

Navy-Marine Corps Relief Society

Audited Financial Statements

*Years ended December 31, 2025 and 2024
with Report of Independent Auditors*

Navy-Marine Corps Relief Society

Audited Financial Statements

Years ended December 31, 2025 and 2024

Contents

Report of Independent Auditors.....1 - 2

Audited Financial Statements

Statements of Financial Position.....3
Statements of Activities.....4
Statements of Functional Expenses.....5 - 6
Statements of Cash Flows.....7
Notes to Financial Statements.....8 - 29

Report of Independent Auditors

Board of Directors
Navy-Marine Corps Relief Society

Opinion

We have audited the financial statements of Navy-Marine Corps Relief Society (the Society), which comprise the statements of financial position as of December 31, 2025 and 2024, and 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 Society as of December 31, 2025 and 2024, and the results of its operations 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 Society 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 Society's ability to continue as a going concern for one year after the date that the financial statements are 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 Society'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 Society'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.

A handwritten signature in black ink that reads "Johnson Lambert LLP". The signature is written in a cursive, flowing style.

Vienna, Virginia
May 12, 2026

Navy-Marine Corps Relief Society

Statements of Financial Position

	December 31,	
	2025	2024
Assets		
Cash and cash equivalents	\$ 3,101,500	\$ 198,094
Investments	128,919,903	111,186,151
Prepaid expenses, inventory and other assets	3,680,710	1,844,461
Contributions and pledges receivable	2,617,304	2,586,504
Contributions receivable from estates	2,324,676	1,404,004
Government grants receivable - employee retention credit	1,268,917	-
Loans receivable, net of allowance for credit losses of \$1,882,140 and \$1,706,269 in 2025 and 2024, respectively	22,447,962	26,486,893
Property and equipment, net	1,726,801	3,809,081
Pension asset	4,908,786	1,100,113
Total assets	\$ 170,996,559	\$ 148,615,301
Liabilities and net assets		
Liabilities:		
Accounts payable, accrued expenses, and other liabilities	\$ 1,420,997	\$ 1,542,477
Accrued salary and leave	1,371,154	1,695,994
Lines of credit	1,729	187,382
Annuity payable	230,810	247,087
Total liabilities	3,024,690	3,672,940
Net assets:		
Without donor restrictions	148,066,620	135,409,049
With donor restrictions	19,905,249	9,533,312
Total net assets	167,971,869	144,942,361
Total liabilities and net assets	\$ 170,996,559	\$ 148,615,301

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Statements of Activities

	Years ended December 31,					
	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, investment income (loss) and other support						
Contributions	\$ 19,918,528	\$ 12,731,817	\$ 32,650,345	\$ 15,524,465	\$ 2,549,197	\$ 18,073,662
Contributions - In-kind support	25,227,901	-	25,227,901	2,067,979	-	2,067,979
Government grants - employee retention credit	1,558,940	-	1,558,940	2,235,387	-	2,235,387
Other revenues:						
Thrift shop	2,121,123	-	2,121,123	1,874,973	-	1,874,973
Miscellaneous	290,848	-	290,848	7,934	-	7,934
Investment income, net	<u>14,095,505</u>	<u>428,882</u>	<u>14,524,387</u>	<u>13,994,281</u>	<u>515,167</u>	<u>14,509,448</u>
	63,212,845	13,160,699	76,373,544	35,705,019	3,064,364	38,769,383
Net assets released from restrictions:						
Satisfaction of program restrictions	763,145	(763,145)	-	488,229	(488,229)	-
Expiration of time restrictions	<u>2,049,196</u>	<u>(2,049,196)</u>	<u>-</u>	<u>2,206,829</u>	<u>(2,206,829)</u>	<u>-</u>
Total net assets released from restrictions	<u>2,812,341</u>	<u>(2,812,341)</u>	<u>-</u>	<u>2,695,058</u>	<u>(2,695,058)</u>	<u>-</u>
Total revenues, investment income (loss) and other support	66,025,186	10,348,358	76,373,544	38,400,077	369,306	38,769,383
Expenses						
Program services	26,914,206	-	26,914,206	23,908,558	-	23,908,558
Management and general	3,857,940	-	3,857,940	3,642,530	-	3,642,530
Fundraising	<u>26,404,142</u>	<u>-</u>	<u>26,404,142</u>	<u>2,952,497</u>	<u>-</u>	<u>2,952,497</u>
Total expenses	<u>57,176,288</u>	<u>-</u>	<u>57,176,288</u>	<u>30,503,585</u>	<u>-</u>	<u>30,503,585</u>
Change in net assets from operations	<u>8,848,898</u>	<u>10,348,358</u>	<u>19,197,256</u>	<u>7,896,492</u>	<u>369,306</u>	<u>8,265,798</u>
Non-operating activities						
Change in beneficial interest in trust held by third parties	-	23,579	23,579	-	30,876	30,876
Net periodic pension benefit other than service costs	564,434	-	564,434	550,334	-	550,334
Pension related benefit other than net periodic pension cost	<u>3,244,239</u>	<u>-</u>	<u>3,244,239</u>	<u>4,054,811</u>	<u>-</u>	<u>4,054,811</u>
Change in net assets	12,657,571	10,371,937	23,029,508	12,501,637	400,182	12,901,819
Net assets, beginning of year	<u>135,409,049</u>	<u>9,533,312</u>	<u>144,942,361</u>	<u>122,907,412</u>	<u>9,133,130</u>	<u>132,040,542</u>
Net assets, end of year	<u><u>\$ 148,066,620</u></u>	<u><u>\$ 19,905,249</u></u>	<u><u>\$ 167,971,869</u></u>	<u><u>\$ 135,409,049</u></u>	<u><u>\$ 9,533,312</u></u>	<u><u>\$ 144,942,361</u></u>

