

Marine Toys For Tots Foundation

Financial Report
December 31, 2010

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Independent Auditor's Report

To the Board of Directors
Marine Toys for Tots Foundation
Triangle, Virginia

We have audited the accompanying balance sheets of Marine Toys for Tots Foundation (the Foundation) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marine Toys for Tots Foundation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Vienna, Virginia
April 14, 2011

Marine Toys For Tots Foundation

Balance Sheets

December 31, 2010 And 2009

Assets	2010	2009
Cash And Cash Equivalents, of which \$21 million and \$19 million is designated for 2011 and 2010 toy purchases, respectively	\$ 22,242,095	\$ 32,836,478
Investments	46,449,867	28,161,169
Promises To Give	7,540,357	5,721,629
Other	8,207	309,712
Inventory	17,111,133	17,567,835
Property And Equipment, net	5,598,026	5,755,524
	\$ 98,949,685	\$ 90,352,347

Liabilities And Net Assets

Liabilities		
Accounts payable	\$ 8,471,601	\$ 7,525,696
Accrued vacation	186,076	134,431
Deferred revenue	5,000	5,000
Total liabilities	8,662,677	7,665,127

Commitment (Note 7)

Net Assets

Unrestricted

Undesignated	17,753,200	17,958,216
Board designated		
Endowment	33,524,165	27,363,648
Building fund	898,510	797,521
Inventory designated for 2011 and 2010, respectively	17,111,133	17,567,835
Toy purchase for 2011 and 2010, respectively	21,000,000	19,000,000
	72,533,808	64,729,004
Total net assets	90,287,008	82,687,220
	\$ 98,949,685	\$ 90,352,347

See Notes To Financial Statements.

Marine Toys For Tots Foundation

**Statements Of Activities
Years Ended December 31, 2010 And 2009**

	2010	2009
Support and revenue:		
Contributions:		
Toys	\$ 187,084,294	\$ 192,153,172
Individual	16,751,610	16,545,011
Direct mail	17,454,711	17,903,385
Corporate	8,028,765	6,347,429
Donated services	4,262,773	7,464,943
Combined federal campaign	347,008	336,238
Events	166,006	194,562
Other	204,663	254,701
Interest and dividends	994,728	648,613
Unrealized and realized gain on investments, net	3,279,646	3,066,194
Total support and revenue	238,574,204	244,914,248
Expenses:		
Toy distribution program	221,087,390	229,931,091
Education program	3,357,866	2,942,357
Fundraising	5,962,531	8,111,574
Management and general	566,629	666,484
Total expenses	230,974,416	241,651,506
Change in net assets	7,599,788	3,262,742
Net assets:		
Beginning	82,687,220	79,424,478
Ending	\$ 90,287,008	\$ 82,687,220

See Notes To Financial Statements.

Marine Toys For Tots Foundation

**Statement Of Functional Expenses
Year Ended December 31, 2010**

Description	Program Services			Supporting Services			Total
	Toy Distribution	Education	Total	Fundraising	Management And General	Total	
Toys distributed	\$ 211,850,424	\$ -	\$ 211,850,424	\$ -	\$ -	\$ -	\$ 211,850,424
Printing and support materials	1,152,452	744,881	1,897,333	871,770	2,003	873,773	2,771,106
Public relations and development	3,843,400	15,096	3,858,496	1,235,088	-	1,235,088	5,093,584
Postage and shipping	686,779	1,593,638	2,280,417	1,878,534	45,798	1,924,332	4,204,749
Professional fees and services	164,014	1,003,515	1,167,529	1,819,561	393,836	2,213,397	3,380,926
Travel and conferences	1,169,666	736	1,170,402	23,496	89,574	113,070	1,283,472
Office expense	44,206	-	44,206	17,155	4,618	21,773	65,979
Repairs and maintenance	35,162	-	35,162	13,645	3,674	17,319	52,481
Telephone	59,092	-	59,092	8,394	4,035	12,429	71,521
Insurance	49,743	-	49,743	9,123	-	9,123	58,866
Occupancy	368,474	-	368,474	6,523	1,756	8,279	376,753
Salaries	1,500,167	-	1,500,167	15,673	4,220	19,893	1,520,060
Payroll related expense	54,011	-	54,011	20,960	5,643	26,603	80,614
Subtotal	220,977,590	3,357,866	224,335,456	5,919,922	555,157	6,475,079	230,810,535
Depreciation	109,800	-	109,800	42,609	11,472	54,081	163,881
Total expenses	\$ 221,087,390	\$ 3,357,866	\$ 224,445,256	\$ 5,962,531	\$ 566,629	\$ 6,529,160	\$ 230,974,416

See Notes To Financial Statements.

