

**The United States Naval Academy
Alumni Association, Inc.**

**United States Naval Academy
Foundation, Inc.**

Consolidated Financial Report
June 30, 2025

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Independent Auditor's Report

Board of Trustees
The United States Naval Academy Alumni Association, Inc.

Board of Directors
United States Naval Academy Foundation, Inc.

Opinion

We have audited the consolidated financial statements of The United States Naval Academy Alumni Association, Inc. (the Alumni Association) and United States Naval Academy Foundation, Inc. (the Foundation) (collectively, the Associations) which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Associations as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Associations' 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 Associations' 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 audits, significant audit findings and certain internal control-related matters that we identified during the audits.

RSM US LLP

Baltimore, Maryland
November 19, 2025

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

**Consolidated Statements of Financial Position
June 30, 2025 and 2024**

	2025	2024
Assets		
Cash and cash equivalents	\$ 4,384,126	\$ 4,231,789
Accounts receivable and other assets	7,373,921	6,737,322
Contributions receivable, net (Notes 3 and 5)	78,301,827	65,665,818
Investments (Note 5)	303,877,732	267,659,087
Property and equipment, net (Note 7)	36,019,859	37,327,791
Interest in third-party trusts (Note 5)	3,792,660	3,534,766
Investments held for endowment (Note 5)	<u>129,080,439</u>	120,410,374
Total assets	<u>\$ 562,830,564</u>	<u>\$ 505,566,947</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,901,258	\$ 3,162,326
Class savings accounts	3,430,681	3,245,180
Deferred income and deposits	1,445,489	1,693,807
Split-interest agreements	6,650,146	6,970,465
Accrued key employees' retirement (Note 10)	<u>1,524,539</u>	1,319,361
Total liabilities	<u>16,952,113</u>	<u>16,391,139</u>
Commitments (Notes 5 and 10)		
Net assets:		
Without donor restrictions (Note 2):		
Operations	77,509,922	75,159,057
Facilities	-	2,800,000
Alumni Center operations	4,674,370	3,103,572
Stadium maintenance	-	11,657
Operating reserve	7,474,638	7,474,638
Alumni Association sustainability	<u>6,818,663</u>	6,604,857
Total net assets without donor restrictions	<u>96,477,593</u>	<u>95,153,781</u>
With donor restrictions (Notes 11 and 12)	449,400,858	394,022,027
Total net assets	<u>545,878,451</u>	<u>489,175,808</u>
Total liabilities and net assets	<u>\$ 562,830,564</u>	<u>\$ 505,566,947</u>

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

**Consolidated Statement of Activities
Year Ended June 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions	\$ 8,960,251	\$ 59,028,958	\$ 67,989,209
Contributions of nonfinancial assets (Note 6)	543,590	101,498	645,088
Membership dues	714,001	-	714,001
Net investment income (Note 4)	3,962,931	33,438,780	37,401,711
Publications and advertising	234,498	-	234,498
House activities	900,357	-	900,357
Event income	219,484	-	219,484
Career transition services	1,271,539	-	1,271,539
Fund administrative fee	4,868,785	-	4,868,785
Royalties	736,006	-	736,006
Travel income	132,765	-	132,765
Other	113,489	-	113,489
Gain on sale of property	643,561	-	643,561
Other support:			
Change in value of split-interest agreements	305,512	467,422	772,934
Changes in donors' intent (Note 9)	68,355	(68,355)	-
Net assets released from restrictions (Note 9)	37,589,472	(37,589,472)	-
Total revenue, gains and other support	61,264,596	55,378,831	116,643,427
 Expenses:			
Program services:			
Support to the Naval Academy (Note 6)	33,571,414	-	33,571,414
Alumni publications	927,789	-	927,789
Membership support	4,627,451	-	4,627,451
Partnership marketing	87,896	-	87,896
Alumni communications	1,481,459	-	1,481,459
Career transitions	1,507,847	-	1,507,847
Total program services	42,203,856	-	42,203,856
Supporting services:			
Development	14,132,220	-	14,132,220
General and administrative	3,604,708	-	3,604,708
Total supporting services	17,736,928	-	17,736,928
Total expenses	59,940,784	-	59,940,784
 Change in net assets	1,323,812	55,378,831	56,702,643
 Net assets:			
Beginning	95,153,781	394,022,027	489,175,808
Ending	\$ 96,477,593	\$ 449,400,858	\$ 545,878,451

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

**Consolidated Statement of Activities
Year Ended June 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions	\$ 2,955,423	\$ 41,686,736	\$ 44,642,159
Contributions of nonfinancial assets (Note 6)	481,803	476,112	957,915
Membership dues	635,842	-	635,842
Merchandise sales	10,112	-	10,112
Net investment income (Note 4)	4,991,804	32,120,890	37,112,694
Publications and advertising	182,020	-	182,020
House activities	833,420	-	833,420
Career transition services	1,076,317	-	1,076,317
Fund administrative fee	4,108,244	-	4,108,244
Royalties	260,327	-	260,327
Travel income	115,879	-	115,879
Other	346,330	-	346,330
Other support:			
Change in value of split-interest agreements	185,429	43,133	228,562
Changes in donors' intent (Note 9)	25,750	(25,750)	-
Net assets released from restrictions (Note 9)	42,604,187	(42,604,187)	-
Total revenue, gains and other support	58,812,887	31,696,934	90,509,821
Expenses:			
Program services:			
Support to the Naval Academy (Note 6)	32,433,690	-	32,433,690
Alumni publications	1,087,348	-	1,087,348
Membership support	5,393,390	-	5,393,390
Partnership marketing	203,221	-	203,221
Alumni communications	1,299,104	-	1,299,104
Career transitions	1,323,607	-	1,323,607
Total program services	41,740,360	-	41,740,360
Supporting services:			
Development	10,945,891	-	10,945,891
General and administrative	5,532,056	-	5,532,056
Total supporting services	16,477,947	-	16,477,947
Total expenses	58,218,307	-	58,218,307
Change in net assets	594,580	31,696,934	32,291,514
Net assets:			
Beginning	94,559,201	362,325,093	456,884,294
Ending	\$ 95,153,781	\$ 394,022,027	\$ 489,175,808

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2025
(With Comparative Totals For The Year Ended June 30, 2024)**

