

Marine Toys for Tots Foundation

Financial Report
December 31, 2025

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Independent Auditor's Report

Board of Directors
Marine Toys for Tots Foundation

Opinion

We have audited the financial statements of Marine Toys for Tots Foundation (the Foundation), which comprise the balance sheets as of December 31, 2025 and 2024, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

RSM US LLP

McLean, Virginia
April 13, 2026

Marine Toys for Tots Foundation

Balance Sheets

December 31, 2025 and 2024

	2025	2024
Assets		
Cash	\$ 28,553,506	\$ 21,636,587
Investments	156,349,039	140,360,549
Promises to give	6,781,783	7,076,666
Prepaid expenses and other	161,446	2,475
Inventory	50,642,333	29,853,687
Property and equipment, net	3,788,068	3,934,317
	<u>3,788,068</u>	<u>3,934,317</u>
Total assets	<u>\$ 246,276,175</u>	<u>\$ 202,864,281</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other	\$ 9,631,370	\$ 4,407,680
Total liabilities	<u>9,631,370</u>	<u>4,407,680</u>
Commitment and Contingency (Note 7)		
Net assets:		
Without donor restrictions:		
Undesignated	10,647,379	1,701,821
Board-designated:		
Endowment	136,491,783	123,528,772
Building fund	478,043	539,181
Inventory	50,642,333	29,853,687
Toy purchases	36,500,000	41,000,000
Total net assets without donor restrictions	<u>234,759,538</u>	<u>196,623,461</u>
With donor restrictions	1,885,267	1,833,140
Total net assets	<u>236,644,805</u>	<u>198,456,601</u>
Total liabilities and net assets	<u>\$ 246,276,175</u>	<u>\$ 202,864,281</u>

See notes to financial statements.

Marine Toys for Tots Foundation

Statements of Activities Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Contributions:						
Contributions of nonfinancial assets—toys	\$ 335,389,627	\$ -	\$ 335,389,627	\$ 423,027,044	\$ -	\$ 423,027,044
Direct mail	28,804,024	-	28,804,024	28,835,293	-	28,835,293
Individual	38,927,510	-	38,927,510	36,368,649	-	36,368,649
Corporate	22,239,732	-	22,239,732	9,554,809	-	9,554,809
Contributions of nonfinancial assets—other	11,560,148	-	11,560,148	13,487,370	-	13,487,370
Combined federal campaign	-	-	-	900	-	900
Interest and dividends, net	5,558,155	55,035	5,613,190	6,989,790	63,774	7,053,564
Other	274,422	-	274,422	298,603	-	298,603
Events	145,622	-	145,622	136,770	-	136,770
Unrealized and realized gain on investments, net	11,328,944	166,064	11,495,008	6,405,887	155,654	6,561,541
Net asset released from restriction	168,972	(168,972)	-	192,330	(192,330)	-
Total support and revenue	454,397,156	52,127	454,449,283	525,297,445	27,098	525,324,543
Expenses:						
Program services:						
Toy distribution program	394,106,565	-	394,106,565	515,490,172	-	515,490,172
Education program	6,088,928	-	6,088,928	5,123,167	-	5,123,167
Supporting services:						
Fundraising	14,020,544	-	14,020,544	13,519,834	-	13,519,834
Management and general	2,045,042	-	2,045,042	1,815,196	-	1,815,196
Total expenses	416,261,079	-	416,261,079	535,948,369	-	535,948,369
Change in net assets	38,136,077	52,127	38,188,204	(10,650,924)	27,098	(10,623,826)
Net assets:						
Beginning	196,623,461	1,833,140	198,456,601	207,274,385	1,806,042	209,080,427
Ending	\$ 234,759,538	\$ 1,885,267	\$ 236,644,805	\$ 196,623,461	\$ 1,833,140	\$ 198,456,601

See notes to financial statements.