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Statements of Functional Expenses

Year ended December 31, 2025

	Program Services	Supporting Services			2025 Total
	Client Services	Management and General	Fundraising	Total Supporting Services	
Expenses					
Salaries and benefits	\$ 15,315,400	\$ 2,176,219	\$ 863,226	\$ 3,039,445	\$ 18,354,845
Grant expense	2,815,437	-	-	-	2,815,437
Allowance for credit losses (net of recoveries)	2,095,375	-	-	-	2,095,375
Loans converted to grants	175,871	-	-	-	175,871
Financial assistance fees	5,697	-	-	-	5,697
Non-financial programs	349,943	-	-	-	349,943
Volunteer expenses	371,562	-	-	-	371,562
Human resources	-	401,116	-	401,116	401,116
Professional fees/bank charges	-	671,808	25,283,842	25,955,650	25,955,650
Office administration	1,156,279	164,300	65,172	229,472	1,385,751
Travel expense	110,022	5,080	20,059	25,139	135,161
Training and conferences	15,164	-	-	-	15,164
Depreciation and equipment expenses	2,578,097	366,329	145,298	511,627	3,089,724
Impairment of software	1,451,811	-	-	-	1,451,811
Miscellaneous administration	2,581	6,167	-	6,167	8,748
Total expenses by function	26,443,239	3,791,019	26,377,597	30,168,616	56,611,855
Net periodic pension benefit other than service costs	470,967	66,921	26,545	93,466	564,433
Total operating expenses	<u>\$ 26,914,206</u>	<u>\$ 3,857,940</u>	<u>\$ 26,404,142</u>	<u>\$ 30,262,082</u>	<u>\$ 57,176,288</u>

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Statements of Functional Expenses