	Program Services										Supporting Services				2024	
	Support to USNA	Alumni Publications	Membership Support	Partnership Marketing	Alumni Communications	Career Transitions	Development	General and Administrative	Total	Total						
Audit and accounting	\$ -	\$ 5,586	\$ 39,099	\$ 1,862	\$ 13,033	\$ 5,586	\$ 89,487	\$ 42,823	\$ 197,476	\$ 187,913						
Awards and gifts	-	4	22,928	1	957	219	14,250	1,616	39,975	42,522						
Bad debt expense	-	-	-	-	-	-	2,635,647	-	2,635,647	1,404,915						
Conferences, conventions and meetings	-	18	53,250	6	2,119	723,435	73,626	7,848	860,302	539,920						
Consulting	-	-	-	-	-	-	302,365	-	302,365	268,012						
Cost of goods	-	-	-	-	-	-	-	-	-	8,392						
Depreciation (Note 7)	-	38,584	270,085	12,861	90,028	38,584	650,651	295,807	1,396,600	1,337,785						
Donor cultivation	-	-	26,552	-	-	-	298,961	17,485	342,998	557,560						
Equipment rental, purchase and maintenance	-	797	57,564	266	2,479	2,045	33,925	221,185	318,261	561,769						
General and administrative	-	176	29,442	224	4,100	7,220	44,083	17,041	102,286	81,302						
Gift in kind	-	-	3,067	-	-	-	32,523	-	35,590	18,527						
Insurance	-	5,715	40,006	1,905	13,335	5,715	90,916	43,816	201,408	183,215						
Legal fees	-	462	8,675	154	1,078	462	27,045	24,761	62,637	168,326						
Licenses	-	-	-	-	-	-	1,950	-	1,950	10,507						
Membership dues	-	157	2,854	52	808	1,378	10,809	2,345	18,403	32,180						
Occupancy	-	3,606	25,244	1,202	8,415	3,606	74,214	32,668	148,955	299,161						
Other	-	99	60	3	1,738	2,624	6,240	11,119	21,883	110,345						
Postage and shipping	-	207,002	(687)	(14,652)	380	749	58,063	14,726	265,581	284,508						
Printing and publications	-	257,751	29,654	22,853	11,544	18,047	176,085	10,409	526,343	620,544						
Professional fees	-	40,646	467,672	7,129	166,279	115,020	645,824	1,207,485	2,650,055	4,151,575						
Contract service fees	-	207	294,865	69	483	1,707	376,868	3,927	678,126	1,083,542						
Salaries	-	307,207	2,593,176	36,685	952,370	449,198	6,956,381	1,329,324	12,624,341	10,975,442						
Benefits (Note 10)	-	58,133	397,177	6,379	184,354	60,850	1,172,793	239,930	2,119,616	2,047,027						
Supplies	-	1,165	129,046	6,410	4,018	8,828	105,846	13,232	268,545	118,804						
Telephone	-	-	121	-	-	-	-	8,770	8,891	19,986						
Training	-	424	27,447	111	8,499	(52)	73,364	19,677	129,470	89,832						
Travel and transportation	-	50	110,154	4,376	15,442	62,626	180,304	38,714	411,666	581,006						
Contributions to USNA	33,571,414	-	-	-	-	-	-	-	33,571,414	32,433,690						
Total expenses	\$ 33,571,414	\$ 927,789	\$ 4,627,451	\$ 87,896	\$ 1,481,459	\$ 1,507,847	\$ 14,132,220	\$ 3,604,708	\$ 59,940,784	\$ 58,218,307						

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services						Supporting Services					Total	
	Support to USNA	Alumni Publications	Membership Support	Partnership Marketing	Alumni Communications	Career Transitions	Development	General and Administrative					
Audit and accounting	\$ -	\$ 5,419	\$ 37,935	\$ 1,806	\$ 12,645	\$ 5,419	\$ 83,141	\$ 41,548	\$ 187,913				
Awards and gifts	-	234	17,350	167	1,832	234	14,807	7,898	42,522				
Bad debt expense	-	-	-	-	-	-	-	-	1,404,915				
Conferences, conventions and meetings	-	2,159	24,540	720	5,117	422,588	62,146	22,650	539,920				
Consulting	-	-	-	-	-	-	268,012	-	268,012				
Cost of goods	-	-	1,768	6,624	-	-	-	-	8,392				
Depreciation (Note 7)	-	36,565	255,958	12,188	85,319	36,565	630,855	280,335	1,337,785				
Donor cultivation	-	-	79,820	-	-	-	465,973	11,767	557,560				
Equipment rental, purchase and maintenance	-	1,132	138,068	377	4,182	1,132	125,877	291,001	561,769				
General and administrative	-	187	11,763	1,189	6,578	7,844	35,633	18,108	81,302				
Gift in kind	-	44	6,363	15	103	44	11,620	338	18,527				
Insurance	-	5,048	35,333	1,683	11,778	5,048	85,627	38,698	183,215				
Legal fees	-	3,228	56,577	1,076	7,532	3,228	45,295	51,390	168,326				
Licenses	-	-	-	-	-	-	7,805	2,702	10,507				
Membership dues	-	123	3,698	41	1,770	927	21,789	3,832	32,180				
Occupancy	-	7,396	51,770	2,465	17,257	7,396	104,333	108,544	299,161				
Other	-	1,107	47,919	369	2,582	1,107	30,794	26,467	110,345				
Postage and shipping	-	229,881	3,235	(4,264)	750	(12,218)	52,643	14,481	284,508				
Printing and publications	-	301,258	32,558	13,379	9,800	21,935	225,356	16,258	620,544				
Professional fees	-	99,291	840,280	26,948	163,942	338,584	1,239,882	1,442,648	4,151,575				
Contract service fees	-	372	745,777	91	634	23,297	305,649	7,722	1,083,542				
Salaries	-	329,263	2,304,843	109,754	768,281	329,263	4,609,686	2,524,352	10,975,442				
Benefits (Note 10)	-	61,411	429,876	20,470	143,292	61,411	859,751	470,816	2,047,027				
Supplies	-	1,254	3,210	3,971	4,014	10,112	53,417	42,826	118,804				
Telephone	-	-	-	-	-	-	-	19,986	19,986				
Training	-	318	16,135	106	13,468	1,362	44,932	13,511	89,832				
Travel and transportation	-	1,658	248,614	4,046	38,228	58,329	155,953	74,178	581,006				
Contributions to USNA		32,433,690	-	-	-	-	-	-	32,433,690				
Total expenses		\$ 32,433,690	\$ 1,087,348	\$ 5,393,390	\$ 203,221	\$ 1,299,104	\$ 1,323,607	\$ 10,945,891	\$ 5,532,056	\$ 58,218,307			

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

**Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024**

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 56,702,643	\$ 32,291,514
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,396,600	1,337,785
Gain on sale of property	(643,561)	-
Change in discount and allowance on contributions receivable	3,690,513	(3,298,744)
Net realized and unrealized gains on investments	(32,881,778)	(33,850,541)
Split-interest agreements	(320,319)	(203,187)
Interest in third-party trusts	(257,894)	(253,008)
Contributed securities	(4,741,719)	(9,801,380)
Contributions restricted for long-term investment	(10,600,275)	66,418
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable and other assets	(636,599)	7,855,645
Contributions receivable	(13,683,272)	3,355,118
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	738,932	(950,932)
Class savings accounts	185,501	405,806
Deferred income and deposits	(248,318)	(17,042)
Accrued key employees' retirement	205,178	193,677
Net cash used in operating activities	(1,094,368)	(2,868,871)
Cash flows from investing activities:		
Purchases of property and equipment	(264,388)	(6,867,715)
Proceeds from sale of property	819,281	-
Purchase of investments	(181,040,391)	(192,197,432)
Proceeds from sales or maturities of investments	173,775,178	197,958,884
Net cash used in investing activities	(6,710,320)	(1,106,263)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	7,957,025	3,177,931
Net cash provided by financing activities	7,957,025	3,177,931
Net increase (decrease) in cash and cash equivalents	152,337	(797,203)
Cash and cash equivalents:		
Beginning	4,231,789	5,028,992
Ending	\$ 4,384,126	\$ 4,231,789
Supplemental schedules of noncash investing and financing activities:		
Contributed securities	\$ 4,741,719	\$ 9,801,380
Property and equipment included in accounts payable	\$ 60,118	\$ 10,389

See notes to consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 1. Organization and Summary of Significant Accounting Policies

The consolidated financial statements of The United States Naval Academy Alumni Association, Inc. (the Alumni Association) and the United States Naval Academy Foundation, Inc. (the Foundation) have been prepared on the accrual basis of accounting. The two entities are collectively referred to herein as the Associations. Significant intercompany amounts have been eliminated in consolidation. The significant accounting policies are described below.

