

Navy-Marine Corps Relief Society

Audited Financial Statements

*Years ended December 31, 2015 and 2014  
with Report of Independent Auditors*

Navy-Marine Corps Relief Society

Audited Financial Statements

Years ended December 31, 2015 and 2014

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## Report of Independent Auditors

Board of Directors  
Navy-Marine Corps Relief Society  
Arlington, Virginia

We have audited the accompanying financial statements of the Navy-Marine Corps Relief Society (the Society), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2015 and 2014 and its activities, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Johnson Lambert LLP*

Falls Church, Virginia  
April 20, 2016

# Navy-Marine Corps Relief Society

## Statements of Financial Position

	December 31,	
	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 1,261,714	\$ 1,673,555
Investments	97,051,671	106,592,428
Prepaid expenses, inventory and other assets	964,766	987,510
Contributions and pledges receivable	4,018,271	3,778,562
Loans receivable, net	21,078,901	20,935,591
Property and equipment, net	1,046,855	876,639
Total assets	\$ 125,422,178	\$ 134,844,285
<b>Liabilities and net assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,100,390	\$ 1,118,208
Accrued salary and leave	1,356,996	1,100,465
Lines of credit	1,507,703	1,507,049
Pension liability	24,438,591	16,800,176
Annuity payable	314,880	268,819
Total liabilities	28,718,560	20,794,717
Net assets:		
Unrestricted	86,460,331	102,847,236
Temporarily restricted	7,852,320	8,755,983
Permanently restricted	2,390,967	2,446,349
Total net assets	96,703,618	114,049,568
Total liabilities and net assets	\$ 125,422,178	\$ 134,844,285

*See accompanying notes to the financial statements.*

# Navy-Marine Corps Relief Society

## Statements of Activities

	Years ended December 31,							
	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenues, gains and other support</b>								
Contributions	\$ 14,255,496	\$ 3,683,742	\$ -	\$ 17,939,238	\$ 12,205,437	\$ 5,619,949	\$ -	\$ 17,825,386
Other revenues:								
Thrift shop	950,919	-	-	950,919	928,829	-	-	928,829
Miscellaneous	51,670	-	-	51,670	21,165	-	-	21,165
Investments:								
Interest and dividends	2,316,883	-	-	2,316,883	2,647,226	-	-	2,647,226
Realized and unrealized (losses) gains, net	<u>(2,769,574)</u>	<u>(29,721)</u>	-	<u>(2,799,295)</u>	<u>2,901,544</u>	<u>279,693</u>	-	<u>3,181,237</u>
	<u>14,805,394</u>	<u>3,654,021</u>	-	<u>18,459,415</u>	<u>18,704,201</u>	<u>5,899,642</u>	-	<u>24,603,843</u>
Net assets released from restrictions:								
Satisfaction of program restrictions	985,000	(985,000)	-	-	657,467	(657,467)	-	-
Expiration of time restrictions	<u>3,572,684</u>	<u>(3,572,684)</u>	-	-	<u>3,956,116</u>	<u>(3,956,116)</u>	-	-
Total net assets released from restrictions	<u>4,557,684</u>	<u>(4,557,684)</u>	-	-	<u>4,613,583</u>	<u>(4,613,583)</u>	-	-
<b>Total revenues, gains and other support</b>	<u>19,363,078</u>	<u>(903,663)</u>	-	<u>18,459,415</u>	<u>23,317,784</u>	<u>1,286,059</u>	-	<u>24,603,843</u>
<b>Expenses</b>								
Program services	25,727,823	-	-	25,727,823	27,468,661	-	-	27,468,661
Management and general	2,171,966	-	-	2,171,966	1,675,183	-	-	1,675,183
Fundraising	<u>1,315,215</u>	-	-	<u>1,315,215</u>	<u>1,035,279</u>	-	-	<u>1,035,279</u>
<b>Total Expenses</b>	<u>29,215,004</u>	-	-	<u>29,215,004</u>	<u>30,179,123</u>	-	-	<u>30,179,123</u>
<b>Change in net assets from operations</b>	<u>(9,851,926)</u>	<u>(903,663)</u>	-	<u>(10,755,589)</u>	<u>(6,861,339)</u>	<u>1,286,059</u>	-	<u>(5,575,280)</u>
<b>Non-operating activities</b>								
Change in beneficial interest in trust held by third parties	-	-	(55,382)	(55,382)	-	-	(18,830)	(18,830)
Pension related costs other than net periodic pension cost	<u>(6,534,979)</u>	-	-	<u>(6,534,979)</u>	<u>(3,588,007)</u>	-	-	<u>(3,588,007)</u>
<b>Change in net assets</b>	(16,386,905)	(903,663)	(55,382)	(17,345,950)	(10,449,346)	1,286,059	(18,830)	(9,182,117)
<b>Net assets, beginning of year</b>	<u>102,847,236</u>	<u>8,755,983</u>	<u>2,446,349</u>	<u>114,049,568</u>	<u>113,296,582</u>	<u>7,469,924</u>	<u>2,465,179</u>	<u>123,231,685</u>
<b>Net assets, end of year</b>	<u>\$ 86,460,331</u>	<u>\$ 7,852,320</u>	<u>\$ 2,390,967</u>	<u>\$ 96,703,618</u>	<u>\$ 102,847,236</u>	<u>\$ 8,755,983</u>	<u>\$ 2,446,349</u>	<u>\$ 114,049,568</u>

See accompanying notes to the financial statements.