Year ended December 31, 2024

	Program	Supporting Services			2024 Total
	Services	Client Services	Management and General	Fundraising	
Expenses					
Salaries and benefits	\$ 14,520,352	\$ 2,107,878	\$ 1,025,693	\$ 3,133,571	\$ 17,653,923
Grant expense	2,859,118	-	-	-	2,859,118
Allowance for credit losses (net of recoveries)	2,087,306	-	-	-	2,087,306
Loans converted to grants	221,258	-	-	-	221,258
Financial assistance fees	7,731	-	-	-	7,731
Non-financial programs	360,287	-	-	-	360,287
Volunteer expenses	343,233	-	-	-	343,233
Human resources	-	347,858	-	347,858	347,858
Professional fees/bank charges	-	693,127	1,672,877	2,366,004	2,366,004
Office administration	1,023,608	148,594	72,306	220,900	1,244,508
Travel expense	128,034	4,007	13,387	17,394	145,428
Training and conferences	45,276	-	-	-	45,276
Depreciation and equipment expenses	1,858,199	269,750	131,260	401,010	2,259,209
Miscellaneous administration	1,506	5,606	5,000	10,606	12,112
Total expenses by function	<u>23,455,908</u>	<u>3,576,820</u>	<u>2,920,523</u>	<u>6,497,343</u>	<u>29,953,251</u>
Net periodic pension benefit other than service costs	<u>452,650</u>	<u>65,710</u>	<u>31,974</u>	<u>97,684</u>	<u>550,334</u>
Total operating expenses	<u>\$ 23,908,558</u>	<u>\$ 3,642,530</u>	<u>\$ 2,952,497</u>	<u>\$ 6,595,027</u>	<u>\$ 30,503,585</u>

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Statements of Cash Flows

	Years ended December 31,	
	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 23,029,508	\$ 12,901,819
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and impairment of software	2,412,502	866,332
Realized and unrealized (losses) gains, net	(5,552,718)	(11,292,233)
Change in beneficial interest in trusts held by third parties	(23,579)	(30,876)
Change in allowance for credit losses	175,871	221,258
Pension related costs other than net periodic costs	(3,244,239)	(4,054,811)
Changes in operating assets and liabilities:		
Prepaid expenses, inventory and other assets	(1,836,249)	(236,912)
Contributions and pledges receivable	(951,472)	4,884,503
Government grants receivable - ERC	(1,268,917)	-
Loans receivable	3,863,060	(451,975)
Pension asset/liability	(564,434)	(650,334)
Accounts payable and accrued expenses	(121,480)	22,631
Accrued salary and leave	(324,840)	202,001
Annuity payable	(16,277)	(114,024)
Net cash from operating activities	15,576,736	2,267,379
Cash flows from investing activities		
Purchase of property and equipment	(330,222)	(1,490,373)
Net (purchase) sale of investments	(12,157,455)	2,594,157
Net cash from investing activities	(12,487,677)	1,103,784
Cash flows from financing activities		
Proceeds from line of credit	54,970,000	55,645,000
Payments on line of credit	(55,155,653)	(59,041,038)
Net cash from financing activities	(185,653)	(3,396,038)
Net change in cash and cash equivalents	2,903,406	(24,875)
Cash and cash equivalents, beginning of year	198,094	222,969
Cash and cash equivalents, end of year	\$ 3,101,500	\$ 198,094
Supplemental cash flow information		
Interest paid	\$ 113,169	\$ 301,370

See accompanying notes to the financial statements.

Navy-Marine Corps Relief Society

Notes to Financial Statements

Years ended December 31, 2025 and 2024

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).

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Society's ongoing program and supporting services. Nonoperating activities are limited to the change in beneficial interest in trust held by third parties, net periodic pension costs other than service costs and pension related changes other than net periodic pension cost.

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 May 12, 2026, the date on which these financial statements were available to be issued.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Net Assets

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

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose has been fulfilled, or both.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributed to more than one program or supporting function, and therefore, require allocation on a reasonable basis that is consistently applied. Salaries and benefits, office administration expenses and depreciation and equipment expenses are allocated on the basis of estimates of time and effort, while all other expenses are allocated directly based on the nature of the activity.

Revenue Recognition

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. Contributions are recognized when a promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend on have been met. Contributions received are recorded at fair value as net assets without donor restriction, or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. A contribution is reported as without donor restrictions if a restriction is fulfilled in the same time period in which the contribution is received.

From time to time the Society will be named as a beneficiary in an estate. In accordance with U.S. GAAP the Society recognizes these unconditional contributions when the associated will is approved by the respective probate court and the Society has received sufficient information to estimate the value of the contribution.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (continued)

Revenue from sales at thrift shops is measured based on the amount of consideration received at the time of the sale. Generally the stand-alone selling price is based on the prices charged to customers. Revenue is recognized when control of the goods is transferred to the customer, which is the point of sale and satisfaction of the performance obligation. As each item is individually priced, no allocation of the transaction price is necessary. Payment is due at the time of sale.