Organization: The Alumni Association is a nonprofit, independent, self-supporting corporation of the Naval Academy alumni. First formed in 1886 as the United States Naval Academy Graduates Association, it was organized for educational and charitable purposes in 1931. It is dedicated to serve and support the nation, the naval service, the Naval Academy and its alumni.

The Foundation was established in 1944 as an organization to support Naval Academy athletics and candidates for admission to the Naval Academy. The private giving arm of the Foundation was established in 1968 under the name of the United States Academy Memorial Fund, Inc. (the Memorial Fund).

During 1996, the name of the Memorial Fund was changed to the Naval Academy Associates, Inc. During 1997, the name of the Associates was changed to the Naval Academy Endowment Trust, Inc. (the Endowment Trust). As of December 31, 1999, the Endowment Trust amalgamated with the U.S. Naval Academy Foundation and changed its name to United States Naval Academy Foundation, Inc. The Foundation is a not-for-profit, independent organization created to raise private contributions to benefit the United States Naval Academy, the Brigade of Midshipmen (the Naval Academy) and the Alumni Association. The Alumni Association manages the investment and administrative functions of the Foundation. The Foundation records its share of actual expenses incurred by the Alumni Association for such services.

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

Without donor restrictions: Net assets are not subject to donor-imposed stipulations. The Associations classify their net assets without donor restrictions into the categories below:

Operations: Resources are not board-designated and are the result of years of surpluses for support of operations.

Facilities: Resources are board-designated for facility related acquisitions and maintenance.

Alumni Center operations: Resources are board-designated for support of Alumni Center operations.

Stadium maintenance: Resources are board-designated for Navy-Marine Corps Memorial Stadium maintenance.

Operating reserve: Resources are board-designated to sustain operations in the event of an unanticipated significant loss in operating revenue or increase in operating expense.

Alumni association sustainability: Resources are board-designated to promote self-sufficiency and supplement the operating expenses of the Alumni Association.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

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

With donor restrictions: Net assets are either subject to donor-imposed stipulations that may or will be met either by actions of the Associations and/or the passage of time or net assets subject to donor-imposed stipulations that the Associations maintain them permanently. Generally, the donors of these assets permit the Associations to use all or a part of the income earned on related investments for general or specific purposes.

Revenue recognition: The Associations follow Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step model for recognizing revenue from contracts with customers. The five-step model defined by Accounting Standards Codification (ASC) Topic 606 requires the Associations to: (1) identify the contracts with customers, (2) identify the performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate the transaction prices to the performance obligations in those contracts and (5) recognize revenue when or as performance obligations are satisfied.

Revenue associated with life memberships for current midshipmen is held in a deposit account until graduation and then recognized fully as life membership revenue. All other life member revenue is recognized upon receipt of the life membership payment, as the Associations do not have to perform any additional service to earn the life membership, nor is there any right of return after a member graduates. In addition, annual and multi-year memberships were also determined to be classified as contributions due to the circumstances that members do not receive commensurate value for their membership fees.

In 1976, the Alumni Association started its life membership program, which enables midshipmen to pay a specified life membership fee prior to graduation. The Alumni Association records the midshipmen's fees as deposits on life memberships until the respective class graduation. At June 30, 2025 and 2024, the Alumni Association held \$528,255 and \$506,628, respectively, of midshipmen life membership deposits. All other membership fees are recognized as revenue when the cash is received.

The Alumni Association recognizes revenue from the Foundation for fund administration. The Alumni Association recognizes a 5% establishment fee at receipt of the gift, at a point in time, and a 1.25% management fee annually, at a point in time, based on the balance managed.

The Associations organize and manage quarterly career conferences for graduates, recognizing revenue at a point in time after the completion of a conference when the performance obligation is satisfied.

Royalty income is recorded over time as the Associations satisfy the performance obligations outlined in the agreement.

Publications and advertising income is recognized at a point in time when advertising is completed.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

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

Support and revenue recognition: Unconditional contributions, including unconditional promises to give (pledges), deemed to be nonexchange transactions, are recognized as support in the year received. Promises to give are reported net of current year adjustments and discounts. Contributions for the benefit of the Naval Academy are recorded as contribution support when received and as support expenses when paid. The Alumni Association recognizes income from life membership dues upon graduation and upon receipt of payment. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Conditional contributions are those contributions that contain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are substantially met and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue. As of June 30, 2025, \$160,000 of cash advance payments were received. As of June 30, 2024, \$265,000 of cash advance payments were received. As such, these amounts are not reported in the accompanying consolidated statements of activities.

Contributions of nonfinancial assets: Donated assets are recorded as contributions at their estimated fair values at the date of the donation. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, require specialized skills, are performed by people with those skills and would otherwise be purchased by the Associations.

Contributions and investment income: Contributions and investment income are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed purpose or time restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities (see Note 9).

Contributions with donor-imposed time restrictions are reported as revenues without donor restrictions when those restrictions are met in the same year the contribution is received.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Associations. Development expenses include costs of the fundraising efforts of the Associations. These expenses are allocated consistently based on the ratio of full-time equivalent employees in each program or supporting service.

Cash and cash equivalents: Cash equivalents are short-term investments with original maturities of three months or less at the date of purchase, excluding those short-term investments managed by the Associations' investment managers as part of their long-term investment strategies.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

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

Accounts receivable: Accounts receivable consists of current amounts due to the Alumni Association for life and corporate membership dues, advertising in *Shipmate* magazine and events held at Alumni House. Accounts receivables are carried at original invoice amount, less an estimate made for expected credit losses based on a review of all outstanding amounts on a monthly basis. The estimation process is based on historical experience, current conditions, asset-specific risk characteristics, and reasonable and supportable forecasts about future economic and market conditions. Accounts receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is not charged on receivables that are outstanding for more than 30 days. Management has determined that any allowance for expected credit losses on accounts receivable is *di minimis* at June 30, 2025 and 2024.

Contract balances: The timing of revenue recognition may not align with the right to invoice a customer. The Associations record accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice a contract asset (unbilled receivable) is recorded.

Contract balances consist of the following at June 30:

	2025	2024	2023
Contract receivables	\$ 416,939	\$ 236,297	\$ 197,425
Contract liabilities	1,123,989	1,230,538	1,169,639

Contributions receivable: Contributions are recognized when the donor makes a promise to give to the Associations that is, in substance, unconditional.

Contributions to be received in a future period are discounted to their net present value at the time the support is recorded. Subsequent measurement of the fair value of the contributions receivable is determined based on a present value calculation of the future expected cash flows (see Note 3) at a discount rate (5.24% and 5.36% as of June 30, 2025 and 2024, respectively).

The Associations use the allowance method to determine uncollectible contributions. Management determines the allowance for uncollectible contributions by identifying troubled accounts and by using historical experience applied to an aging of accounts.

Investments: The Associations' investments are recorded at fair value determined in accordance with the FASB ASC 820, Fair Value Measurement, or at net asset value (NAV) in accordance with ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*.