Marine Toys For Tots Foundation

**Statement Of Functional Expenses
Year Ended December 31, 2009**

Description	Program Services			Supporting Services			
	Toy Distribution	Education	Total	Fundraising	Management And General	Total	Total
Toys distributed	\$ 218,888,852	\$ -	\$ 218,888,852	\$ -	\$ -	\$ -	\$ 218,888,852
Printing and support materials	1,212,357	782,474	1,994,831	1,342,238	2,975	1,345,213	3,340,044
Public relations and development	6,264,483	-	6,264,483	2,090,437	-	2,090,437	8,354,920
Postage and shipping	691,316	1,251,766	1,943,082	2,126,270	119,370	2,245,640	4,188,722
Professional fees and services	235,532	908,117	1,143,649	2,185,698	333,132	2,518,830	3,662,479
Travel and conferences	1,104,154	-	1,104,154	22,665	104,117	126,782	1,230,936
Office expense	60,668	-	60,668	16,397	4,919	21,316	81,984
Repairs and maintenance	28,167	-	28,167	7,613	2,284	9,897	38,064
Telephone	59,360	-	59,360	16,043	4,813	20,856	80,216
Insurance	62,918	-	62,918	17,005	5,103	22,108	85,026
Occupancy	261,296	-	261,296	184	3,664	3,848	265,144
Salaries	861,439	-	861,439	232,821	69,846	302,667	1,164,106
Payroll related expense	49,397	-	49,397	13,351	4,005	17,356	66,753
Other	29,748	-	29,748	8,040	2,412	10,452	40,200
Subtotal	229,809,687	2,942,357	232,752,044	8,078,762	656,640	8,735,402	241,487,446
Depreciation	121,404	-	121,404	32,812	9,844	42,656	164,060
Total expenses	\$ 229,931,091	\$ 2,942,357	\$ 232,873,448	\$ 8,111,574	\$ 666,484	\$ 8,778,058	\$ 241,651,506

See Notes To Financial Statements.

Marine Toys For Tots Foundation

Statements Of Cash Flows
Years Ended December 31, 2010 And 2009

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ 7,599,788	\$ 3,262,742
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized gain on investments, net	(3,279,646)	(3,066,194)
Depreciation	163,881	164,060
Change in assets and liabilities:		
(Increase) decrease in:		
Promises to give	(1,818,728)	(769,663)
Inventory	456,702	4,463,561
Other	301,505	76,508
Increase (decrease) in:		
Accounts payable	945,905	(1,249,628)
Accrued vacation	51,645	47,969
Deferred revenue	-	(16,500)
Net cash provided by operating activities	4,421,052	2,912,855
Cash Flows From Investing Activities		
Purchase of property and equipment	(6,846)	(5,502)
Proceeds from sale of investments	8,896,837	7,000,114
Purchase of investments	(23,905,426)	(7,523,136)
Net cash used in investing activities	(15,015,435)	(528,524)
Net (decrease) increase in cash and cash equivalents	(10,594,383)	2,384,331
Cash And Cash Equivalents		
Beginning	32,836,478	30,452,147
Ending	\$ 22,242,095	\$ 32,836,478

See Notes To Financial Statements.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Marine Toys for Tots Foundation (the Foundation) is recognized by the U.S. Marine Corps as the authorized fundraising and support organization for the U.S. Marine Corps Reserve Toys for Tots Program. A Memorandum of Understanding between the Commander, Marine Forces Reserve and the President, Marine Toys for Tots Foundation, establishes and governs the relationship between the U.S. Marine Corps and the Foundation.