## Navy-Marine Corps Relief Society

### Statements of Functional Expenses

<b>Expenses</b>	Years ended December 31,							
	2015				2014			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 16,237,122	\$ 1,139,226	\$ 620,905	\$ 17,997,253	\$ 16,450,148	\$ 894,030	\$ 536,418	\$ 17,880,596
Grant expense	3,332,301	-	-	3,332,301	4,057,507	-	-	4,057,507
Loans written off (net of recoveries)	704,559	-	-	704,559	775,431	-	-	775,431
Loans converted to grants	312,886	-	-	312,886	410,818	-	-	410,818
Financial assistance fees	13,781	-	-	13,781	10,802	-	-	10,802
Non-financial programs	676,845	-	-	676,845	724,144	-	-	724,144
Volunteer expenses	808,442	-	-	808,442	865,354	-	-	865,354
Human resources	182,912	12,833	7,775	203,520	220,725	11,996	10,595	243,316
Professional fees/bank charges	-	692,201	216,004	908,205	-	483,433	102,096	585,529
Office administration	1,450,506	101,770	377,290	1,929,566	1,535,069	83,428	308,304	1,926,801
Travel expense	207,824	19,449	13,679	240,952	248,876	29,499	2,172	280,547
Training and conferences	10,743	5,808	285	16,836	6,563	5,610	2,031	14,204
Depreciation and equipment expenses	1,789,902	125,583	68,446	1,983,931	2,163,224	117,567	70,540	2,351,331
Miscellaneous administration	-	75,096	10,831	85,927	-	49,620	3,123	52,743
Total expenses	\$ 25,727,823	\$ 2,171,966	\$ 1,315,215	\$ 29,215,004	\$ 27,468,661	\$ 1,675,183	\$ 1,035,279	\$ 30,179,123

*See accompanying notes to the financial statements.*

## Navy-Marine Corps Relief Society

### Statements of Cash Flows

	Years ended December 31,	
	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (17,345,950)	\$ (9,182,117)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	436,045	387,209
Realized and unrealized gains, net	2,799,295	(3,181,237)
Change in beneficial interest in trusts held by third parties	55,382	18,830
Change in provision for doubtful accounts	(221,193)	(116,100)
Pension related costs other than net periodic costs	6,534,979	3,588,007
Contribution of non-cash computer equipment	(392,369)	(208,230)
Changes in operating assets and liabilities:		
Prepaid expenses, inventory and other assets	22,744	(229,255)
Contributions receivable	(239,709)	390,743
Loans receivable	77,883	(38,881)
Accounts payable and accrued expenses	(17,818)	22,223
Accrued salary and leave	256,531	(383,907)
Pension liability	1,103,436	985,392
Annuity payable	46,061	71,471
Net cash used in operating activities	(6,884,683)	(7,875,852)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(213,892)	(33,811)
Net sale of investments	6,686,079	8,232,197
Net cash provided by investing activities	6,472,187	8,198,386
<b>Cash flows from financing activities</b>		
Proceeds from line of credit	64,679,204	65,936,323
Payments on line of credit	(64,678,549)	(65,438,469)
Net cash provided by financing activities	655	497,854
Net change in cash and cash equivalents	(411,841)	820,388
Cash and cash equivalents, beginning of year	1,673,555	853,167
Cash and cash equivalents, end of year	\$ 1,261,714	\$ 1,673,555
<b>Supplemental cash flow information</b>		
Interest paid	\$ 71,572	\$ 63,106

*See accompanying notes to the financial statements.*



# Navy-Marine Corps Relief Society

## Notes to Financial Statements

Years ended December 31, 2015 and 2014

### **Note A - Organization**

The Navy-Marine Corps Relief Society (the Society) is a non-profit charitable corporation founded in 1904. The Society consists of a headquarters located in Arlington, Virginia, and field offices located at U.S. Navy and Marine Corps installations throughout the world. The mission of the Society is to provide, in partnership with the Navy and Marine Corps, financial, educational and other assistance to members of the naval service of the United States, and their eligible family members and survivors, when in need, and to manage funds to administer these programs. Financial assistance may be in the form of interest-free loans, direct relief grants, educational loans, educational grants, or any combination thereof. The accompanying financial statements include the accounts of the Society's headquarters and its field sites.

### **Note B - Summary of Significant Accounting Policies**

#### *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

#### *Use of Estimates*

Preparation of financial statements in accordance 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Subsequent Events*

The Society has evaluated subsequent events for disclosure and recognition through April 20, 2016, the date on which these financial statements were available to be issued.

#### *Classification of Net Assets*

Activities of the Society are recorded in the following net asset categories:

Unrestricted net assets - net assets that are not subject to any donor-imposed stipulation or other legal limitation.

Temporarily restricted net assets - net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Classification of Net Assets (Continued)*

Permanently restricted net assets - net assets subject to donor-imposed stipulations that require the Society to maintain the principal in perpetuity.

##### *Revenue Recognition*

Pledges and contributions result primarily from an annual fundraising drive sponsored by the Secretary of the Navy and held at Navy and Marine Corps commands throughout the world. Pledges and contributions are recorded in their entirety at the time they are made. Contributions received are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Society estimates contributions receivable and pledges receivable based on prior years' experience and management's analysis of specific promises made. All amounts are considered current.

##### *Loans Receivable - Assistance and Education*

The Society's loans receivable are reported on the statements of financial position, net of an allowance for doubtful accounts. In accordance with U.S. GAAP, loans made and repayments of loans affect the calculation of the loan balance and are not shown as income or expense. Due to the unique nature of the amounts due from loan recipients, it is not practical to estimate their fair market value.

Educational and direct relief loans are recorded at face value, bear no interest, and are generally due in monthly installments over periods deemed appropriate by caseworkers. The loans have widely varying maturities and are based upon need rather than credit worthiness of the borrower. Some loans are converted into grants and thereby expensed when it becomes apparent that the individual is in financial need and is unable to repay the Society. Some loans are written off as uncollectible. The Society determines loans to be uncollectible when payments are not received as scheduled.