Investments are used for operations, class savings accounts, split-interest agreements, support for the Naval Academy and the Associations' endowments. Both entities initially record donated securities at the fair value on the date of the gift. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments and the related changes in value, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances from the amounts reported in the consolidated financial statements.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

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

The Associations' core portfolio largely consists of various mutual and private funds, bonds, hedge funds and private equity funds under a principal investment manager. The multi-asset funds provide exposure to several asset class segments: global stocks, absolute return, high yield bonds, real estate investment trusts (REITs), commodities, resource-related stocks, inflation linked bonds, conventional bonds and cash equivalents.

Property and equipment: Property and equipment is stated at cost, if purchased, or at the fair value at the date of contribution, if donated, less accumulated depreciation. Depreciation of property and equipment and amortization of software are computed using the straight-line method at rates adequate to depreciate and amortize the applicable assets over their expected useful lives as follows:

Buildings and improvements	27-40 years
Furniture and equipment	5-10 years
Computer equipment and software	3-5 years

Maintenance and repair expenses are charged against operations. Expenditures for improvements that extend the useful lives of the assets are capitalized. The Associations capitalize all property and equipment purchased with a unit cost of \$1,000 or more or donated with a fair value per unit of \$1,000 or more and a useful life of more than one year.

Valuation of long-lived assets: The Associations account for long-lived assets under FASB ASC 360-10-20, Accounting for the Impairment or Disposal of Long-Lived Assets. FASB ASC 360-10-20 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flow expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Class savings accounts: The Alumni Association is the custodian of various class savings accounts. These funds are invested and included in the Alumni Association's investments (\$3,430,681 and \$3,245,180 at June 30, 2025 and 2024, respectively) but are restricted for use by the Alumni classes on Alumni events. The Alumni Association charges an administrative fee equal to 20% of the interest and realized and unrealized gains earned on each class's account balance, which is included in investment income in the consolidated statements of activities.

Deferred income and deposits: Funds received for an affinity credit card agreement are recognized as royalty revenue over the life of the agreement. The remainder of deferred income and deposits consists of prepaid annual dues. Deposits on life memberships are recorded and held until the respective class graduation.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

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

Split-interest agreements: The Associations are the beneficiaries of several split-interest agreements, including charitable remainder unitrusts for which the Associations act as the trustee and charitable gift annuities. Under charitable remainder trust agreements, the donor establishes and funds a trust. As trustee, the Associations make specified distributions to designated beneficiaries over the trust's term. Upon termination of the trust, the Associations receive all or portions of the remaining trust assets as set forth in the trust agreement. Under charitable gift annuity agreements, the Associations pay a fixed annuity amount for the life of the beneficiary(ies) and receive the remaining assets upon the death of the beneficiary(ies) as set forth in the annuity agreements.

In the year of the gift, contribution support is recognized based on the net amount of the assets and liabilities of split-interest agreements. The contribution support recognized under such agreements was \$60,370 and \$381,189 during the years ended June 30, 2025 and 2024, respectively. The fair value of the assets held for all split-interest agreements was \$13,641,166 and \$12,785,762 as of June 30, 2025 and 2024, respectively. The liability to beneficiaries from the life-contingent agreements represents the present value of the estimated future payments based on actuarial assumptions. The liability for fixed term charitable remainder unitrusts is calculated in accordance with FASB ASC 815, Derivatives and Hedging, by summing the present value of the debt host and the fair value of the embedded derivative. Adjustments to the liability to reflect any changes in actuarial assumptions, amortization of the discount are recognized as change in values in the consolidated statements of activities. The discount rates were determined at the time of initial contribution and range from 0.6% to 8.2%. The estimated life expectancies used for the charitable gift annuity agreements are from the 2012 Individual Annuity Reserving table and the 2000CM tables for all trusts.

Interest in third-party trusts: The Associations are the beneficiary of certain third-party trusts held and administered by others. The estimated fair values of the trust assets, which approximate the present values of expected future cash flows from the trust, are recognized as assets and as support when the trusts are established or when reported to the Associations. Subsequent changes to the fair values of the trust assets are recognized as investment income for permanent trusts and change in value for term trusts.

Fund administrative fees: Restricted cash gifts are subject to an implementation fee of 5% in the year of receipt of the gift, which helps defray the cost of fundraising and communication. Balances of restricted accounts of funds collected in a prior year are subject to fees for administrative services. Restricted accounts are subject up to a 1.25% fee paid quarterly based on the cash balance at the beginning of the year. The fees are recorded as fund administrative fees in the consolidated statements of activities.

Income taxes: The Alumni Association has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) except for taxes on income generated from unrelated business activities, such as the Alumni Travel Program, certain sponsorship income, advertising income from *Shipmate* magazine and certain investment income. The Foundation has also been recognized by the IRS as exempt from federal income taxes under Section 501(c)(3) of the Code.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

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

The Associations have adopted the accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this policy, the Associations may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position. Management has evaluated the Associations' tax positions and has concluded that the Associations have taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this guidance.

As of June 30, 2025, there are no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, the Associations are no longer subject to U.S. federal, state or local tax examinations by tax authorities for years ended before June 30, 2022.

Credit risk: At certain times during the year, the Associations have funds on deposit with a financial institution in excess of federally insured amounts. The Associations have not experienced any losses on cash accounts and management believes they are not exposed to significant credit risk on cash.

Investment risk: Investments held are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in market conditions, in the near term, would materially affect investment balances and the amounts reported in the consolidated financial statements.

Concentration of risk: Approximately 42% and 49% of the Associations' gross pledges receivables are related to two donors as of June 30, 2025 and 2024, respectively.

Use of estimates: Management of the Associations has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and the reporting of revenues and expenses to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from those estimates.

Development: During the years ended June 30, 2025 and 2024, pledges totaling \$2,635,647 and \$1,404,915, respectively, were written off by the Associations. The pledges were written off as a result of the change in ability of the donors. Bad debt expense is included in development expense in the consolidated statements of activities and reported in the year the pledge becomes uncollectible.

Reclassification: Certain items in the June 30, 2024, consolidated financial statements have been reclassified to conform to the June 30, 2025, presentation. These reclassifications had no effect on the previously reported net assets or consolidated changes in net assets.

Subsequent events: The Associations have evaluated subsequent events through November 19, 2025, which is the date the consolidated financial statements were available to be issued.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability

The Associations are primarily supported by contributions, membership fees and program fees revenue. The Associations seek to build and maintain an operating reserve of 25% of their annual operating expense budget. Annually, the Boards may designate a portion of any operating surplus to the operating reserve, which was \$7,474,638 as of both June 30, 2025 and 2024. The operating reserve is held in short-term investments that are not subject to the volatility of the equity markets.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, are comprised of the following as of June 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	\$ 3,404,262	\$ 3,644,505
Accounts receivable	416,939	236,297
Contributions receivable due within one year without donor restrictions	1,895,525	2,819,702
Endowment and funds acting like endowment appropriations available for general expenditures within one year	832,690	606,541
Investments	38,179,003	43,494,783
Total financial assets	44,728,419	50,801,828
 Less board-designated funds for:		
Facilities	-	(2,800,000)
Stadium maintenance	-	(11,657)
Operating reserve	(7,474,638)	(7,474,638)
Alumni Center operations	(4,674,370)	(3,103,572)
Alumni Association sustainability	(6,818,663)	(6,604,857)
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 25,760,748	 \$ 30,807,104