The mission of the Foundation is to support the U.S. Marine Corps Reserve Toys for Tots Program by raising funds to provide toys to supplement the collections of local Toys for Tots campaigns; providing promotion and support materials to help local Toys for Tots coordinators conduct more effective local campaigns; providing administrative, advisory, financial, logistic, and promotion support to local Toys for Tots campaigns; managing all funds raised and donations received based on the use of the Toys for Tots name and logo; providing other support that the Marine Corps, as a federal agency, cannot provide; and conducting public information and education programs about the benefits of Toys for Tots that call the general public to action in support of this patriotic community action program.

The Foundation's annual fundraising campaign includes: soliciting funds from individual Americans through a direct mail campaign; soliciting funds from corporations; soliciting bulk toy donations from toy manufacturers and retailers; soliciting online donations; participating in the Combined Federal Campaign; pursuing an array of special fundraising projects; and conducting special events, such as golf tournaments. Toys are distributed to needy children through approximately 710 authorized local Toys for Tots Coordinators in all 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam.

Basis of accounting: The financial statements of the Foundation have been prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As required by the Non-Profit Entities topic of the FASB Accounting Standard Codification, *Financial Statements of Not-for-Profit Organizations*, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation had no temporarily and permanently restricted net assets at December 31, 2010 and 2009.

Cash and cash equivalents: For the purpose of reporting cash flows, the Foundation considers money market accounts to be cash equivalents.

The Foundation maintains cash and investment accounts for each local Toys for Tots campaign. This represents cash remitted to the Foundation from local Toys for Tots coordinators. Local coordinators are authorized to accept locally donated and raised funds on behalf of the Foundation. Such funds and donations are immediately forwarded to the Foundation, which manages all funds raised and donated based on the use of the Toys for Tots name and logo. The Foundation manages these funds so that the funds are expended in the geographical areas in which the funds originated. The balance of these funds at December 31, 2010 and 2009, was \$13,273,514 and \$12,589,000, respectively. Of these amounts, \$8,034,941 and \$5,238,573 is included in cash and cash equivalents and investments, respectively, at December 31, 2010, and the amount at December 31, 2009, was included in cash and cash equivalents.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Financial risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation believes it is not exposed to any significant financial risk on cash.

The Foundation invests in a professionally managed portfolio that contains mutual funds, Treasury Strips and alternative investments; however, the alternative investments consisted of approximately three percent of the investment portfolio. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could affect investment balances and the amounts reported in the financial statements. Subsequent to year-end, the Foundation divested all alternative investments.

Promises to give: Contributions are recognized when the donor makes a written promise to give to the Foundation that is, in substance, unconditional. All promises to give are generally receivable within two months of year-end. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering prior history of donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. Management believes promises to give were fully collectible and no provision for doubtful promises to give was necessary. All promises to give are due in the year ending December 31, 2011.

Inventory: Inventory consists of toys, either donated from individuals or corporations, that have not been distributed at December 31. Donated inventory is stated at fair market value and purchased inventory is stated at cost.

Property and equipment: The Foundation records property and equipment at cost or, if donated, at its fair market value when received. Depreciation expense is recorded using the straight-line method over the assets' estimated useful lives of 5 to 39 years.

Valuation of long-lived assets: The Foundation accounts for the valuation of long-lived assets in accordance with the Financial Accounting Standards Board Accounting Standards Codification, *Accounting for the Impairment or Disposal of Long-Lived Assets*. It is required 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 by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations.

Board designated net assets: Board designated net assets consist of an endowment fund, a building fund and cash and inventory for the following year's campaign. The purpose of the endowment fund is to generate sufficient investment income to defray the Foundation's annual operating expenses. The building fund was established in January 2006 to defray the construction costs of the Foundation's office facility in Prince William County, Virginia. The building construction was completed in December 2007 and the Foundation took ownership in January 2008. The remaining balance of the building fund is being maintained to fund the future repairs and maintenance of the building.

Deferred revenue: Deferred revenue represents contributions received for special events to occur in the subsequent year.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Support and revenue: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions, temporary restricted by a donor are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the restriction.

Donated toys are recorded as a contribution at its estimated fair market value, which is based on a statistical toy study and is recorded as revenue at the date of donation.