Delinquent loans are charged to the allowance for doubtful accounts when internal collection efforts have been exhausted and the account is deemed uncollectible. The Society evaluates the adequacy of the allowance on an annual basis based on historical loss experience. Loans written off as expenses are shown net of recoveries in the financial statements.

##### *Investments and Fair Value Measurements*

All investments are carried at fair value, with gains and losses included in the statements of activities. Gains and losses on investments reflected in the accompanying statement of activities include gains and losses realized upon sales and unrealized gains and losses resulting from fluctuations in market values of investments, net of related investment management expenses. Gains and losses upon sales are calculated using the average cost method.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Investments and Fair Value Measurements (Continued)*

The Society's estimates of fair value for financial assets and liabilities are based on the framework established in the fair value measurements and disclosures accounting guidance. The framework is based on the inputs used in valuation and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the fair value accounting guidance includes a hierarchy based on whether significant valuation inputs are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Society's significant market assumptions. The three levels of the hierarchy are as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities traded in active markets that the Society has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and market-corroborated inputs.

Level 3 – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Society's own assumptions about the inputs that market participants would use.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, the Society estimates fair value using methods, models and assumptions that management believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. The Society recognizes transfers between levels in the fair value hierarchy at the end of the period for the event or change in circumstances that caused the transfer.

##### *Income Taxes*

The Society is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, income in the statements of activities has been properly classified as exempt. Accounting standards require an entity to analyze the technical merits of its tax positions and determine the likelihood that these positions will be sustained if examined by the taxing authorities. Management has evaluated its tax positions and concluded that the Society has properly maintained its exempt status. In addition, the Society has concluded that there are no uncertain tax positions as of December 31, 2015.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Inventory*

Donated inventory located at the Society's thrift shops is valued at its estimated net realizable value. Management has determined that its thrift shop sales are generally exempt from sales tax. In 2009, California passed legislation that specifically exempted the thrift shops from sales tax until January 2014; subsequently, the exemption has been extended until January 2024. While this legislation is not retroactive, the Society has maintained it has tax exempt status as a part of the Employee Retirement Income Security Act of 1974 (ERISA).

During 2015 and 2014, branded items were purchased in bulk quantities resulting in inventory at year end. This inventory is valued at cost.

##### *Gift Cards*

During 2014, the Society introduced a gift card pilot to its Budget 4 Baby program. As a result, gift cards were on hand as of December 31, 2015 and 2014, and are recorded within prepaid expenses, inventory and other assets on the statements of financial position.

##### *Property and Equipment*

Property and equipment are capitalized at cost for purchases over \$2,500. Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of three to five years for the respective assets.

##### *Cash and Cash Equivalents*

The Society considers cash and cash equivalents to include only demand deposits. Money market accounts and short-term, highly liquid investments purchased for its trading accounts and handled by investment managers are treated as investments rather than cash equivalents. The carrying amounts approximate fair value because of the short duration of these instruments.

##### *Allocation of Expenses*

Certain costs have been allocated among the programs and supporting services benefited. The Society allocates its costs based on salaries among three categories: program services, management and general, and fundraising.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note B - Summary of Significant Accounting Policies (Continued)**

##### *Concentrations of Credit Risk*

Financial instruments that potentially subject the Society to significant concentrations of credit risk consist principally of cash, investments and loans receivable. Substantially all of the Society's cash and cash equivalents are maintained in a single bank. The Society has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by Federal Deposit Insurance Corporation. The Society has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents. With respect to investments, the Society limits its credit risk by diversifying its investments and working with many different investment managers. At December 31, 2015 and 2014, the Society had uncollateralized loans receivable totaling \$22.4 million and \$22.5 million, respectively, all to present or former service members of the Navy or Marine Corps, their eligible family members and their survivors. The Society believes that its credit risk for these loans is not significant.

The Society enters into transactions in financial instruments with off-balance-sheet risk. These financial instruments include futures contracts, which contain varying degrees of off-balance-sheet risk. This involves changes in the market values of the securities or money market instruments underlying the financial instruments that may be in excess of the amounts recognized in the statements of financial position.

Futures contracts provide for the delayed delivery of securities or money market instruments with the seller agreeing to make delivery at a specified future date, at a specified price or yield. Risk arises from the potential inability of counter-parties to perform under the terms of the contracts, and from changes in securities' pricing and interest rates.

Securities sold, but not yet purchased, represent obligations to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as the ultimate obligation to satisfy the sale of securities sold, but not yet purchased, may exceed the amount recognized.

In the normal course of business, the Society is also subject to the credit risk associated with the non-performance by counter-parties of their contractual obligations pursuant to securities and foreign currency transactions.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note C - Investments

The Society follows a policy of diversification of its investments in order to reduce volatility of price fluctuations in its overall portfolio and balance risk/return levels to meets its financial goals. Investments are stated at fair value and consist of the following at December 31:

	2015	2014
Common stocks and short-term investments:		
Columbia Partners	\$ -	\$ 1,000
Diamond Hill	6,382,215	7,265,581
UBS Financial Services Inc., Bloomberg Commodity Index	26,145,630	25,937,564
Lowe, Brockenbrough, Tierney & Tattersall	5,549,473	6,498,535
Charitable Gift Annuities	312,289	295,633
Chase Investment Counsel	7,451,584	9,451,643
Rothschild Capital Asset Management, Inc.	7,298,304	10,435,697
SunTrust Master Trust	1,187,282	1,187,126
Total common stocks and short-term investments	54,326,777	61,072,779
Fixed-income securities:		
Charitable Gift Annuities	129,086	78,261
Total fixed-income securities	129,086	78,261
Market neutral equities and short-term investments:		
Numeric Investors LP	16,622	(54,719)
Total market neutral equities and short-term investments	16,622	(54,719)
Mutual funds:		
SunTrust Master Trust	596,958	725,684
UBS Financial Services Inc., Bloomberg Commodity Index	26,341,105	28,504,734
Charitable Gift Annuities	148,720	208,972
Total mutual funds	27,086,783	29,439,390
Short-term investments:		
Diamond Hill	1,179,307	1,427,616
UBS Financial Services Inc., Bloomberg Commodity Index	3,551	751,900
Charitable Gift Annuities	29,825	30,918
Chase Investment Counsel	240,215	307,214
Rothschild Capital Asset Management, Inc.	143,906	118,164
USAA	100	-
Suntrust Master Trust	30,529	37,034
Lowe, Brockenbrough, Tierney & Tattersall	28,968	313,034
Numeric Investors LP	7,499,355	6,865,535
O'Connor Global Multi-Strategy Hedge Fund	1,848	1,847
Total short-term investments	9,157,604	9,853,262
Beneficial interest in perpetual trust:		
Behannon Perpetual Trust	560,967	616,349
Hedge fund:		
O'Connor Global Multi-Strategy Hedge Fund	5,773,832	5,587,106
Total investments	\$ 97,051,671	\$ 106,592,428

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note C - Investments (Continued)

In 2015 and 2014, investment managers invested in market neutral equity strategies which may be equitized by holding long positions in future contracts on securities that comprise major stock indices.

The investments managed by investment managers invested in market neutral equities and short-term investments consisted of the following at December 31:

	Numeric Investors	
	2015	2014
Equities - long positions	\$ 7,029,787	\$ 6,448,802
Equities - short positions	<u>(7,013,165)</u>	<u>(6,503,521)</u>
Total equities	16,622	(54,719)
Short-term investments	<u>7,499,355</u>	<u>6,865,535</u>
	<u>\$ 7,515,977</u>	<u>\$ 6,810,816</u>

The Society's common stocks include securities in several industries including industrials, energy, consumer discretionary and staples, technology, and financial services. The Society's fixed-income securities include investments in U.S. government and agency bonds. The Society holds a beneficial interest in the Behannon Perpetual Trust, which is valued at the fair value of the Society's share of the assets in the trust at year end.

The Society invests in a hedge fund, the O'Connor Global Multi-Strategy Limited (the Fund). The Fund is not publicly traded; the Society therefore values its investment in the Fund at the net asset value (NAV) as reported by the fund manager, multiplied by the number of units held. The net asset value of the Fund is based on the fair value of the underlying securities held by the Fund. The investment manager reserves the right to adjust the reported NAV if it is deemed to be not reflective of fair value. Because of the inherent uncertainty in the valuations of these investments, their estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the difference could be material. As permitted by GAAP, the Society uses the NAV as a practical expedient to determine the fair value of this private investment vehicle.

The Fund is a feeder fund in a master-feeder structure whereby the Fund invests substantially all of its assets (other than as may be necessary to pay any Fund level expenses and implement any currency hedges) in the O'Connor Global Multi-Strategy Alpha Master Limited (the Master Fund), a company organized under the laws of the Cayman Islands. The investment objective of the Master Fund is to realize consistently high risk adjusted appreciation in the value of its assets. The Master Fund seeks to achieve its investment objective primarily through a combination of multiple strategies, which may include but are not limited to fundamental market neutral long/short, long/short equity, convertible arbitrage, merger arbitrage, credit trading, opportunistic, macro and quantitative strategies.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note C - Investments (Continued)

The categorization of the Fund within the fair value hierarchy is based on the ability of the Society to transact at NAV. The Fund has notice requirements for redemptions which requires notification no later than the last business day of the first month of the quarter in which the shareholder wishes to redeem. As of December 31, 2015 and 2014, there were no unfunded commitments related to the Fund.

Investments were recorded at fair value as of December 31, 2015 based on the following level of fair value hierarchy:

	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Common stocks	\$ 54,326,777	\$ -	\$ 54,326,777
Fixed income securities	129,086	-	129,086
Short-term investments	9,157,604	-	9,157,604
Market neutral equities	16,622	-	16,622
Mutual funds	27,086,783	-	27,086,783
Hedge fund	-	5,773,832	5,773,832
Beneficial interest in perpetual trust	-	560,967	560,967
	<u>\$ 90,716,872</u>	<u>\$ 6,334,799</u>	<u>\$ 97,051,671</u>

Investments were recorded at fair value as of December 31, 2014 based on the following level of fair value hierarchy:

	Quoted Prices in Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Common stocks	\$ 61,072,779	\$ -	\$ 61,072,779
Fixed income securities	78,261	-	78,261
Short-term investments	9,853,262	-	9,853,262
Market neutral equities	(54,719)	-	(54,719)
Mutual funds	29,439,390	-	29,439,390
Hedge fund	-	5,587,106	5,587,106
Beneficial interest in perpetual trust	-	616,349	616,349
	<u>\$ 100,388,973</u>	<u>\$ 6,203,455</u>	<u>\$ 106,592,428</u>

There were no transfers between levels during the years ended December 31, 2015 or 2014.



## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note C - Investments (Continued)

Composition of investment return is as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Realized and unrealized (losses) gains	\$ (2,171,349)	\$ 3,904,582
Management fees	<u>(627,946)</u>	<u>(723,345)</u>
Realized and unrealized (losses) gains, net	(2,799,295)	3,181,237
Interest and dividends	<u>2,316,883</u>	<u>2,647,226</u>
Total net investment return	<u>\$ (482,412)</u>	<u>\$ 5,828,463</u>

#### Note D - Loans Receivable-Assistance and Education

The Society provides uncollateralized interest-free loans to eligible service members and eligible family members for help with emergency needs and education, such as:

- Emergency Transportation
- Funeral Expenses
- Medical/Dental Bills (patient's share)
- Food, Rent and Utilities
- Disaster Relief Assistance
- Child Care Expenses
- Essential Vehicle Repairs
- Unforeseen Family Emergencies
- Tuition Assistance

Credit quality indicators such as consumer credit risk scores, credit ratings, collateral, collection experience, etc. are not used for any criteria. The credit quality indicators used by the Society are internal metrics. Those internal metrics/assessments include verification of need, preparation of a budget, and ability to repay the loan.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note D - Loans Receivable-Assistance and Education (Continued)**

An analysis of loan activity, which includes all loans for education programs as well as direct relief, is as follows as of December 31:

	2015	2014
Loans outstanding, beginning of year	\$ 22,490,490	\$ 22,451,609
Loans made	42,340,021	44,311,627
Collections on loans	(41,147,090)	(42,945,210)
Loans considered uncollectible	(957,928)	(916,718)
Loans converted to grants	(312,886)	(410,818)
Loans outstanding	22,412,607	22,490,490
Allowance for doubtful accounts	(1,333,706)	(1,554,899)
Loans receivable, end of year	\$ 21,078,901	\$ 20,935,591

The following chart represents the aging of loans receivable by class of loan as of December 31, 2015:

	31 to 60 Days Past Due	61 to 90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Total Financial Assistance	\$ 69,199	\$ 46,422	\$ 345,310	\$ 460,931	\$ 21,951,676	\$ 22,412,607

The following chart represents the aging of loans receivable by class of loan as of December 31, 2014:

	31 to 60 Days Past Due	61 to 90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Total
Total Financial Assistance	\$ 59,047	\$ 68,822	\$ 310,511	\$ 438,380	\$ 22,052,110	\$ 22,490,490

Impairment of loans receivable is evaluated collectively on the aggregate balance, not on the individual loan basis. The calculation is an estimate based upon the average of the prior three years history of loans write-offs, conversions and total loan assistance. The allowance is then adjusted as calculations require.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note D - Loans Receivable-Assistance and Education (Continued)**

The activity in the allowance for credit losses on loans receivable is as follows for the year ended December 31:

	2015	2014
Allowance, beginning balance	\$ 1,554,899	\$ 1,670,999
Current period additions	736,735	800,618
Current year write-off	(957,928)	(916,718)
Allowance, ending balance	\$ 1,333,706	\$ 1,554,899

#### **Note E - Property and Equipment**

The following summarizes the property and equipment accounts as of December 31:

	2015	2014
Office furniture and equipment	\$ 129,051	\$ 134,036
Automobiles	15,802	15,802
Computer equipment	2,126,924	1,672,069
Software	471,206	319,800
	2,742,983	2,141,707
Less: accumulated depreciation	(1,696,128)	(1,265,068)
Total property and equipment, net	\$ 1,046,855	\$ 876,639

#### **Note F - Lines of Credit**

The Society maintains a \$10,000,000 line of credit with Suntrust and a \$20,000,000 line of credit with UBS to provide funds to meet its short-term cash flow needs over the course of its operating cycle. The Suntrust line of credit expires on September 30, 2016 and carries an interest rate of the LIBOR 30-day index plus 1.25% per annum. The Chase Investment Counsel and Rothschild Capital Asset Management, Inc. accounts are pledged as collateral against the line of credit. The agreement allows for borrowing up to 75% of the market value (\$15.1 million as of December 31, 2015) of these investment accounts. The outstanding account balance with Suntrust at December 31, 2015 and 2014 was \$0 in principal for both years and \$4,617 and \$6,866 in accrued interest, respectively.

The UBS line of credit carries an interest rate equal to the LIBOR 30-day index plus 1.75% per annum. One of the Society's investment accounts with UBS (current market value of \$52.5 million) is pledged as collateral. The outstanding account balance with UBS at December 31, 2015 and 2014 was \$1.5 million in principal each year, and \$3,086 and \$183 in accrued interest, respectively. The carrying value of both liabilities approximates fair value.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note G - Retirement Plans

The Society sponsors a defined benefit retirement plan (the Plan), a 403(b) salary reduction arrangement, and a 401(k) Plan. The Society does not contribute to the 403(b) Plan.

Under the terms of the Plan, a participant may retire at the later of attainment of age 65 or completion of five years of participation. Vesting in employer contributions is 0% for the first five years of service and full vesting occurs after five years. The Society's funding policy is to make the minimum annual contribution required by applicable regulations. Contributions are intended to provide not only for benefits attributed to service to date, but for those expected to be earned in the future. There are no Plan participant contributions. Effective January 1, 2011, any employee hired after that date will not be eligible to enter the Plan. The Society sponsors a 401(k) Plan for only those employees hired after January 1, 2011. Contributions to the 401(k) Plan were \$235,423 and \$230,374 for 2015 and 2014, respectively.

The Plan has established a trust to hold and administer the assets of the Plan and to pay benefits and expenses from the fund upon direction of the Plan administrators or the Society. Contributions are also made as needed to an insurance company and funded in accordance with an actuarial estimate of amounts required to meet the benefits payable to pre-1986 retirees who are still covered under the terms of the Society's previous coverage.