Marine Toys for Tots Foundation

Statement of Functional Expenses Year Ended December 31, 2025

Description	Program Services			Supporting Services			Total
	Toy Distribution	Education	Total Program	Fundraising	Management and General	Total Supporting	
Toys distributed	\$370,693,492	\$ -	\$370,693,492	\$ -	\$ -	\$ -	\$370,693,492
Printing and support materials	2,818,042	1,814,058	4,632,100	2,050,035	4,396	2,054,431	6,686,531
Public relations and development	11,009,119	5,766	11,014,885	3,401,351	-	3,401,351	14,416,236
Postage and shipping	1,474,929	2,898,270	4,373,199	3,285,199	284,714	3,569,913	7,943,112
Professional fees and services	1,367,338	1,314,419	2,681,757	4,630,667	639,267	5,269,934	7,951,691
Travel and conferences	2,311,702	56,415	2,368,117	7,348	82,773	90,121	2,458,238
Office expense	86,624	-	86,624	17,037	28,309	45,346	131,970
Repairs and maintenance	85,075	-	85,075	16,732	27,801	44,533	129,608
Telephone	32,906	-	32,906	2,860	3,811	6,671	39,577
Insurance	216,875	-	216,875	47,585	40,655	88,240	305,115
Occupancy	1,187,386	-	1,187,386	6,490	10,783	17,273	1,204,659
Salaries	2,561,493	-	2,561,493	503,792	837,052	1,340,844	3,902,337
Payroll-related expense	155,766	-	155,766	30,636	50,902	81,538	237,304
Subtotal	394,000,747	6,088,928	400,089,675	13,999,732	2,010,463	16,010,195	416,099,870
Depreciation	105,818	-	105,818	20,812	34,579	55,391	161,209
Total expenses	\$394,106,565	\$ 6,088,928	\$400,195,493	\$ 14,020,544	\$ 2,045,042	\$ 16,065,586	\$416,261,079

See notes to financial statements.

Marine Toys for Tots Foundation

Statement of Functional Expenses Year Ended December 31, 2024

Description	Program Services			Supporting Services			Total
	Toy Distribution	Education	Total Program	Fundraising	Management and General	Total Supporting	
Toys distributed	\$489,002,517	\$ -	\$489,002,517	\$ -	\$ -	\$ -	\$489,002,517
Printing and support materials	3,235,993	1,394,051	4,630,044	1,858,844	10,917	1,869,761	6,499,805
Public relations and development	11,095,516	4,671	11,100,187	3,493,198	-	3,493,198	14,593,385
Postage and shipping	3,916,388	2,587,637	6,504,025	3,431,227	255,999	3,687,226	10,191,251
Professional fees and services	620,804	1,106,510	1,727,314	4,250,745	615,517	4,866,262	6,593,576
Travel and conferences	2,146,791	30,298	2,177,089	28,893	171,987	200,880	2,377,969
Office expense	107,116	-	107,116	15,607	27,488	43,095	150,211
Repairs and maintenance	50,601	-	50,601	7,372	12,985	20,357	70,958
Telephone	34,415	-	34,415	2,224	2,608	4,832	39,247
Insurance	211,301	-	211,301	40,902	29,338	70,240	281,541
Occupancy	2,422,457	-	2,422,457	5,254	9,253	14,507	2,436,964
Salaries	2,388,475	-	2,388,475	348,007	612,946	960,953	3,349,428
Payroll-related expense	142,827	-	142,827	20,810	36,653	57,463	200,290
Subtotal	515,375,201	5,123,167	520,498,368	13,503,083	1,785,691	15,288,774	535,787,142
Depreciation	114,971	-	114,971	16,751	29,505	46,256	161,227
Total expenses	\$515,490,172	\$ 5,123,167	\$520,613,339	\$ 13,519,834	\$ 1,815,196	\$ 15,335,030	\$535,948,369

See notes to financial statements.