Contributions and Pledges Receivable and Contributions Receivable from Estates

The Society estimates contributions and pledges receivable based on prior years' experience and management's analysis of specific promises made. All amounts are considered current. Contributions receivable from estates are expected to be collected within one year and accordingly there is no discount to present value. There is no allowance recorded for these receivables.

Credit Losses

The Society measures expected credit losses on loans receivable and records an allowance for credit loss when management determines a credit loss exists. Allowances for credit losses are recorded as contra-assets that reduce the corresponding financial assets on the statements of financial position, with the offset recorded as credit loss expense in the statements of activities. As the estimate of expected credit losses changes with subsequent evaluations, those increases and decreases are recognized in the statement of activities. The Society writes off uncollectible amounts against the allowance for credit losses when it determines that a financial asset is partially or fully uncollectible.

Loans Receivable - Assistance and Education

The Society's loans receivable are reported on the statements of financial position, net of an allowance for credit losses. 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 past due when payments are not received as scheduled.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Loans Receivable - Assistance and Education (continued)

The Society measures expected credit losses on loans collectively on the aggregate balance, not on the individual loan basis. Delinquent loans are written off when internal collection efforts have been exhausted and the account is deemed uncollectible. The Society evaluates the adequacy of the allowance as a percentage of loans outstanding on an annual basis based on the history of loan write-offs, conversions to grants and total loan assistance, adjusted for current conditions and reasonable supportable forecasts.

Investments and Fair Value Measurements

All investments are carried at fair value, with gains and losses included in the statements of activities. Investment income (loss), net consists of interest and dividends earned from cash, cash equivalents and investments, 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.

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.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Investments and Fair Value Measurements (continued)

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.

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, 2025.

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.

Gift Cards

The Society uses gift cards as a part of the operations for the Budget For Baby (B4B) program. As a result, gift cards were on hand as of December 31, 2025 and 2024, and are recorded within prepaid expenses, inventory and other assets on the statements of financial position.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note B - Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment, which includes software, 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. Work in progress, including capitalized costs associated with internally developed software, is placed into service and depreciated over the estimated useful lives of the related assets when operational. The Society evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If internally developed software or other work-in-progress is determined in the current year that it will not be completed, placed in service, or otherwise utilized as originally intended, the Society evaluates the asset for impairment and recognizes a loss for the amount by which the carrying value exceeds its estimated fair value, or other appropriate recoverable amount, as applicable. Capitalized software costs that are written down as a result of impairment are not subsequently restored.

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.

Cash Overdrafts

The Society's cash and cash equivalents balance may, at times, include bank overdrafts. These are overdrafts owed to the bank that resulted from checks issued or other payments made in excess of available account balances. These overdrafts are presented within other liabilities on the statements of financial position.

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 different investment managers. The Society holds an investment in a hedge fund that represents 9% and 10% of investments as of December 31, 2025 and 2024, respectively.

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 B - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation.

Note C - Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

	December 31,	
	2025	2024
Cash and cash equivalents	\$ 3,101,500	\$ 198,094
Investments	95,598,430	89,238,959
Contributions and pledges receivable	2,617,304	2,586,504
Contributions receivable from estates	2,324,676	1,404,004
Loans due within one year	<u>20,254,810</u>	<u>23,582,452</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 123,896,720</u>	<u>\$ 117,010,013</u>

The Society has a policy to utilize lines of credit to meet daily obligations, as necessary. The Society is primarily supported by loan repayments and contributions. The Society had assets available for general expenditure within one year of \$123,896,720 and \$117,010,013 as of the years ended December 31, 2025 and 2024, respectively. None of the financial assets shown above are subject to any donor or other restrictions that make them unavailable for general expenditures.

Management has informally designated a portion of its investments as a reserve fund. These amounts are not deemed to be board designated net assets under U.S. GAAP. The Society maintains within this reserve fund an amount determined by the Board of Directors or management to be adequate to fund the maximum cash draw down of the fiscal or calendar year, and amounts may be drawn upon with Board of Directors or management approval. These amounts can be made available as necessary by either the Board of Directors or management, and can be used for ongoing programs and operations. The Society's annual business plan, which is approved by the Board of Directors, includes a planned reserve fund withdrawal, as necessary, to balance cash inflows and outflows.