U.S. GAAP requires that the unfunded status of the Plan be recognized as a liability in the statement of financial position and as a reduction of unrestricted net assets in the statements of activities.

The following table sets forth the Plan's funded status and amounts recognized in the Society's financial statements as of and for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Accumulated benefit obligation	<u>\$ 50,515,852</u>	<u>\$ 45,812,827</u>
Projected benefit obligation	\$ (60,521,954)	\$ (54,717,936)
Plan assets at fair value	<u>36,083,363</u>	<u>37,917,760</u>
Funded status	<u>\$ (24,438,591)</u>	<u>\$ (16,800,176)</u>

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note G - Retirement Plans (Continued)

The amounts of contributions, benefits paid from the Plan, and net periodic benefit costs are as follows for the years ended December 31:

	2015	2014
Employer contribution	\$ 939,000	\$ 1,382,092
Benefits paid	\$ 2,179,442	\$ 2,786,589
Components of net periodic benefit costs:		
Service costs	\$ 1,866,174	\$ 1,866,387
Interest costs	2,275,675	2,072,130
Amortization of actuarial loss	715,991	397,879
Expected return on plan assets	(2,815,404)	(1,968,912)
Net periodic benefit costs	\$ 2,042,436	\$ 2,367,484

The cumulative amounts that have been recognized as a reduction in unrestricted net assets not yet recognized as a component of net periodic benefit cost reported for the years ended December 31:

	2015	2014
Net loss	\$ (19,882,676)	\$ (13,347,697)

The amounts that have been recognized for the period as an increase (reduction) in unrestricted net assets arising from the Plan but not yet reclassified as components of net periodic benefit cost for the years ended December 31:

	2015	2014
Net loss	\$ (6,534,979)	\$ (3,588,007)

There are no accumulated prior service costs that will be amortized into net periodic benefit costs during 2016. The net loss that will be amortized into net periodic benefit costs during 2016 is \$715,991.

In determining the expected rate of return on plan assets, the Society considers the relative weighting of plan assets, the historical performance of total plan assets and individual asset classes and economic and other indicators of future performance. In addition, the Society may consult with and consider the input of financial and other professionals in developing appropriate return benchmarks.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note G - Retirement Plans (Continued)

Assumptions used in accounting for the Plan were as follows at December 31:

	2015	2014
Weighted-average assumptions to determine benefit obligations:		
Discount rate	4.25 %	4.25 %
Rate of compensation increase	5.00 %	5.00 %
Weighted-average assumptions to determine net periodic pension cost:		
Discount rate	4.25 %	4.25 %
Expected long-term rate of return on plan assets	7.50 %	5.25 %
Rate of compensation increase	5.00 %	5.00 %

During 2015, the MP-2015 Improvement Generational Scale was adopted as a mortality assumption for the Plan. The projected benefit obligations increased \$2,840,529 due to the addition of the improvement scale. During 2014, the mortality table used to value benefits was changed from the 1994 Group Annuity Reserving Unisex Table to the RP-2014 Healthy Annuitant Mortality Table. The projected benefit obligation increased \$3,406,324 due to the change in mortality tables.

Based on actuarial estimates, in 2016 the Society expects to contribute approximately \$1.82 million, \$193,000 related to plan year 2015 and \$1.63 million related to plan year 2016. The estimated future benefits payments are as follows for the fiscal years ending December 31, 2016 through 2025:

2016	\$	2,471,422
2017		2,583,754
2018		2,700,577
2019		2,862,238
2020		2,921,489
2021 - 2026		17,103,032
		\$ 30,642,512

Plan assets invested in mutual funds and money market accounts are carried at their fair market value based on market quotes as determined by the custodian. The fair value of each account is based on the fair value of the respective accumulation units as determined by the custodian on the last business day of the year. The Society also continues to hold an Immediate Participation Guarantee Contract, with First Allmerica Financial Life Insurance Company (Allmerica) acting as deposit administrator. These funds are deposited with Allmerica in a deposit administration fund and used to pay the benefits of two beneficiaries. The fair value of the Society's investment contract with Allmerica is estimated using contract value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note G - Retirement Plans (Continued)**

These valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation method is 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.

The following table sets forth by level, within the U.S. GAAP fair value hierarchy, the Plan assets at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Bond mutual funds	\$ 11,145,420	\$ -	\$ 11,145,420
Equity mutual funds	20,805,482	-	20,805,482
Balanced mutual funds	3,694,254	-	3,694,254
Money market funds	352,436	-	352,436
Insurance company guaranteed account	-	85,771	85,771
	<u>\$ 35,997,592</u>	<u>\$ 85,771</u>	<u>\$ 36,083,363</u>

The following table sets forth by level, within the U.S. GAAP fair value hierarchy, the Plan assets at fair value as of December 31, 2014:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Bond mutual funds	\$ 11,600,243	\$ -	\$ 11,600,243
Equity mutual funds	21,825,677	-	21,825,677
Balanced mutual funds	3,744,957	-	3,744,957
Money market funds	659,321	-	659,321
Insurance company guaranteed account	-	87,562	87,562
	<u>\$ 37,830,198</u>	<u>\$ 87,562</u>	<u>\$ 37,917,760</u>

There were no transfers between levels during the years ended December 31, 2015 or 2014.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note G - Retirement Plans (Continued)

A reconciliation of investments measured at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) from January 1, 2014 to December 31, 2015 is as follows:

	<u>Insurance company guaranteed account</u>
Balance at January 1, 2014	\$ 99,768
Purchases, sales, issuances and settlements (net)	(12,206)
Balance at December 31, 2014	87,562
Purchases, sales, issuances and settlements (net)	(1,791)
Balance at December 31, 2015	\$ 85,771

The investment policy and target investment allocations for the plan assets for the fiscal year ending December 31, 2015 are designed to target 20% to 60% invested in fixed income securities, 40% to 80% invested in equity securities, and 0% to 40% invested in cash and cash equivalents.