Marine Toys for Tots Foundation

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 38,188,204	\$ (10,623,826)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Unrealized and realized gains on investments, net	(11,495,008)	(6,561,541)
Depreciation	161,209	161,227
Change in assets and liabilities:		
(Increase) decrease in:		
Promises to give	294,883	(1,614,333)
Prepaid expenses and other	(158,971)	-
Inventory	(20,788,646)	10,847,963
Increase (decrease) in:		
Accounts payable and other	5,223,690	(1,833,872)
Net cash provided by (used in) operating activities	11,425,361	(9,624,382)
Cash flows from investing activities:		
Purchase of property and equipment	(14,960)	(45,553)
Proceeds from sale of investments	24,804,147	197,787,317
Purchase of investments	(29,297,629)	(188,801,075)
Net cash (used in) provided by investing activities	(4,508,442)	8,940,689
Net increase (decrease) in cash	6,916,919	(683,693)
Cash:		
Beginning	21,636,587	22,320,280
Ending	\$ 28,553,506	\$ 21,636,587

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 (the Program). A Memorandum of Understanding between the Commander, Marine Forces Reserve and the President, and the Foundation establishes and governs the relationship between the U.S. Marine Corps and the Foundation.

The mission of the Foundation is to support the Program by raising funds to provide toys to supplement the collections of local program campaigns; providing promotion and support materials to help local program coordinators conduct more effective local campaigns; providing administrative, advisory, financial, logistic and promotion support to local program campaigns; managing all funds raised and donations received based on the use of the Program 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 the Program 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 870 authorized local program coordinators in all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the FASB ASC, Financial Statements of Not-for-Profit Organizations, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Campaign cash and investments: The Foundation maintains cash and investment accounts for each local program campaign. This represents cash remitted to the Foundation from local program 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 Program 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, 2025 and 2024, was \$28,390,223 and \$24,975,504, respectively. At December 31, 2025 and 2024, these amounts were included in cash and investments on the balance sheets.

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 various securities, which are exposed to risks such as interest rate, market and credit risk. 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 materially affect investment balances and the amounts reported in the financial statements.

Marine Toys for Tots Foundation

Notes to Financial Statements

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

Promises to give: Contributions are recognized when the donor makes a written promise to give to the Foundation that is, in substance, unconditional, or when the conditions, including barriers, have been met. 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, 2026.

Inventory: Inventory consists of toys, books and stocking stuffers (toys), either donated from individuals or corporations, which have not been distributed at December 31, 2025. 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, a current fair value is obtained at the date of donation, which is based on the price it would cost the Foundation to purchase the toys. Since there are observable retail prices, inventory is considered a Level 2 item. Toys purchased by the Foundation are recorded at cost.

Inventory includes toys purchased through the Virtual Toy Box program on the Foundation's website. These toys have been selected and paid for by the donor as of December 31, 2025 and 2024. The toys will be provided by a third-party vendor that is supporting the initiative during the years ended December 31, 2026 and 2025, and are included as part of the inventory balance at December 31, 2025 and 2024.

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

Valuation of long-lived assets: Long-lived assets are 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 value. To adjust the carrying value of these investments, the change in fair value is charged or credited to current operations. Interest and dividends are recorded in the statements of activities when earned and net of investment fees. Cash and equivalents held within the investment portfolio are presented with investments on the balance sheets.

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 to fund the future repairs and maintenance of the Foundation's office facility in Prince William County, Virginia.

Marine Toys for Tots Foundation

Notes to Financial Statements

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

Support and revenue: Revenue is accounted for under the guidance of Accounting Standards Update (ASU) 2014-09 and ASU 2018-08. Unconditional contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor time, purpose or perpetual restrictions. Contributions restricted by a donor are required to be reported as restricted support and are then reclassified to net assets without donor restrictions upon expiration of the restriction. There were no conditional contributions at December 31, 2025 and 2024.

Locally donated toys are recorded as a contribution at its estimated fair value, which is based on a statistical toy study and is recorded as revenue at the date of donation. Toys donated from corporate sponsors are valued based on the amount it would have cost the Foundation to obtain the goods had they not been donated.

Donated services from businesses and other organizations toward the fulfillment of program objectives and general operations include public service announcements and professional fees. Those services and products, which are objectively measurable, have been included in both revenue and the related functional expense categories, and are recorded as contributions at the fair value at the date of donation. The goods and services are not monetized and used in the normal course of business as provided.