Donated services, including public service announcements and professional fees, are recorded at the fair market value at the time of donation.

Expenses: Direct costs associated with specific programs are recorded as program expenses. Indirect expenses are unallocated in the statements of functional expenses.

The Foundation attained a functional allocation expense ratio of approximately 9.8 to 0.2 and 9.7 to 0.3, for program services versus supporting services, respectively, for the years ended December 31, 2010 and 2009, respectively. The functional expense allocation excludes donated services.

During the year ended December 31, 2010, and effective beginning in 2010, the Board approved that the investment income earned by the Endowment Fund be utilized to finance all employee salaries, bonuses, health and welfare benefits and pension contributions, the amount of which was \$1,600,674 as shown in the accompanying statement of functional expenses.

Income taxes: The Foundation is generally exempt from federal income tax under Internal Revenue Code Section 501(c)(3). In addition, the Foundation qualifies for charitable contributions deductions and has been classified as an organization that is not a private foundation. Income that is not related to its exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation did not have any net unrelated business income for the years ended December 31, 2010 and 2009.

Uncertainty in income taxes: The Foundation complies with the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Foundation is not aware of any uncertain tax positions and therefore, no tax liabilities have been recorded as of December 31, 2010 and 2009, or any related interest and penalties included in the balance sheets or statements of activities. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In January 2010, the Financial Accounting Standards Board (FASB) released Accounting Standards Update No. 2010-06 (ASU 2010-06), which provided accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Level 1 and 2 and reasons for transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The Foundation adopted the guidance during the year ended December 31, 2010.

Subsequent events: The Foundation evaluated subsequent events for potential required disclosure through April 14, 2011, which is the date the financial statements were available to be issued.

Note 2. Board Designated Endowment Funds

The Accounting Standards Codification provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. It also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA. The required disclosures are as follows:

Return Objective and Risk Parameters

The Foundation's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. We recognize and accept that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration.

The Foundation targets a diversified asset allocation that places a greater emphasis on professionally-managed fund investments to achieve its long-term return objectives within prudent risk constraints. The Foundation has established a policy portfolio, or normal asset allocation. While the policy portfolio can be tactically adjusted from time to time, it is strategically designed to serve for long-time horizons based upon long-term expected returns. The Foundation has a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

Spending policy

During the year ended December 31, 2010, the Board approved the utilization of the Endowment Fund earnings for payment of all employee salaries, bonuses, health and welfare benefits and pension contributions.

Board designated endowment fund, December 31, 2009	\$ 27,363,648
Appropriation of additional funds	3,822,188
Investment income, net of fees	3,939,003
Appropriation of endowment expenditures	(1,600,674)
Board designated endowment fund, December 31, 2010	<u>\$ 33,524,165</u>

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 3. Investments

Investments consist of the following at December 31, 2010 and 2009:

	2010	2009
Endowment fund:		
Mutual funds		
Fixed income – bonds	\$ 13,024,874	\$ 7,876,677
Equities		
Blend	7,314,259	1,524,147
Growth	12,065,197	6,341,238
Value	-	2,732,226
Alternative investments		
Private equity	1,343,725	667,429
Hedge fund, distressed debt	64,532	37,000
Certificates of deposit and money market funds	-	8,184,931
	<u>33,812,587</u>	<u>27,363,648</u>
Foundation and Reserve Units – Treasury strips	<u>11,738,771</u>	-
Building fund – Mutual funds		
Fixed income – bonds	346,066	314,014
Equities		
Blend	118,327	106,732
Growth	434,116	296,879
Value	-	79,896
	<u>898,509</u>	<u>797,521</u>
	<u>\$ 46,449,867</u>	<u>\$ 28,161,169</u>

Note 4. Fair Value Of Financial Instruments

The Codification Topic on *Fair Value Measurements* requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a non-recurring basis, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosure about fair market value measurements. This enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking quality and reliability of the information used to determine fair value. The provision applies to all assets and liabilities that are being measured and reported on a fair value basis, and are disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 4. Fair Value Of Financial Instruments (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 33,302,839	\$ -	\$ -	\$ 33,302,839
Treasury strips	11,738,771	-	-	11,738,771
Alternative investments	-	-	1,408,257	1,408,257
	<u>\$ 45,041,610</u>	<u>\$ -</u>	<u>\$ 1,408,257</u>	<u>\$ 46,449,867</u>
Inventory	\$ -	\$ 17,111,133	\$ -	\$ 17,111,133