The Society's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

As discussed in Note G, the Society has lines of credit with financial institutions that they may draw on as needed.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note D - 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 meet its financial goals.

Investments are stated at fair value and consist of the following at December 31:

	<u>2025</u>	<u>2024</u>	<u>Level</u>
Bond exchange traded funds	\$ 134,516	\$ 28,976	Level 1
Equity exchange traded funds	71,082,782	63,061,522	Level 1
Short-term investments	12,475,242	5,374,669	Level 1
Equity mutual funds	21,654,199	19,980,942	Level 1
Bond mutual funds	11,852,195	10,923,718	Level 1
Fixed income securities	82,879	38,967	Level 2
Beneficial interest in perpetual trust	606,779	583,201	Level 2
Hedge fund	<u>11,031,311</u>	<u>11,194,156</u>	N/A
Total	<u>\$ 128,919,903</u>	<u>\$ 111,186,151</u>	

The Society invests in a hedge fund, the Nineteen77 Global Multi-Strategy Alpha 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 U.S. GAAP, the Society uses the NAV as a practical expedient to determine the fair value of this private investment vehicle and it is therefore excluded from the fair value hierarchy.

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 Nineteen77 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 D - Investments (Continued)

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. During 2025 the Society formally requested the liquidation of the investment in the Fund, which is effective March 31, 2026. In April 2026, the Society received approximately \$7.4 million in cash and \$3.2 million in shares of a private equity holding that will be liquidated over time. As of December 31, 2025 and 2024, there were no unfunded commitments related to the Fund.

Note E - 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 an assessment of ability to repay the loan. Most repayments occur through an automatic withdrawal through the service members' pay system, Defense Finance and Accounting Service (DFAS).

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note E - 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:

	2025	2024
Loans outstanding, beginning of year	\$ 28,193,162	\$ 27,741,187
Loans made	44,420,607	47,508,684
Collections on loans	(46,188,292)	(44,969,402)
Loans considered uncollectible	(1,919,504)	(1,866,048)
Loans converted to grants	(175,871)	(221,259)
Loans outstanding	24,330,102	28,193,162
Allowance for credit losses	(1,882,140)	(1,706,269)
Loans receivable, end of year	\$ 22,447,962	\$ 26,486,893

The following chart represents the aging of loans receivable by class of loan as of December 31, 2025 and 2024:

	2025	2024
Current	\$ 23,882,739	\$ 26,994,865
31 - 60 days	145,197	146,581
61 - 90 days	55,654	105,294
Greater than 90 days	246,512	946,422
Loans receivable, gross	24,330,102	28,193,162
Allowance for credit losses	(1,882,140)	(1,706,269)
Loans receivable, net	\$ 22,447,962	\$ 26,486,893

The following chart provides information for loans receivable as of December 31:

	2025	2024
Number of loans outstanding	28,814	35,107
Average face amount of loans	\$ 1,498	\$ 1,378
Average carrying amount of loans	\$ 845	\$ 814

The difference between the average face and average carrying amount of loans is due to payments of principal by loanees. Total credit losses, which are recorded in program services expenses in the statements of activities, are \$2,095,375 and \$2,087,306 for the years ending December 31, 2025 and 2024, respectively.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note E - Loans Receivable-Assistance and Education (Continued)

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

	<u>2025</u>	<u>2024</u>
Allowance, beginning balance	\$ 1,706,269	\$ 1,485,011
Allowance for credit losses	2,095,375	2,087,306
Loans considered uncollectible	<u>(1,919,504)</u>	<u>(1,866,048)</u>
Allowance, ending balance	<u>\$ 1,882,140</u>	<u>\$ 1,706,269</u>

Note F - Property and Equipment

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

	<u>2025</u>	<u>2024</u>
Office furniture and equipment	\$ 61,967	\$ 61,967
Automobiles	25,367	25,367
Computer equipment	2,899,044	2,568,721
Software (including work-in-progress)	<u>4,715,453</u>	<u>6,167,364</u>
	7,701,831	8,823,419
Less: accumulated depreciation	<u>(5,975,030)</u>	<u>(5,014,338)</u>
Total property and equipment, net	<u>\$ 1,726,801</u>	<u>\$ 3,809,081</u>