The following table summarizes the plan assets by major category as of December 31:

	2015	2014
Equity securities	68 %	67 %
Fixed income securities	31 %	32 %
Other	1 %	1 %
Total	100 %	100 %



## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### Note H - Restricted Net Assets and Commitments

The Society acts as custodian and disbursing agent for a number of trust funds with specific restricted purposes. The net asset balances of the restricted portions of the funds are as follows at December 31:

	2015		2014	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
McAlinden Fund	\$ 128,618	\$ -	\$ 128,618	\$ -
Pentagon Assistance Fund	434,355	-	1,184,355	-
Gordon B. Davis Fund	1,503,992	-	1,659,940	-
SCAMP Fund	-	250,000	-	250,000
Selfridge Fund	-	1,000,000	-	1,000,000
The Ilgenfritz Fund	814,551	-	820,954	-
Military Services Support	60,000	-	60,000	-
Clegg Fund	664,260	-	720,883	-
Neuman Fund	562,802	-	608,549	-
Lowell Reade	-	580,000	-	580,000
Alvin Cerny Fund	100,000	-	-	-
<b>Total funds</b>	<b>4,268,578</b>	<b>1,830,000</b>	<b>5,183,299</b>	<b>1,830,000</b>
Time restricted	3,583,742	-	3,572,684	-
Beneficial interest in Behannon Perpetual Trust	-	560,967	-	616,349
<b>Total restricted net assets</b>	<b>\$ 7,852,320</b>	<b>\$ 2,390,967</b>	<b>\$ 8,755,983</b>	<b>\$ 2,446,349</b>

Temporarily restricted net assets are available for the following purposes:

Joseph A. McAlinden Working Divers Scholarship Fund - To fund research of ocean agriculture by Navy working divers.

Pentagon Assistance Fund - To provide financial assistance to surviving spouses and children of the naval personnel killed as a result of the terrorist attack on the Pentagon on September 11, 2001, and those killed in the theater of combat operations during Operation Enduring Freedom. The fund provides for the Society to act as a guarantor of sufficient funds for tuition, books and fees for each of the surviving spouses and children to obtain a four-year, post-secondary university degree or equivalent technical/vocational training. Additionally, each surviving spouse received a distribution of \$50,000 and each surviving child will be eligible to receive \$125,000 upon reaching his or her 21st birthday. The Pentagon Assistance Fund was closed to new beneficiaries on June 1, 2007, coincident with the increase of the Servicemember's Group Life Insurance (SGLI) benefit to \$400,000 and Congressional approval of the transferability of education benefits to the spouses and dependent children of service personnel.

Gordon B. Davis Scholarship Fund - To provide education scholarships to eligible Marine Corps personnel.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note H - Restricted Net Assets and Commitments (Continued)**

The Ilgenfritz Fund - The Society received a partial distribution from the Ilgenfritz estate in 2013 directing the funds be used to provide educational assistance to children of active duty and deceased members of the Naval Services (Navy and Marine Corps). If the total received is in excess of one million dollars, the fund will become permanently restricted to the donated corpus.

Alvin Cerny Fund - To provide educational assistance to eligible Sailors, Marines and their families.

Military Services Support - To provide financial assistance for Society-wide programs, restricted to interest income only for a period of 10 years.

RADM Courtney G. Clegg (MC) and Mrs. Margaret H. Clegg Scholarship Fund - To provide education scholarships to eligible dependents of the Navy and Marine Corps.

Major Joel L. Neuman USMC Scholarship Fund - To provide educational assistance to eligible Sailors, Marines and their families.

#### *Permanently Restricted Endowment Funds*

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support its intended purpose. Permanently restricted net assets are available for the following purposes:

Scholarships for Children of American Military Personnel (SCAMP) - To provide scholarships through the Travers Scholarship Program (\$250,000 corpus).

Selfridge Fund - To assist widows and minor children of deceased officers and enlisted men of the U.S. Navy and Marine Corps (\$1,000,000 corpus).

Lowell Reade - To be used at the unrestricted discretion of the Society (\$580,000 corpus).

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note H - Restricted Net Assets and Commitments (Continued)**

##### *Commitments*

USS Cole Memorial Fund - Provides financial assistance to surviving family members of the personnel killed as a result of the terrorist attack on USS Cole on October 12, 2000. During 2013, the USS Cole Memorial Fund exhausted all monies in the fund. All future payments to support eligible beneficiaries will be paid out of the Society's unrestricted operating funds. The Society anticipates making disbursements to the 11 children for a total amount of \$1,375,000 as each child reached his or her 21st birthday. The Society has agreed to be the guarantor of sufficient funds for tuition, books and fees for each of the 11 children to obtain a four-year, post-secondary university degree or equivalent technical/vocational training. Since the Society is not the first payer of educational benefits, and since it is unknown how many of the children will pursue future education opportunities, or what the future costs of tuition will be for those who do request education assistance, it is not possible to estimate any reasonable future disbursement amount for this purpose.

Pentagon Assistance Fund - As disclosed above, the Society will act as a guarantor of sufficient funds for tuition, books and fees to obtain a four-year, post-secondary university degree or equivalent technical/vocational training for certain eligible individuals. Additionally, each surviving child will be eligible to receive \$125,000 upon reaching his or her 21st birthday. It is anticipated that the remaining funds restricted for this purpose will be insufficient to cover all the potential costs of fulfilling this commitment. However, the Society will continue to honor its commitment through the use of unrestricted funds if the remaining restricted funds are insufficient. Due to the nature of this commitment, it is not possible to reasonably estimate the future disbursements for these purposes.