Endowment funds consist of donor-restricted endowments that are restricted for supporting the U.S. Naval Academy, athletics and scholarships and for the Associations' operations. Income from donor-restricted endowments that are restricted for a specific purpose other than the Associations' operations is not available for general expenditure. Appropriations of \$832,690 and \$606,541 from the Associations' operations endowments and funds acting like endowments are available for general expenditures within the next year as of June 30, 2025 and 2024, respectively.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 3. Contributions Receivable

Contributions receivable at June 30, 2025 and 2024, are summarized as follows:

	2025	2024
Unconditional promises expected to be collected in:		
Less than one year	\$ 21,569,904	\$ 27,610,219
One year to five years	28,898,443	11,151,637
More than five years	53,612,081	48,992,050
	<hr/>	<hr/>
Less allowance for uncollectible amounts	104,080,428	87,753,906
	(1,497,174)	(1,077,548)
Less discount to present value	(24,281,427)	(21,010,540)
	<hr/>	<hr/>
	\$ 78,301,827	\$ 65,665,818

Note 4. Net Investment Income

Net investment income for the years ended June 30, 2025 and 2024, is as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 1,419,254	\$ 3,777,838	\$ 5,197,092
Net realized and unrealized gains	2,661,566	30,220,212	32,881,778
Less management fees	(117,889)	(559,270)	(677,159)
Net investment income	<hr/>	<hr/>	<hr/>
	\$ 3,962,931	\$ 33,438,780	\$ 37,401,711
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 992,816	\$ 2,667,136	\$ 3,659,952
Net realized and unrealized gains	4,104,996	29,745,545	33,850,541
Less management fees	(106,008)	(291,791)	(397,799)
Net investment income	<hr/>	<hr/>	<hr/>
	\$ 4,991,804	\$ 32,120,890	\$ 37,112,694

Note 5. Investments and Fair Value Measurements

Accounting guidance defines fair value as 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 and sets out a fair value hierarchy.

Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect assumptions based on the best information available under the circumstances. The Associations' investment managers and staff use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Certain alternative investments are carried at estimated fair value as of March 31 and adjusted for cash receipts, cash distributions and security distributions through June 30.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Associations have the ability to access at the measurement date. The type of investments classified as Level 1 includes listed equities and listed derivatives. As required by the guidance, the Associations do not adjust the quoted price for these investments even in situations where the Associations hold a large position and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities, hedge funds and certain over-the-counter derivatives. Contributions receivable, other than amounts representing interests in charitable remainder unitrusts with third-party trustees, are included in this category and utilize observable assumptions including discount rates and expected timing of cash collections as specified in the donor agreements.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds and distressed debt.

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

During the years ended June 30, 2025 and 2024, there were no changes to the Associations' valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or consolidated change in net assets. There were no transfers into or out of Level 3 of the fair value hierarchy during the years ended June 30, 2025 and 2024.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

The following tables set forth the fair value hierarchy for those assets measured and reported at fair value on a recurring basis in the consolidated statements of financial position at June 30, 2025 and 2024:

	2025			
	Total	Level 1	Level 2	Level 3
Equity securities	\$ 201,524	\$ 201,524	\$ -	\$ -
Domestic equity funds	8,465,209	8,465,209	-	-
International equity funds	1,724,531	1,724,531	-	-
World equity funds	93,651	93,651	-	-
Emerging equity funds	253,329	253,329	-	-
Government bond funds	8,206,188	8,206,188	-	-
Corporate bond funds	42,272,878	42,272,878	-	-
Corporate and government bond funds	1,084,032	1,084,032	-	-
Multi-asset funds	18,587,786	18,587,786	-	-
Equity and fixed income funds	570,168	570,168	-	-
Other—commodities, convertibles and sector funds	69,057	69,057	-	-
	<u>81,528,353</u>	<u>\$ 81,528,353</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents (within investments)	68,891,431			
Charitable life insurance policies at cash surrender value	4,155,997			
Private multi-asset fund (a)	155,504,269			
Private equity funds (a)	88,783,196			
Private realty and resources funds (a)	2,327,446			
Hedge funds (a)	31,767,477			
Total investments	<u>\$ 432,958,169</u>			
Interest in third-party trusts	\$ 3,792,660	\$ -	\$ -	\$ 3,792,660
Interest in charitable remainder unitrusts with third-party trustees	4,037,644	-	-	4,037,644
Total interest with third parties at fair value	<u>\$ 7,830,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,830,304</u>
Contributions receivable, excluding interest in charitable unitrusts	<u>\$ 74,264,183</u>	<u>\$ -</u>	<u>\$ 74,264,183</u>	<u>\$ -</u>

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

	2024			
	Total	Level 1	Level 2	Level 3
Equity securities	\$ 6,761	\$ 6,761	\$ -	\$ -
Domestic equity funds	7,109,741	7,109,741	-	-
International equity funds	2,042,678	2,042,678	-	-
World equity funds	79,878	79,878	-	-
Emerging equity funds	282,960	282,960	-	-
Government bond funds	7,346,314	7,346,314	-	-
Corporate bond funds	21,264,989	21,264,989	-	-
Corporate and government bond funds	841,679	841,679	-	-
Multi-asset funds	19,665,752	19,665,752	-	-
Equity and fixed income funds	485,866	485,866	-	-
Real estate funds	757	757	-	-
Other—commodities, convertibles and sector funds	59,211	59,211	-	-
	<u>59,186,586</u>	<u>\$ 59,186,586</u>	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents (within investments)	72,641,608			
Charitable life insurance policies at cash surrender value	4,393,165			
Share certificates (b)	425,289			
Private multi-asset fund (a)	144,570,061			
Private equity funds (a)	79,120,129			
Private realty and resources funds (a)	2,436,651			
Hedge funds (a)	25,295,972			
Total investments	<u>\$ 388,069,461</u>			
Interest in third-party trusts	\$ 3,534,766	\$ -	\$ -	\$ 3,534,766
Interest in charitable remainder unitrusts with third-party trustees	3,883,527	-	-	3,883,527
Total interest with third parties at fair value	<u>\$ 7,418,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,418,293</u>
Contributions receivable, excluding interest in charitable unitrusts	<u>\$ 61,782,291</u>	<u>\$ -</u>	<u>\$ 61,782,291</u>	<u>\$ -</u>

(a) In accordance with the Fair Value Measurements topic, certain investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

(b) These represent funds held at cash value within investments.

Interest in charitable remainder unitrusts with third-party trustees have been included on the consolidated statements of financial position within contributions receivable.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3):

	Interest in Third-Party Trusts	Interest in Charitable Remainder Unitrusts With Third-Party Trustees	Total
Balance, June 30, 2023	\$ 3,281,758	\$ 3,870,927	\$ 7,152,685
Realized gains, net	137,266	-	137,266
Unrealized gains	253,008	-	253,008
Distributions	(137,266)	-	(137,266)
Change in value	-	12,600	12,600
Balance, June 30, 2024	3,534,766	3,883,527	7,418,293
Realized gains, net	128,434	-	128,434
Unrealized gains	257,894	-	257,894
Distributions	(128,434)	-	(128,434)
Change in value	-	154,117	154,117
Balance, June 30, 2025	\$ 3,792,660	\$ 4,037,644	\$ 7,830,304

The Associations categorize assets within the fair value hierarchy based on their understanding of the valuation process used by their investment managers or general partners to derive the fair value and their judgment regarding the observability of the related inputs. In evaluating the observability of such inputs, the Associations' staff considered factors such as the extent of market benchmarks available and the judgments or modeling required in the valuation process.