Note G - Lines of Credit

The Society maintains a \$10,000,000 line of credit with Truist 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 Truist line of credit expires on August 31, 2026 and carries an interest rate of the SOFR index plus 1.22% per annum. The Fixed Income Collateral account is pledged as collateral against the line of credit. The agreement allows for borrowing up to 75% of the market value (current market value of \$15,681,596 as of December 31, 2025) of this investment account. The outstanding principal and interest balance with Truist as of December 31, 2025 and 2024, respectively, was \$1,729 and \$187,382 .

The UBS line of credit carries an interest rate equal to the index (30-day SOFR average plus 0.11% per annum) plus a spread of 1.2%. One of the Society's investment accounts with UBS (current market value of \$87,023,865 as of December 31, 2025) is pledged as collateral. The outstanding account balance with UBS at December 31, 2025 and 2024 was \$0.

The carrying value of both liabilities approximates fair value.

Navy-Marine Corps Relief Society
Notes to Financial Statements (Continued)

Note H - Retirement Plans

The Society sponsors a defined benefit retirement plan (the Plan) and a 401(k) 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 on January 1, 2011, any employee hired after that date will not be eligible to enter the Plan. Effective December 16, 2020, the Plan was amended to freeze benefits effective December 31, 2021.

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 statements of financial position and as a reduction of net assets without donor restriction 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>2025</u>	<u>2024</u>
Accumulated benefit obligation	\$ 50,536,771	\$ 50,960,167
Projected benefit obligation	\$ (50,536,771)	\$ (50,960,167)
Plan assets at fair value	<u>55,445,557</u>	<u>52,060,280</u>
Funded status	<u>\$ 4,908,786</u>	<u>\$ 1,100,113</u>

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note H - 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:

	2025	2024
Employer contribution	\$ -	\$ 100,000
Benefits paid	\$ 3,582,480	\$ 3,486,833
Components of net periodic benefit costs:		
Service costs	\$ -	\$ -
Interest costs	2,693,221	2,588,455
Amortization of actuarial loss	-	-
Expected return on plan assets	(3,257,655)	(3,138,789)
Net periodic pension (benefit) costs	\$ (564,434)	\$ (550,334)

The amounts that have been recognized for the period as an increase (reduction) in net assets without donor restriction arising from the Plan but not yet reclassified as components of net periodic benefit cost for the years ended December 31:

	2025	2024
Net benefit	\$ 3,244,239	\$ 4,054,811

There are no accumulated prior service costs that will be amortized into net periodic benefit costs during 2026. The net loss that will be amortized into net periodic benefit costs during 2026 is \$0.

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 H - Retirement Plans (Continued)

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

	2025	2024
Weighted-average assumptions to determine benefit obligations:		
Discount rate	5.50 %	5.50 %
Rate of compensation increase	- %	- %
Weighted-average assumptions to determine net periodic pension cost:		
Discount rate	5.50 %	5.00 %
Expected long-term rate of return on plan assets	6.50 %	6.50 %
Rate of compensation increase	- %	- %

During 2025 and 2024, the mortality table used to value benefits was the RP-2014 Healthy Annuitant Mortality Table with the MP-2021 Improvement Generational Scale. As of December 31, 2025 and 2024, MP-2021 is the most recently issued scale by the Society of Actuaries.

The projected benefit obligation decreased in 2025 and 2024 due to benefit payments made during the year as well as the actuarial gain.

Based on actuarial estimates, in 2026 the Society expects to contribute approximately \$100,000 to plan year 2026. The estimated future benefits payments are as follows for the fiscal years ending December 31, 2026 through 2036:

2026	\$	4,129,133
2027		4,084,909
2028		4,021,064
2029		3,984,443
2030		4,037,903
2031 - 2036		19,200,054
	\$	39,457,506

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.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note H - Retirement Plans (Continued)

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, 2025 and 2024:

	2025	2024	Level
Bond mutual funds	\$ 14,273,224	\$ 13,224,785	1
Equity mutual funds	38,764,267	37,335,840	1
Money market funds	2,408,066	1,499,655	1
	\$ 55,445,557	\$ 52,060,280	

There were no transfers between levels during the years ended December 31, 2025 or 2024.