Expenses: The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities. Direct costs associated with specific programs are recorded as program expenses. Expenses are allocated among the programs and supporting services benefited in the statements of functional expenses and statements of activities. The Foundation utilizes a time study ratio and joint cost ratio for purposes of allocating selected expenses. Remaining management and general expenses are unallocated in the statements of activities.

The Foundation attained a functional allocation expense ratio of approximately 97% to 3% and 98% to 2% for program services versus supporting services for the years ended December 31, 2025 and 2024, respectively. The functional allocation expense ratio excludes donated services.

During the years ended December 31, 2025 and 2024, the Board approved that the endowment fund be utilized to finance employee salaries, bonuses, health and welfare benefits and pension contributions, the amount of which was \$724,330 and \$5,876,043 for the years ended December 31, 2025 and 2024, respectively, as shown in the accompanying statements of functional expenses, included in the salaries and insurance expense lines. In 2024, the Foundation elected to withdraw the 2023 salaries and benefits and the 2024 salaries before year end.

Advertising costs: Advertising costs are expensed as incurred, and totaled \$14,416,236 and \$14,593,385 during the years ended December 31, 2025 and 2024, respectively. A portion of the advertising is received as donated services.

Income taxes: The Foundation is organized as a Commonwealth of Virginia nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRS Section 501(a) as an organization described in IRS Section 501(c)(3), qualify for the charitable contribution deduction, and has been determined not to be a private foundation. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The Foundation did not have any unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Marine Toys for Tots Foundation

Notes to Financial Statements

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

The Foundation applies 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 policy, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Foundation's tax positions and has concluded that the Foundation has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent events: The Foundation has evaluated subsequent events through April 13, 2026, the date on which the financial statements were available to be issued.

Note 2. Liquidity

The Foundation frequently monitors the liquidity required to meet its annual operating needs and manages its cash available to meet general expenditures by operating effectively and efficiently through prudent and stable investment policies and well-managed operational procedures. As of December 31, 2025 and 2024, the following financial assets are available to meet annual operating needs of the following fiscal years:

	2025	2024
Cash	\$ 28,553,506	\$ 21,636,587
Investments	156,349,039	140,360,549
Promises to give, amounts expected to be collected within one year	6,781,783	7,076,666
	<u>191,684,328</u>	<u>169,073,802</u>
Less board-designated endowment fund cash and investments	136,491,783	123,528,772
Less board-designated building fund cash and investments	478,043	539,181
Less donor-restricted fund cash and investments	1,885,267	1,833,140
	<u>\$ 52,829,235</u>	<u>\$ 43,172,709</u>

The Foundation maintains its investments in very liquid securities, which allows the Foundation to easily move needed monies from investment accounts into operational accounts when large expenses are anticipated (e.g., major toy purchases). Conversely, when major expenditures are not anticipated, the Foundation can easily move monies from operational accounts into investments in order to maximize the earnings of nonoperational funds. In the event of an unanticipated liquidity need, the Board can re-designate endowment and building funds for operational use. The Foundation pays all liabilities as they are due and there are no long-term or debt obligations necessary to fund operations as of December 31, 2025.

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 3. Endowment Funds

The ASC provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Virginia 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 Foundation classifies as perpetually restricted net assets: (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. Accumulations to the donor-restricted endowment fund are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other foundation resources.
- The Foundation's investment policies.

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. Management recognizes and accepts 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-term horizons based upon long-term expected returns. The Foundation prefers simple investment structures, which will have lower cost, easier oversight and less complexity for internal financial management and auditing.

Spending policy: During the years ended December 31, 2025 and 2024, the Board approved the utilization of the board designated Terry and Bettie Cooper Endowment Fund for payment of all employee salaries, bonuses, health and welfare benefits and pension contributions.

For the donor-restricted endowment fund, the earnings will be used in support of the Pennsylvania program, the Wisconsin program, and the remaining 48 other state programs, with each receiving one-third of the yearly investment income based on the request of the donor. The Foundation can also elect to retain the portion for the other state programs in order to grow the endowment.