Private equity funds: Substantially all of the Associations' investments in private equity funds represent interests in multiple funds of funds private equity investment vehicles managed by the Associations' principal investment manager and another designated investment manager. The investment funds typically pursue such strategies as investments in venture capital, buyouts, subordinated debt, restructuring and distressed debt and securities, recapitalizations and other situations. The investments in these funds of funds private equity investment vehicles are presented in the accompanying consolidated financial statements at NAV based on an amount equal to the Associations' pro rata interest in the net assets, which are valued at NAV consistent with the measurement principles in FASB ASC Topic 946, Financial Services—Investment Companies, of such funds of funds as reported by the principal investment manager.

The private equity vehicles have terms ranging from 12 to 15 years with respective expiration dates from 2018 to 2035. The investment managers have three to five consecutive one-year extensions at their discretion. Interests in these vehicles are subject to significant restrictions on transferability.

**The United States Naval Academy Alumni Association, Inc.
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Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

Under the terms of these private equity investment contracts, the Associations are obligated to remit additional funding periodically as capital calls are exercised. At June 30, 2025, the Associations had uncalled commitments of \$24,722,580, which represents 21% of the original commitments. At June 30, 2024, the Associations had uncalled commitments of \$33,855,080, which represents 29% of the original commitments. The Associations expect the remaining commitments to be called over the next several years.

Private realty and resources funds: Substantially all of the investments in private realty and resources funds are through fund of funds private realty and resources investment vehicles managed by the Associations' principal investment manager. The investment funds typically pursue such strategies as investments in commercial and residential real estate, oil and natural gas exploration and production, timberland, and other natural resources. The valuation for underlying investments within each fund is determined in the same manner as private equity funds.

The invested private realty and resources vehicles have terms ranging from 13 to 15 years with respective expiration dates from 2021 to 2028. The investment manager has up to seven consecutive one-year extensions at their discretion. Interests in these vehicles are subject to significant restrictions on transferability.

The remaining commitments under the terms of the private realty and resources funds amounted to \$1,394,299 as of both June 30, 2025 and 2024, representing 12% of the original commitments. The Associations expect the remaining commitments to be exercised over the next several years.

Private multi-asset fund: The Associations have invested in a fund of funds private multi-asset partnership managed by the Associations' principal investment manager. The partnership pursues a diversified portfolio principally through investments in equity and debt securities and hedge funds with the objective over a majority of market cycles of exceeding inflation as measured by the Consumer Price Index, plus 5% per annum. The partnership has no set termination date. The partnership allows the Associations to withdraw any and all capital with at least 65 days' written notice, effective as of the last day of a calendar quarter. The partnership also allows the Associations to elect to take annual periodic partial redemptions of 4%, 5% or 6%.

Hedge funds: The Associations invest in hedge funds through fund of funds vehicles managed by the Associations' principal investment manager. These investment vehicles employ directly, or through other managers, in the following strategies: capital structure arbitrage, event arbitrage, fixed income arbitrage, hedged equity investing, special situations investing and possibly derivative investments, as well as buying and selling securities for hedging purposes. Valuation of interests in underlying investment funds is based on an amount equal to the vehicle's pro rata interest in the net assets, which are at fair value as reported by the management of the investment fund monthly as adjusted for manager and incentive fees, if applicable.

The partnership has no set termination date. The partnership allows the Associations to withdraw any and all capital with at least 65 days' written notice, effective the last day of a calendar quarter. The partnership also allows the Associations to elect to take annual periodic partial redemptions of 4%, 5% or 6%. The Associations perform due diligence procedures to review the valuations of the alternative investments described above.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 5. Investments and Fair Value Measurements (Continued)

Interest in third-party trusts and interest in charitable remainder unitrusts with third-party trustees: The Associations' staff estimates their beneficial interest in the third-party trusts using the discounted cash flow method of the expected future income for a specified term or in perpetuity based on the donors' life expectancy and the expected investment return.

Note 6. Contributions of Nonfinancial Assets

The Foundation contributes the use of its houses to the Naval Academy Athletic Association, which are valued at an annual amount of \$291,250 and \$332,250 in 2025 and 2024, respectively. Contributed services related to property management of the Foundation's houses are donated by the Naval Academy Athletic Association and are valued at an annual amount of \$502,091 and \$481,803 in 2025 and 2024, respectively.

During 2025 and 2024, the Associations received noncash (excluding stock donations) donations of \$101,498 and \$450,492, respectively, which included assets for use by the Naval Academy. The portion of the noncash donations transferred to the Naval Academy have been shown as contributions of nonfinancial assets with donor restrictions and support to the Naval Academy (program expense) in the accompanying consolidated statements of activities.

Contributions of nonfinancial assets utilized in programs and activities for the years ended June 30, 2025 and 2024 are as follows:

Category	Utilization in		Valuation Techniques and Inputs		
	Programs/Activities	Donor Restrictions		2025	2024
Property management	Housing services	No associated donor restrictions	Fair market value provided by property management company	\$ 502,091	\$ 481,803
Materials	Project activities	Support to the Naval Academy	Estimated fair market value of materials provided by donor	101,498	450,492
Donor cultivation and travel	Project activities	No associated donor restrictions	Estimated fair market value of services or travel provided by donor	41,499	25,620
				<u>\$ 645,088</u>	<u>\$ 957,915</u>

Note 7. Property and Equipment

Property and equipment at June 30, 2025 and 2024, is summarized as follows:

	2025	2024
Land	\$ 245,802	\$ 317,697
Buildings and improvements	37,795,747	38,077,723
Furniture and equipment	2,271,527	2,147,206
Computer equipment and software	731,605	692,183
Leasehold improvements	601,874	601,874
	<u>41,646,555</u>	<u>41,836,683</u>
Less accumulated depreciation and amortization	<u>(5,626,696)</u>	<u>(4,508,892)</u>
	<u>\$ 36,019,859</u>	<u>\$ 37,327,791</u>

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 7. Property and Equipment (Continued)

Depreciation expense was \$1,396,600 and \$1,337,785 for the years ended June 30, 2025 and 2024, respectively.

Note 8. Notes Payable and Revolving Line of Credit

On December 8, 2021, the Associations combined their two previous operating line of credits with limits of \$15,000,000 each into a new line of credit with a maximum limit of \$30,000,000 and an expiration date of February 15, 2026. On March 28, 2025, the Associations terminated their existing line of credit and entered into a new line of credit with a maximum limit of \$10,000,000 and an expiration date of March 31, 2026. Principal is due in full at maturity and interest is based on the one-month Secured Overnight Financing Rate (SOFR) index plus 1.23% (5.06% as of June 30, 2025). No draws were made during the fiscal years ended June 30, 2025 and 2024, and no balance is outstanding as of June 30, 2025 and 2024.

Note 9. Net Assets Released From Restrictions and Changes in Donors' Intent

Net assets of \$37,589,472 and \$42,604,187 for the years ended June 30, 2025 and 2024, respectively, were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors. Amounts shown as changes in donors' intent for the year ended June 30, 2025, represent reclassifications of \$68,355 from net assets with donor restrictions to net assets without donor restrictions. Amounts shown as changes in donors' intent for the year ended June 30, 2024, represent reclassifications of \$25,750 from net assets with donor restrictions to net assets without donor restrictions.