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,876,677	\$ -	\$ -	\$ 7,876,677
Money market	8,184,931	-	-	8,184,931
Alternative investments	-	-	704,429	704,429
	<u>\$ 16,061,608</u>	<u>\$ -</u>	<u>\$ 704,429</u>	<u>\$ 16,766,037</u>
Inventory	\$ -	\$ 17,567,835	\$ -	\$ 17,567,835

The mutual funds, treasury strips and money market are classified as a trading security and are publicly traded on the New York Stock Exchange; therefore, investments are considered Level 1 items.

The alternative investments are considered Level 3 because they are not actively traded and do not have observable inputs that are corroborated by market data.

A summary of the activity for the alternative investments for the year ending December 31, 2010, is as follows:

	Beginning Balance	Purchases	Sales	Total Gain	Ending Balance
Alternative investments	<u>\$ 704,429</u>	<u>\$ 602,963</u>	<u>\$ -</u>	<u>\$ 100,865</u>	<u>\$ 1,408,257</u>

A summary of the activity for the alternative investments for the year ending December 31, 2009, is as follows:

	Beginning Balance	Purchases	Sales	Total Gain	Ending Balance
Alternative investments	<u>\$ -</u>	<u>\$ 693,727</u>	<u>\$ -</u>	<u>\$ 10,702</u>	<u>\$ 704,429</u>

There were no transfers between levels for the alternative investments. The gain is included in unrealized and realized gain on investments, net on the statements of activities.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 4. Fair Value Of Financial Instruments (Continued)

The Foundation's inventory consists of toys, either donated from individuals or corporations that have not been distributed at December 31. For those donated by individuals, a mean value per toy is determined by applying a statistical analysis that includes obtaining actual, pre-Christmas retail prices for those toys included in the analysis. For those donated by corporations or purchased by the Foundation, a current market value as of the date of donation is included on the documentation provided by the Foundation. Since there are observable retail prices, inventory is considered a Level 2 item.

Note 5. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2010 and 2009, consist of the following:

	2010	2009
Building	\$ 4,931,122	\$ 4,931,122
Land	944,700	944,700
Furniture and equipment	290,206	283,360
	<u>6,166,028</u>	6,159,182
Less accumulated depreciation	568,002	403,658
	<u>\$ 5,598,026</u>	<u>\$ 5,755,524</u>

Assets purchased with a cost threshold over \$1,000 are capitalized and all others are expensed. Depreciation expense was \$163,881 and \$164,060 for the years ended December 31, 2010 and 2009, respectively.

Note 6. Joint Costs

The Foundation consults with a full service direct mail marketing agency to assist in conducting an annual direct mail campaign. During the years ended December 31, 2010 and 2009, the Foundation incurred joint costs of \$7,257,408 and \$7,756,623, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$3,338,408 and \$2,869,950 was allocated to program expenses and \$3,919,000 and \$4,886,673 was allocated to supporting services for the years ended December 31, 2010 and 2009, respectively. The Physical Units Method was used to allocate joint costs.

The joint costs allocated to program services are classified as education program expenses. The Foundation's mission includes educating the public on how it can take action in communities to help underprivileged children.

Note 7. Commitment

The Foundation has entered into a contract for hotel rooms and a convention center relating to its September 2011 coordinator conference. In the event of cancellation, the Foundation is required to pay various costs as stipulated in the contract, the amounts of which are dependent upon the date of cancellation.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 8. Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan) covering all full-time employees who have completed one year of service. Under the Plan, the Foundation makes a contribution to the plan equal to ten percent of an employee's total annual compensation. Employees must remain with the Foundation for three years in order for their retirement benefit to fully vest. If an employee departs before completing three plan years, the unvested portion of his/her funds is forfeited to the Foundation. During the years ended December 31, 2010 and 2009, the Foundation contributed \$116,333 and \$108,312, respectively, to the Plan.