The investment policy and target investment allocations for the plan assets for the fiscal years ending December 31, 2025 and 2024, respectively, 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:

	2025	2024
Equity securities	68 %	72 %
Fixed income securities	28 %	25 %
Other	4 %	3 %
Total	100 %	100 %

The Society sponsors a 401(k) Plan that was originally for only those employees hired after January 1, 2011. Contributions to the 401(k) Plan were \$1,048,743 and \$1,101,969 for 2025 and 2024, respectively. Effective December 16, 2020, the 401(k) Plan was amended to allow participants hired prior to January 1, 2011 entry into the 401(k) Plan. Additionally this amendment stipulates supplemental Employer contributions for these new participants.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note I - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Gordon B. Davis Fund	\$ 1,581,490	\$ 1,727,490
Lilly Endowment Inc.	10,058,905	-
Clegg Fund	563,166	563,166
Neuman Fund	255,823	288,994
Bob Woodruff Foundation	560,519	-
USAA	99,485	99,485
Wellington T. Mara Fund	50,000	100,000
Vandaveer	200,123	348,331
Endowment investment income	<u>654,506</u>	<u>515,167</u>
	14,024,017	3,642,633
Subject to the passage of time:		
Pledges receivable	2,016,170	2,049,196
Restricted in perpetuity:		
SCAMP Fund	250,000	250,000
Selfridge Fund	1,000,000	1,000,000
The Ilgenfritz Fund	1,428,283	1,428,283
Lowell Reade	580,000	580,000
Beneficial interest in Behannon Perpetual Trust	<u>606,779</u>	<u>583,200</u>
	<u>3,865,062</u>	<u>3,841,483</u>
Total net assets with donor restrictions	<u>\$ 19,905,249</u>	<u>\$ 9,533,312</u>

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note I - Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time as follows for the year ended December 31:

	2025	2024
Satisfaction of purpose restrictions:		
SCAMP Fund	\$ 17,548	\$ -
Selfridge Fund	70,189	-
Gordon B Davis Fund	146,000	174,560
Neuman Fund	33,171	262,000
Ilgenfritz Fund	137,592	-
Lowell Reade	40,636	-
Wellington T. Mara Fund	50,000	-
Bob Woodruff Foundation	119,801	-
Vandaveer	148,208	51,669
	763,145	488,229
Expiration of time	2,049,196	2,206,829
Total net assets released from donor restrictions	\$ 2,812,341	\$ 2,695,058

Net assets with donor restrictions are available for the following purposes:

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

Lilly Endowment Inc - To provide assistance with capacity building support.

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.

Bob Woodruff Foundation - To provide basic needs and emergency travel assistance for military families.

USAA - To provide support for the Budget for Baby Workshop, Emergency Financial Assistance, Disaster Assistance, and Combat Casualty Assistance – Visiting Nurse program.

Wellington T. Mara Scholarship Fund - To provide educational assistance to children and spouses of Sailors and Marines, both active and retired.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note I - Net Assets With Donor Restrictions (Continued)

Susie Cozart Vandaveer and Lee Raymond Vandaveer - To provide housing assistance for Marines who have been honorably discharged.

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).

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). During 2016, based on the agreement with the estate, the entire balance of this fund was restricted to the donated corpus (\$1,428,283 corpus).

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

Behannon Perpetual Trust - 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.

Note J - Commitments and Contingencies

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 Service member'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. As of December 31, 2025, there are no net assets with donor restrictions remaining relating to this purpose. However, the Society will continue to honor its commitment through the use of net assets without donor restrictions. Due to the nature of this commitment, it is not possible to reasonably estimate the future disbursements for these purposes.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note J - Commitments and Contingencies (Continued)

No liability has been recorded in the statements of financial position as of December 31, 2025 and 2024 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. The Society expects that 2 children will receive this benefit through the year ended December 31, 2027.