Note 10. Retirement Plans

403(b) savings plan: The Alumni Association maintains a deferred annuity retirement plan under Section 403(b) of the Code for all eligible employees. On a discretionary basis, the Alumni Association matches employees' contributions up to 5% of base salary. An independent trustee holds the assets of the Plan. During the years ended June 30, 2025 and 2024, the Alumni Association made contributions of \$462,445 and \$442,810, respectively, on behalf of its eligible employees.

457 plans: The Alumni Association has agreements with eight key employees and former employees to provide certain retirement and other payments to them as part of retention planning. These nonqualified plans are administered under Sections 457(b), e(11) and (f) of the Code. The payments are either deferred or contingent on the employee meeting certain conditions. Total retirement expense under these plans for each of the years ended June 30, 2025 and 2024, was \$140,250 and \$130,725, respectively.

At June 30, 2025 and 2024, the Alumni Association's liability for these plans was \$1,524,539 and \$1,319,361, respectively. The respective balances are offset with funds held in investments.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 11. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2025	2024
Subject to expenditure for specific purpose or period:		
Academic	\$ 77,989,546	\$ 63,294,030
Admissions	12,932,201	13,675,274
Athletics and scholarships	60,501,885	46,377,350
Character (ethics)	22,480,525	21,616,127
Leadership	20,412,547	17,012,347
Support to the Naval Academy not yet assigned to a center of excellence	83,384,264	77,179,805
	<hr/>	<hr/>
Time-restricted assets	277,700,968	239,154,933
	<hr/>	<hr/>
	13,838,050	8,757,010
	<hr/>	<hr/>
	291,539,018	247,911,943
Subject to the Associations' spending policy and appropriation:		
Investment in perpetuity (including amounts above original gift amounts of \$95,241,094 and \$94,972,224, respectively), the income from which is expendable to support:		
Academics	67,968,141	63,608,810
Admissions	1,655,170	1,479,688
Athletics and scholarships	16,282,258	15,144,789
Character (ethics)	11,291,583	10,500,469
Leadership	5,057,660	4,793,629
U.S. Naval Academy	47,915,086	43,460,011
Operations	7,691,942	7,122,688
	<hr/>	<hr/>
Total donor-restricted endowments	157,861,840	146,110,084
	<hr/>	<hr/>
Total net assets with donor restrictions	<hr/>	<hr/>
	\$ 449,400,858	\$ 394,022,027

Note 12. Endowment Funds

FASB ASC 958-205, Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and the Enhanced Disclosures for All Endowment Funds, provides guidance on net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205 also improves disclosures about an organization's endowed funds (both donor-restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The Associations have added the required disclosures in the consolidated financial statements, which is a requirement for any organization with endowment funds.

The Associations' endowment consists of over 100 individual funds established for a variety of purposes. These endowment funds are donor restricted. The Associations do not have any board-designated endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 12. Endowment Funds (Continued)

Interpretation of relevant law: The Board of Trustees of the Association and the Board of Directors of the Foundation have interpreted UPMIFA, as enacted in the state of Maryland, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Associations classify as net assets with donor restrictions: (a) the original value of gifts donated to the endowment funds held in perpetuity; (b) the original value of subsequent gifts to the endowment funds held in perpetuity; and (c) accumulations to the endowment funds held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Associations in a manner consistent with the standard of prudence prescribed by UPMIFA. Accordingly, the Associations consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Associations and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Associations
7. The investment policies of the Associations

Return objectives and risk parameters: The Associations' return objective is to preserve and enhance the purchasing power of the endowment investments over time, net of costs and withdrawals. This goal is synonymous with the pursuit of time-weighted net return on the investments that equals or exceeds inflation (as measured by the Consumer Price Index), plus spending from the investments. To satisfy this return objective, the Associations utilize a multi-asset class diversified portfolio that relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Associations are prepared to incur risks consistent with the pursuit of the return objective. Risk will be measured based on both an absolute and a relative basis. Absolute metrics relate to declines in the inflation-adjusted market value of the portfolio. On a relative basis, the portfolio will be measured against portfolios of similar size and composition.

Endowment spending policy: The Associations operate a spending policy to regulate the use of proceeds from endowment investments. The policy provides for the spending of up to 5% of the 12-quarter moving average of the market value of pooled investment funds. The policy further states that when the average investment return of the most recent four quarters is negative, the spending rate will be reduced to 4%. The reduced spending rate of 4% was implemented during 2003 following an extended period of below-average investment performance and has continued to stay at 4% through fiscal year 2025.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 12. Endowment Funds (Continued)

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Associations to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2025 and 2024.

Changes in endowment net assets for the fiscal years ended June 30, 2025 and 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	\$ -	\$ 138,947,607	\$ 138,947,607
Interest, dividends and realized gains—net of investment expenses	- -	3,517,791	3,517,791
Net appreciation	- -	10,206,905	10,206,905
Change in value	- -	(3,602,639)	(3,602,639)
Contributions	- -	754,664	754,664
Change in donor intent	- -	259,942	259,942
Distributions	- -	(3,974,186)	(3,974,186)
Endowment net assets, June 30, 2024	- -	146,110,084	146,110,084
Interest, dividends and realized gains—net of investment expenses	- -	3,595,028	3,595,028
Net appreciation	- -	9,555,553	9,555,553
Change in value	- -	3,031,861	3,031,861
Contributions	- -	268,870	268,870
Change in donor intent	- -	(609,465)	(609,465)
Distributions	- -	(4,090,091)	(4,090,091)
Endowment net assets, June 30, 2025	<u>\$ -</u>	<u>\$ 157,861,840</u>	<u>\$ 157,861,840</u>

Endowment net assets are comprised of the following at June 30, 2025 and 2024:

	2025	2024
Investments held for endowment	\$ 129,080,439	\$ 120,410,374
Contributions receivable, net	28,781,401	25,699,710
	<u>\$ 157,861,840</u>	<u>\$ 146,110,084</u>

Note 13. Lease

On November 20, 2018, the Associations signed a lease for the period September 1, 2019 through August 31, 2069. Rent for the lease amounts to \$146,500 in the first year with an annual escalation of 2%. In lieu of cash payment, the lease allows the use of all support to the Naval Academy to satisfy the annual rental requirement. In July 2021, the lease agreement was modified to reduce future rent payments by approximately \$310,000 due to expenses incurred by the Associations for improvements made to the property.

**The United States Naval Academy Alumni Association, Inc.
United States Naval Academy Foundation, Inc.**

Notes to Consolidated Financial Statements

Note 13. Lease (Continued)

During the year ended June 30, 2023, the Associations provided support of \$31,109,939 to the Naval Academy. As a result, the Associations have provided sufficient support to offset all future required payments under this agreement and a lease liability is not required. The Associations have recorded other assets and net assets with donor restrictions of \$11,687,528 at June 30, 2023, which will be charged to occupancy expense over the term of the agreement. The Associations recorded \$248,231 to occupancy expense for both years ended June 30, 2025 and 2024.

Independent Auditor's Report on the Supplementary Information

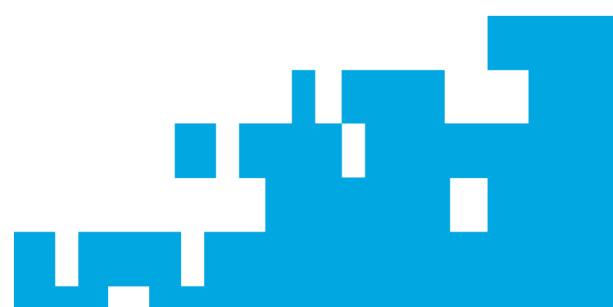
Board of Trustees
The United States Naval Academy Alumni Association, Inc.