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 3. Endowment Funds (Continued)

An underwater endowment occurs when the fair value of the fund at the reporting date is less than either the original gift amount or the amount required to be maintained by the donor or UPMIFA. In the event that this were to occur, the Foundation would forgo its spending policy until the fair value exceeded the requirements.

Changes in board-designated net assets without restrictions consist of the following at December 31, 2025 and 2024:

	2025	2024
Beginning balance	\$ 123,528,772	\$ 117,613,620
Investment income, net	13,687,341	11,791,195
Appropriation of endowment expenditures	(724,330)	(5,876,043)
Ending balance	<u>\$ 136,491,783</u>	<u>\$ 123,528,772</u>

Changes in donor-restricted net assets consist of the following at December 31, 2025 and 2024:

	2025	2024
Beginning balance	\$ 1,833,140	\$ 1,806,042
Investment income, net	221,099	219,428
Appropriation of endowment expenditures	(168,972)	(192,330)
Ending balance	<u>\$ 1,885,267</u>	<u>\$ 1,833,140</u>

Donor-restricted and board-designated net assets consist of the following at December 31, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 3,706	\$ 87,329
Investments	138,373,344	125,274,583
	<u>\$ 138,377,050</u>	<u>\$ 125,361,912</u>

Note 4. Investments and Fair Value Measurement

Investments consist of the following at December 31, 2025 and 2024:

	2025	2024
Cash equivalents	\$ 724,424	\$ 1,492,197
Fixed income	3,514,326	2,478,423
Money market	2,602,213	2,469,738
Mutual funds	149,508,076	133,920,191
	<u>\$ 156,349,039</u>	<u>\$ 140,360,549</u>

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 4. Investments and Fair Value Measurement (Continued)

The ASC Topic on Fair Value Measurement requires disclosures of financial position in periods subsequent to initial recognition whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) or expands disclosure about fair 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 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.

There were no Level 3 inputs for any assets held by the Foundation at December 31, 2025 and 2024. There were no liabilities incurred by the Foundation subject to fair value measurement at December 31, 2025 and 2024.

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 4. Investments and Fair Value Measurement (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2025:

	Level 1	Level 2	Total
Mutual funds:			
Bond funds:			
Multi-sector bond	\$ 47,895,580	\$ -	\$ 47,895,580
	<u>47,895,580</u>	<u>-</u>	<u>47,895,580</u>
Equity funds:			
Large cap value	13,539,223	-	13,539,223
Large cap blend	933,550	-	933,550
Small cap core	15,094,780	-	15,094,780
Small cap value	4,206,638	-	4,206,638
Mid cap growth	4,270,998	-	4,270,998
Mid cap value	8,752,622	-	8,752,622
Large cap growth	23,287,403	-	23,287,403
Foreign large blend	18,729,918	-	18,729,918
	<u>88,815,132</u>	<u>-</u>	<u>88,815,132</u>
Hybrid funds:			
Balanced	12,797,364	-	12,797,364
	<u>12,797,364</u>	<u>-</u>	<u>12,797,364</u>
Fixed income:			
Corporate bonds	-	515,460	515,460
U.S. Treasury bills	-	2,998,866	2,998,866
	<u>-</u>	<u>3,514,326</u>	<u>3,514,326</u>
Money market:			
Liquidity	2,602,213	-	2,602,213
	<u>2,602,213</u>	<u>-</u>	<u>2,602,213</u>
Total investments held at fair value	<u>\$152,110,289</u>	<u>\$ 3,514,326</u>	155,624,615
Cash equivalents			724,424
			<u>\$156,349,039</u>

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 4. Investments and Fair Value Measurement (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2024:

	Level 1	Level 2	Total
Mutual funds:			
Bond funds:			
Multi-sector bond	\$ 44,159,196	\$ -	\$ 44,159,196
	<u>44,159,196</u>	<u>-</u>	<u>44,159,196</u>
Equity funds:			
Large cap value	19,924,049	-	19,924,049
Large cap blend	963,369	-	963,369
Small cap core	13,828,636	-	13,828,636
Small cap value	3,794,454	-	3,794,454
Mid cap growth	7,829,858	-	7,829,858
Large cap growth	20,445,639	-	20,445,639
Foreign large blend	12,192,891	-	12,192,891
	<u>78,978,896</u>	<u>-</u>	<u>78,978,896</u>
Hybrid funds:			
Balanced	10,782,099	-	10,782,099
	<u>10,782,099</u>	<u>-</u>	<u>10,782,099</u>
Fixed income:			
Corporate bonds	-	2,478,423	2,478,423
	<u>-</u>	<u>2,478,423</u>	<u>2,478,423</u>
Money market:			
Liquidity	2,469,738	-	2,469,738
	<u>2,469,738</u>	<u>-</u>	<u>2,469,738</u>
Total investments held at fair value	<u>\$136,389,929</u>	<u>\$ 2,478,423</u>	138,868,352
Cash equivalents			<u>1,492,197</u>
			<u>\$140,360,549</u>

The mutual funds and money markets are classified as a trading security and are publicly traded on the New York Stock Exchange; therefore, investments are considered Level 1 items. The corporate bonds and treasury bills are classified based on observable inputs but are not traded for identical assets and are, therefore, considered Level 2 items.

Cash equivalents are held at cost and not subject to the provisions of fair value measurements.

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2025 and 2024, consist of the following:

	2025	2024
Building	\$ 4,957,922	\$ 4,957,922
Land	944,700	944,700
Furniture and equipment	548,910	533,947
	<u>6,451,532</u>	<u>6,436,569</u>
Less accumulated depreciation	2,663,464	2,502,252
	<u>\$ 3,788,068</u>	<u>\$ 3,934,317</u>

Assets purchased with a cost threshold over \$1,000 and a useful life greater than one year are capitalized and all others are expensed. Depreciation expense was \$161,209 and \$161,227 for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, the Foundation incurred joint costs of \$12,822,865 and \$11,833,019, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$6,026,746 and \$5,088,198 was allocated to program expenses and \$6,796,119 and \$6,744,821 was allocated to supporting services for the years ended December 31, 2025 and 2024, 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 and Contingency

The Foundation has entered into a contract for hotel rooms and a convention center relating to its September 2026 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.

The Foundation entered into noncancelable contracts with several vendors for services to be provided through December 2028. The commitments at December 31, 2025, total \$2,677,830.

Note 8. Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan) covering all employees who have completed one year of service. Under the Plan, the Foundation makes discretionary contributions. 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, 2025 and 2024, the Foundation contributed \$361,667 and \$303,672, respectively, to the Plan.

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 9. Contributions of Nonfinancial Assets

As part of its mission, the Foundation receives donated toys from two primary sources, local individuals and corporate sponsors, both of which are recorded as revenue when received. Locally donated toys are recorded as a contribution at their estimated fair value, which is based on a statistical toy study. Toys from corporate sponsors are valued based on the amount it would have cost the Foundation to obtain the goods had they not been donated. Any toys that are not distributed during the year are held in inventory at year-end.

The Foundation also receives contributions of boxes and services from businesses and other organizations toward the fulfillment of program objectives and general operations. The items and services are provided by firms throughout the year which have technical expertise in the related industries. The boxes are valued based on the amount it would have cost the Foundation to obtain them had they not been donated. The services are valued at the fair value on the date of donation based on the normal billing rates of the donating organizations.

The aforementioned goods and services are not monetized and used in the normal course of business as provided and do not include donor restrictions.

The Foundation recognized total donated toy revenue and donated service revenue with a corresponding expense or asset. The amount received during the years ended December 31, 2025 and 2024, can be broken down into the following categories:

	2025	2024
Toys—locally donated	\$ 281,961,658	\$ 243,794,524
Toys—corporate sponsors	53,427,969	179,232,520
Total toys	<u>335,389,627</u>	<u>423,027,044</u>
Media services	10,725,184	11,525,394
Warehouse/storage	205,000	1,393,267
Packaging boxes and shipping	517,588	502,617
Legal fees	112,376	66,092
Total other	<u>11,560,148</u>	<u>13,487,370</u>
	<u>\$ 346,949,775</u>	<u>\$ 436,514,414</u>