Legal Matter - The Society is involved in pending litigation regarding an employment discrimination claim. The Society is vigorously defending itself. Management has determined that there is more than a remote chance of an unfavorable outcome. No liability has been accrued for this matter in the accompanying financial statements. At this time, the Society is unable to estimate the possible loss or range of loss, if any, that may result from resolving this matter.

Note K - Endowment

The Society's endowments consist of five individual donor-restricted endowment funds established for the purposes of providing income to support general operations and specific activities, as detailed in Note I. As required by U.S. GAAP, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation 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 (UPMIFA) as requiring the preservation of the fair value of the original gifts as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2025 and 2024, there were no such donor stipulations. As a result of this interpretation, the Society retains in perpetuity (a) the original value of the initial and subsequent gift amounts (including promises to give net of discount and allowance for uncollectible amounts) donated to the endowment fund and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Society has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies as of December 31, 2025 and 2024.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note K - Endowment (Continued)

Investment and Spending Policies

Endowment 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.

The Society considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the endowment fund
- The purpose of the Society and the donor restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the 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 services and programs of the Society

The earnings on endowment funds in excess of corpus are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors. Donor restricted funds for which the restricted purpose is satisfied in the year they are received are classified as net assets without donor restrictions on the statements of activities.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note K - Endowment (Continued)

Investment and Spending Policies (continued)

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

	With Donor Restrictions
Endowment net assets January 1, 2025	\$ 3,841,483
Contributions	-
Investment return, net	428,882
Amounts subject to expenditure for specified purpose	(405,303)
Endowment net assets December 31, 2025	\$ 3,865,062
Endowment net assets January 1, 2024	\$ 3,810,607
Contributions	-
Investment return, net	437,197
Amounts appropriated for expenditure	(406,321)
Endowment net assets December 31, 2024	\$ 3,841,483

Note L - 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.

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 196,000 hours and 198,000 hours in 2025 and 2024, respectively. The value of these volunteer services is not included in the financial statements.

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 is recorded in the financial statements as contributions and office administration expense.

Contributed equipment is recorded at fair value on the date of donation. Contributions with donor imposed stipulations regarding how long the contributed asset must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Navy-Marine Corps Relief Society

Notes to Financial Statements (Continued)

Note L - Contributed Services/Facilities/Equipment (Continued)

The Society recognize in-kind contributions of \$25,227,901 and \$2,067,979 for fiscal years 2025 and 2024, respectively. These non-cash contributions primarily consist of the following for the years ended December 31:

Nonfinancial asset	2025	2024	Program benefited	Donor restriction	Valuation technique
Rent	\$ 671,722	\$ 688,613	Allocated across program and supporting services	None	Estimation of comparable space as valued by the Navy and Marine Corps
Advertising	\$24,124,163	\$ 918,199	Allocated across program and supporting services	None	Fair value recorded as determined by estimated value of media exposure received based on 3rd party analysis
Computers	\$ 432,016	\$ 461,167	Allocated across program and supporting services	None	Fair value recorded is based on estimated value of computer equipment that would have been purchased

Note M - Government Grants

Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and subsequent Acts, the Society filed amended 2020 and 2021 tax returns for a refundable employee retention payroll tax credit (ERC) totaling \$3,794,327. The ERC was established to help organizations retain their workforces and avoid layoffs during the coronavirus pandemic. Terms and conditions of the ERC include meeting eligibility requirements based on the government shutdown test or significant decline in revenue test and using the funds for eligible payroll expenses. The Society accounted for the ERC under the conditional contribution model in ASC 958-605, *Not-for-Profit Entities*.

Under the conditional contribution model, the ERC is recognized as revenue when conditions are substantially met. Management has determined that all conditions including eligibility and terms of the ERC have been substantially met for some of the ERC applications during the years ended December 31, 2025 and 2024. For the years ended December 31, 2025 and 2024, the Society recorded government grants revenue of \$1,558,940 and \$2,235,387, respectively, in the statements of activities. The Society recognized receivables of \$1,268,917 and \$0 as of December 31, 2025 and 2024, respectively, related to ERC of \$1,064,692 and interest of \$204,225, on the statements of financial position. The ERC credit and interest of \$1,268,917 was received by the Society on February 17, 2026.