Board of Directors
United States Naval Academy Foundation, Inc.

We have audited the consolidated financial statements of The United States Naval Academy Alumni Association, Inc. and United States Naval Academy Foundation, Inc. as of and for the years ended June 30, 2025 and 2024, and have issued our report thereon, dated November 19, 2025, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Baltimore, Maryland
November 19, 2025



The United States Naval Academy Alumni Association, Inc.

Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 1,523,810	\$ 1,998,898
Accounts receivable and other assets	936,944	722,793
Contributions receivable, net	6,692,477	9,670,511
Investments	60,254,543	52,903,191
Property and equipment, net	17,674,606	18,269,032
Intercompany receivables	19,557,445	18,865,746
Investments held for endowment	<u>56,753,474</u>	<u>52,856,606</u>
Total assets	<u>\$ 163,393,299</u>	<u>\$ 155,286,777</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,639,201	\$ 2,876,720
Class savings accounts	3,430,681	3,245,180
Deferred income and deposits	1,285,489	1,424,807
Split-interest agreements	299,862	391,022
Accrued key employees' retirement	1,524,539	1,319,361
Total liabilities	<u>10,179,772</u>	<u>9,257,090</u>
Net assets:		
Without donor restrictions:		
Operations	46,587,448	46,879,104
Facilities	-	2,800,000
Alumni Center operations	4,674,370	3,103,572
Stadium maintenance	-	11,657
Operating reserve	2,878,845	2,878,845
Alumni Association sustainability	6,818,663	6,604,857
	<u>60,959,326</u>	<u>62,278,035</u>
With donor restrictions	92,254,201	83,751,652
Total net assets	<u>153,213,527</u>	<u>146,029,687</u>
Total liabilities and net assets	<u>\$ 163,393,299</u>	<u>\$ 155,286,777</u>

The United States Naval Academy Alumni Association, Inc.

Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions	\$ 412,286	\$ 3,880,277	\$ 4,292,563
Contributions of nonfinancial assets	3,066	-	3,066
Membership dues	714,001	-	714,001
Net investment income	2,237,189	8,371,962	10,609,151
Publications and advertising	234,498	-	234,498
House activities	900,357	-	900,357
Event income	219,484	-	219,484
Intercompany support	2,005,884	-	2,005,884
Career transition services	1,271,539	-	1,271,539
Royalties	736,006	-	736,006
Travel income	132,765	-	132,765
Other	21,233	-	21,233
Other support:			
Change in value of split-interest agreements	149,170	83,557	232,727
Changes in donors' intent	88,836	892,751	981,587
Net assets released from restrictions	4,725,998	(4,725,998)	-
Total revenue, gains and other support	13,852,312	8,502,549	22,354,861
Expenses:			
Support to the Naval Academy	3,929,982	-	3,929,982
Audit and accounting	96,386	-	96,386
Awards and gifts	25,393	-	25,393
Bad debt expense	592,377	-	592,377
Conferences	786,447	-	786,447
Depreciation	731,788	-	731,788
Donor recognition	34,382	-	34,382
Equipment rental	289,777	-	289,777
Insurance	106,471	-	106,471
Legal fees	34,884	-	34,884
Membership dues	9,786	-	9,786
Miscellaneous	70,060	-	70,060
Occupancy	147,195	-	147,195
Postage and shipping	207,191	-	207,191
Printing and publications	350,019	-	350,019
Professional and contract services	2,557,796	-	2,557,796
Salaries and benefits	5,856,876	-	5,856,876
Shared information management	(1,099,039)	-	(1,099,039)
Supplies	175,102	-	175,102
Telephone	8,891	-	8,891
Training	54,913	-	54,913
Travel and transportation	204,344	-	204,344
Total expenses	15,171,021	-	15,171,021
Change in net assets	(1,318,709)	8,502,549	7,183,840
Net assets:			
Beginning	62,278,035	83,751,652	146,029,687
Ending	\$ 60,959,326	\$ 92,254,201	\$ 153,213,527

United States Naval Academy Foundation, Inc.

Statements of Financial Position

June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 2,860,316	\$ 2,232,891
Accounts receivable and other assets	6,436,977	6,014,529
Contributions receivable, net	71,609,350	55,995,307
Investments	243,623,189	214,755,896
Property and equipment, net	18,345,253	19,058,759
Interest in third-party trusts	3,792,660	3,534,766
Investments held for endowment	<u>72,326,965</u>	67,553,768
 Total assets	 <u>\$ 418,994,710</u>	 <u>\$ 369,145,916</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 262,057	\$ 285,606
Deferred income	160,000	269,000
Split-interest agreements	6,350,284	6,579,443
Intercompany payables	<u>19,557,445</u>	18,865,746
 Total liabilities	 <u>26,329,786</u>	 <u>25,999,795</u>
Net assets:		
Without donor restrictions:		
Operations	34,386,111	31,940,554
Operating reserve	<u>4,595,793</u>	4,595,793
	<u>38,981,904</u>	36,536,347
With donor restrictions	<u>353,683,020</u>	306,609,774
 Total net assets	 <u>392,664,924</u>	 <u>343,146,121</u>
 Total liabilities and net assets	 <u>\$ 418,994,710</u>	 <u>\$ 369,145,916</u>

United States Naval Academy Foundation, Inc.

Statement of Activities
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions	\$ 9,316,352	\$ 54,380,294	\$ 63,696,646
Contributions of nonfinancial assets	540,524	101,498	642,022
Fund administrative fee	4,868,785	-	4,868,785
Net investment income	1,821,644	24,970,916	26,792,560
Intercompany support	(2,005,884)	-	(2,005,884)
Other	92,256	-	92,256
Gain on sale of property	643,561	-	643,561
Other support:			
Change in value of split-interest agreements	147,514	392,693	540,207
Changes in donors' intent	(20,483)	(961,104)	(981,587)
Net assets released from restrictions	31,811,051	(31,811,051)	-
Total revenue, gains and other support	47,215,320	47,073,246	94,288,566
 Expenses:			
Support to the Naval Academy	29,641,432	-	29,641,432
Audit and accounting	101,089	-	101,089
Awards and gifts	14,583	-	14,583
Bad debt expense	2,043,270	-	2,043,270
Conferences	73,855	-	73,855
Consulting—advantage	302,365	-	302,365
Depreciation	664,812	-	664,812
Donor cultivation	308,616	-	308,616
Equipment rental	28,483	-	28,483
Insurance	94,950	-	94,950
Legal fees	27,754	-	27,754
Licenses	1,950	-	1,950
Membership dues	8,617	-	8,617
Miscellaneous	89,682	-	89,682
Occupancy	1,760	-	1,760
Postage and shipping	58,390	-	58,390
Printing and publications	176,325	-	176,325
Professional and contract services	770,387	-	770,387
Salaries and benefits	8,887,082	-	8,887,082
Shared information management	1,099,039	-	1,099,039
Supplies	93,444	-	93,444
Training	74,556	-	74,556
Travel and transportation	207,322	-	207,322
Total expenses	44,769,763	-	44,769,763
 Change in net assets	2,445,557	47,073,246	49,518,803
 Net assets:			
Beginning of year	36,536,347	306,609,774	343,146,121
End of year	\$ 38,981,904	\$ 353,683,020	\$ 392,664,924