, respectively.

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30, 2024 and 2023 were as follows:

	2024	2023
Aid and assist program	$ 177,017	$ 167,967
Care package program	816	816
Capital improvements	1,360,570	1,457,220
Gold star events	189,544	143,496
Living memorial	9,288	7,100
Theatre	168	168
Scholarship funds	409,897	427,045
	$ 2,147,300	$ 2,203,812

Net assets were released from restrictions as follows during the years ended June 30, 2024 and 2023:

	2024	2023
Capital improvements	$ 98,872	$ 164,434
Care package program	-	3,934
Gold star events	66,643	106,137
Living memorial	4,312	8,793
Education and historic	-	2,160
Scholarship funds	128,889	123,177
	$ 298,716	$ 408,635

Note 8. Space Rentals

The Association leases rental space within the facilities to third parties under operating leases expiring in various years to 2029. The rental receipts are subject to adjustment based on changes in the Consumer Price Index.

Approximate future minimum rental receipts to expiration date of the leases are as follows:

Years ending June 30:	
2025	$ 87,000
2026	89,000
2027	90,000
2028	79,000
2029	40,000
	$ 385,000

Rental income was approximately $85,000 and $78,000 for the years ended June 30, 2024 and 2023, respectively.

Note 9. Related-Party Transactions

The Association received contributions from board members of approximately $311,768 and $134,000 during the years ended June 30, 2024 and 2023, respectively.

Note 10. Retirement Plan

The Association has made available the Marines' Memorial 401(k) Retirement Plan for the benefit of eligible employees, as defined by the plan agreement. Employees who elect to participate may make contributions from 2% up to the maximum of their eligible compensation allowed by law and the Association may match up to 5%. Total matching contributions were approximately $200,000 and $153,000 for the years ended June 30, 2024 and 2023, respectively.

Note 11. Commitments

The Association is engaged in a contract with a construction contractor to renovate the elevators. The total contract amount is approximately $2.7 million, with approximately $230,000 remaining as of June 30, 2024. The balance on the elevator renovation project is included as construction in process within the accompanying consolidated statements of financial position.

Note 12. Subsequent Events

The Association has evaluated subsequent events through November 1, 2024, the date on which the consolidated financial statements were available to be issued.

Supplementary Information

Marines' Memorial Association and Affiliate

Consolidating Statement of Financial Position
June 30, 2024
(With Comparative Totals for 2023)

	Marines' Memorial Association	Marines' Memorial Foundation	Eliminating	Consolidated Total 2024	Total 2023
Assets					
Current assets:					
Cash and cash equivalents	$ 1,134,428	$ 456,059	$ -	$ 1,590,487	$ 1,987,904
Investments, current	157,475	-	-	157,475	1,583,051
Accounts receivable, net of allowance for credit losses and doubtful accounts	42,274	-	-	42,274	273,241
Pledges receivable, current	109,055	-	-	109,055	133,516
Receivable from affiliates	-	62,213	(62,213)	-	-
Other receivables	2,989	-	-	2,989	15,416
Inventories	107,239	-	-	107,239	138,696
Prepaid expenses	104,793	-	-	104,793	101,306
Total current assets	1,658,253	518,272	(62,213)	2,114,312	4,233,130
Pledges receivable, long-term, net of allowance for doubtful accounts and discount	128,656	-	-	128,656	147,895
Investments, long-term	1,119,506	-	-	1,119,506	1,160,249
Property and equipment, net	6,675,216	-	-	6,675,216	6,955,672
Total assets	$ 9,581,631	$ 518,272	$ (62,213)	$ 10,037,690	$ 12,496,946
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	$ 638,394	$ -	$ -	$ 638,394	$ 512,413
Accrued liabilities:					
Salaries and wages	596,048	-	-	596,048	493,286
Taxes other than income	63,324	-	-	63,324	80,273
Other	510,349	-	-	510,349	512,022
Payables to affiliates	62,213	-	(62,213)	-	-
Deposits	364,674	-	-	364,674	382,666
Deferred revenue	638,475	-	-	638,475	546,828
Current portion of long-term debt	6,303,209	-	-	6,303,209	299,121
Total current liabilities	9,176,686	-	(62,213)	9,114,473	2,826,609
Long-term debt, net of current portion and deferred financing costs	-	-	-	-	6,302,068
Total liabilities	9,176,686	-	(62,213)	9,114,473	9,128,677
Commitments					
Net assets (deficit):					
Without donor restrictions	(1,016,262)	(207,821)	-	(1,224,083)	1,164,457
With donor restrictions	1,421,207	726,093	-	2,147,300	2,203,812
Total net assets	404,945	518,272	-	923,217	3,368,269
Total liabilities and net assets	$ 9,581,631	$ 518,272	$ (62,213)	$ 10,037,690	$ 12,496,946

Marines' Memorial Association and Affiliate

Consolidating Statement of Activities
Year Ended June 30, 2024
(With Comparative Totals for 2023)

	Marines' Memorial Association	Marines' Memorial Foundation	Eliminating	Consolidated Total 2024	Total 2023
Revenues and support without donor restrictions:					
Rooms	$ 4,545,043	$ -	$ -	$ 4,545,043	$ 4,537,729
Food and beverage	3,150,893	-	-	3,150,893	3,031,344
Memorabilia	22,028	-	-	22,028	14,400
Space rentals	84,684	-	-	84,684	77,569
Investment income	235,932	23,152	-	259,084	171,049
Membership	690,442	-	-	690,442	680,755
Contributions	2,247,625	405,199	(500,000)	2,152,824	2,160,624
In-kind support	-	118,901	(118,901)	-	-
Miscellaneous	121,863	-	-	121,863	165,109
Net assets released from restrictions	295,254	3,462	-	298,716	408,635
Total revenues and support without donor restrictions	11,393,764	550,714	(618,901)	11,325,577	11,247,214
Expenses:					
Program services	10,960,181	500,000	(500,000)	10,960,181	10,337,302
Supporting services:					
Management and general	2,184,804	105,081	(85,555)	2,204,330	2,233,987
Fundraising	549,606	33,346	(33,346)	549,606	802,495
Total expenses	13,694,591	638,427	(618,901)	13,714,117	13,373,784
Change in net assets without donor restrictions	(2,300,827)	(87,713)	-	(2,388,540)	(2,126,570)
Revenues and support with donor restrictions:					
Contributions	68,399	173,805	-	242,204	305,447
Net assets released from restrictions	(295,254)	(3,462)	-	(298,716)	(408,635)
Total revenues and support with donor restrictions	(226,855)	170,343	-	(56,512)	(103,188)
Change in net assets	(2,527,682)	82,630	-	(2,445,052)	(2,229,758)
Net assets, beginning of year	2,932,627	435,642	-	3,368,269	5,598,027
Net assets, end of year	$ 404,945	$ 518,272	$ -	$ 923,217	$ 3,368,269