No liability has been recorded in the statements of financial position as of December 31, 2015 or 2014 for the commitments described above. Expense for the commitment for the \$125,000 fixed sum is recognized in the year an eligible individual reaches age twenty-one, and for the educational expenses, in the year the qualified expenses are incurred.

##### *Interpretation and Adoption of Relevant Law*

Management and the Board of Directors of the Society have interpreted the District of Columbia "Uniform Prudent Management of Institutional Funds Act of 2007" (the Act), absent explicit donor stipulations to the contrary, to require the Society to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulated endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. The Society classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment required by the applicable donor gift instrument, if applicable.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note H - Restricted Net Assets and Commitments (Continued)**

##### *Investment Policy*

Permanently restricted funds are invested to provide long term growth of capital to meet the future obligations of the funds in accordance with the respective donor covenants establishing them. Another consideration and objective of the fund is to prudently manage risk by diversifying investments in a manner that lowers overall volatility of the funds' corpus. An asset allocation of 50% to 70% in equities, 20% to 50% in fixed income, and 5% to 10% in other asset classes is maintained.

##### *Spending Policy*

In making a determination to appropriate or accumulate funds in an endowment, the Society adheres to the standard of prudence prescribed by the Act as well as donor stipulations, and considers the following factors:

- The duration and preservation of the endowment fund
- The purposes of the institution and endowment fund
- General economic conditions and market cycles
- The effects of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of the Society
- The investment policies of the Society
- The changing financial needs of the Society's clients, i.e., demands for the services and programs of the Society

##### *Funds with Deficiencies*

From time to time, the fair value of assets associated with the individual donor restricted endowment funds discussed above may fall below the level that the donor requires the Society to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. As of December 31, 2015 there were funds with deficiencies of \$15,231. As of December 31, 2014, there were no funds with deficiencies.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note H - Restricted Net Assets and Commitments (Continued)**

##### *Other Permanently Restricted Funds*

The Society holds a beneficial interest in the Mozelle Behannon Charitable Trust, a perpetual trust which is valued at the fair value of the Society's one-third share of the assets in the trust. The Society receives an annual income payment which is used to fulfill the Society's mission.

Changes in permanently restricted net assets are as follows for the years ended December 31:

	2015	2014
<b>Permanently restricted endowments</b>		
Permanently restricted assets fair value, beginning of year	\$ 1,949,843	\$ 2,145,609
Contributions	-	-
Realized and unrealized losses	(135,074)	(195,766)
Permanently restricted assets fair value, end of year	\$ 1,814,769	\$ 1,949,843
Corpus, beginning of year	\$ 1,830,000	\$ 1,830,000
Additions to corpus	-	-
Corpus, end of year	\$ 1,830,000	\$ 1,830,000
<b>Other permanently restricted assets: Behannon Trust</b>		
Behannon Trust fair value, beginning of year	\$ 616,349	\$ 635,179
Realized and unrealized losses	(55,382)	(18,830)
Behannon Trust fair value, end of year	\$ 560,967	\$ 616,349
<b>Total permanently restricted net assets</b>	<b>\$ 2,390,967</b>	<b>\$ 2,446,349</b>

##### *Temporarily Restricted Funds*

The remaining portion of donor-restricted funds that are not classified as permanently restricted are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. Temporarily restricted funds for which the restricted purpose is satisfied in the year they are received are classified as unrestricted revenues on the statements of activities.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note H - Restricted Net Assets and Commitments (Continued)**

The following details the total assets released from restriction:

	2015	2014
Purpose restrictions accomplished:		
Pentagon Assistance Fund	\$ 750,000	\$ 375,000
SCAMP Fund	-	16,372
Selfridge Fund	-	65,487
Military Services Support	-	3,624
James C Clegg Trust	51,000	57,000
Gordon B Davis	143,000	-
Joel Neuman	41,000	102,000
Lowell Reade	-	37,984
Total purpose restrictions accomplished	985,000	657,467
Time restrictions released	3,572,684	3,956,116
Total restrictions released	\$ 4,557,684	\$ 4,613,583

#### **Note I - Contributed Services/Facilities/Equipment**

Donated services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased. No contributions of services were recorded in the financial statements for the years ended December 31, 2015 and 2014.

The Society receives substantial benefit from services provided by active and retired members of the Navy and Marine Corps and their spouses. These volunteer services totaled an estimated 309,000 hours and 320,000 hours in 2015 and 2014, respectively. The value of these volunteer services is not included in the financial statements.

## Navy-Marine Corps Relief Society

### Notes to Financial Statements (Continued)

#### **Note I - Contributed Services/Facilities/Equipment (Continued)**

In addition, the Navy and Marine Corps donate the use of office space and other services at various military installations around the world. The value of these donated facilities has not been reflected in the accompanying financial statements and is not presently determinable. Space occupied by the Society's Headquarters in Arlington, Virginia during 2015 and 2014 was valued at \$629,090 and \$597,211, respectively, which is recorded in the financial statements as contributed revenue and rent expense.

The Society, from time to time, is provided the use of government furniture and equipment in accordance with Title 10 of the U.S. Code and agreements reached between the Society and the Navy and Marine Corps. In 2015 and 2014, the Society was provided with \$397,850 and \$281,496, respectively, of computers and related equipment and software and recognized the donation as a contribution in the current period. The equipment is being depreciated over a five-year useful life in accordance with Title 10 and the Society recognized \$279,740 and \$225,828 in depreciation expense for 2015 and 2014, respectively.