

Marine Toys for Tots Foundation

Financial Report
December 31, 2015

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Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of Marine Toys for Tots Foundation (the Foundation) which comprise the balance sheets as of December 31, 2015 and 2014, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marine Toys for Tots Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

McLean, Virginia
April 14, 2016

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Marine Toys for Tots Foundation

Balance Sheets

December 31, 2015 and 2014

	2015	2014
Assets		
Cash	\$ 20,593,927	\$ 18,553,212
Investments	70,800,036	70,687,213
Promises to give	8,539,557	9,466,112
Prepaid expenses and other	27,390	85,888
Inventory	31,333,313	27,284,147
Property and equipment, net	4,909,498	5,037,685
	<u>4,909,498</u>	<u>5,037,685</u>
Total assets	<u>\$ 136,203,721</u>	<u>\$ 131,114,257</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other	\$ 10,682,327	\$ 12,184,724
Accrued vacation	126,579	121,055
Total liabilities	<u>10,808,906</u>	<u>12,305,779</u>
Net assets:		
Unrestricted:		
Undesignated	<u>6,046,269</u>	6,099,777
Board designated:		
Endowment	62,073,855	59,483,815
Building fund	441,378	440,739
Inventory designated for 2016 and 2015, respectively	31,333,313	27,284,147
Toy purchase for 2016 and 2015	25,500,000	25,500,000
	<u>119,348,546</u>	<u>112,708,701</u>
Total net assets	<u>125,394,815</u>	<u>118,808,478</u>
Total liabilities and net assets	<u>\$ 136,203,721</u>	<u>\$ 131,114,257</u>

See notes to financial statements.

Marine Toys for Tots Foundation

Statements of Activities

Years Ended December 31, 2015 and 2014

	2015	2014
Support and revenue:		
Contributions:		
Toys	\$ 210,733,376	\$ 222,105,666
Direct mail	21,733,354	19,463,710
Individual	19,036,213	17,576,151
Corporate	11,559,359	11,951,195
Donated services	4,717,831	8,043,706
Combined federal campaign	225,644	245,286
Interest and dividends	3,185,113	3,342,834
Other	1,170,745	1,051,800
Events	129,038	106,046
Unrealized and realized loss on investments, net	(2,979,485)	(975,738)
Total support and revenue	269,511,188	282,910,656
Expenses:		
Program services:		
Toy distribution program	251,402,107	269,427,834
Education program	3,160,931	2,728,058
Supporting services:		
Fundraising	7,318,553	8,020,828
Management and general	1,043,260	1,020,097
Total expenses	262,924,851	281,196,817
Change in net assets	6,586,337	1,713,839
Net assets:		
Beginning	118,808,478	117,094,639
Ending	\$ 125,394,815	\$ 118,808,478

See notes to financial statements.

Marine Toys for Tots Foundation

Statement of Functional Expenses
Year Ended December 31, 2015

Description	Program Services			Supporting Services			Total
	Toy Distribution	Education	Total Program	Fundraising	Management and General	Total Supporting	
Toys distributed	\$ 240,781,251	\$ -	\$ 240,781,251	\$ -	\$ -	\$ -	\$ 240,781,251
Printing and support materials	1,416,331	862,192	2,278,523	1,528,691	818	1,529,509	3,808,032
Public relations and development	4,109,942	2,298	4,112,240	1,204,676	-	1,204,676	5,316,916
Postage and shipping	1,088,495	1,351,307	2,439,802	2,148,556	42,041	2,190,597	4,630,399
Professional fees and services	314,146	943,424	1,257,570	1,989,887	618,414	2,608,301	3,865,871
Travel and conferences	1,473,874	1,710	1,475,584	26,038	133,673	159,711	1,635,295
Office expense	67,890	-	67,890	19,968	11,981	31,949	99,839
Repairs and maintenance	46,533	-	46,533	13,686	8,212	21,898	68,431
Telephone	71,096	-	71,096	8,372	6,191	14,563	85,659
Insurance	59,236	-	59,236	15,870	4,245	20,115	79,351
Occupancy	760,708	-	760,708	6,160	3,695	9,855	770,563
Salaries	1,051,972	-	1,051,972	309,404	185,642	495,046	1,547,018
Payroll related expense	66,308	-	66,308	19,502	11,702	31,204	97,512
Subtotal	251,307,782	3,160,931	254,468,713	7,290,810	1,026,614	8,317,424	262,786,137
Depreciation	94,325	-	94,325	27,743	16,646	44,389	138,714
Total expenses	\$ 251,402,107	\$ 3,160,931	\$ 254,563,038	\$ 7,318,553	\$ 1,043,260	\$ 8,361,813	\$ 262,924,851

See notes to financial statements.

Marine Toys for Tots Foundation

**Statement of Functional Expenses
Year Ended December 31, 2014**

Description	Program Services			Supporting Services			Total
	Toy Distribution	Education	Total Program	Fundraising	Management and General	Total Supporting	
Toys distributed	\$ 256,499,836	\$ -	\$ 256,499,836	\$ -	\$ -	\$ -	\$ 256,499,836
Printing and support materials	1,341,875	634,200	1,976,075	1,281,845	829	1,282,674	3,258,749
Public relations and development	5,930,678	2,369	5,933,047	1,825,273	-	1,825,273	7,758,320
Postage and shipping	1,179,471	1,298,405	2,477,876	2,518,444	34,237	2,552,681	5,030,557
Professional fees and services	351,905	791,623	1,143,528	1,944,817	618,725	2,563,542	3,707,070
Travel and conferences	2,090,091	1,461	2,091,552	38,636	180,179	218,815	2,310,367
Office expense	65,197	-	65,197	21,093	9,588	30,681	95,878
Repairs and maintenance	45,421	-	45,421	14,695	6,680	21,375	66,796
Telephone	72,839	-	72,839	9,726	5,986	15,712	88,551
Insurance	44,668	-	44,668	12,752	3,170	15,922	60,590
Occupancy	731,964	-	731,964	6,111	2,778	8,889	740,853
Salaries	924,214	-	924,214	299,011	135,914	434,925	1,359,139
Payroll related expense	56,331	-	56,331	18,225	8,284	26,509	82,840
Subtotal	269,334,490	2,728,058	272,062,548	7,990,628	1,006,370	8,996,998	281,059,546
Depreciation	93,344	-	93,344	30,200	13,727	43,927	137,271
Total expenses	\$ 269,427,834	\$ 2,728,058	\$ 272,155,892	\$ 8,020,828	\$ 1,020,097	\$ 9,040,925	\$ 281,196,817

See notes to financial statements.

Marine Toys for Tots Foundation

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 6,586,337	\$ 1,713,839
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized loss on investments, net	2,979,485	975,738
Loss on disposal of property and equipment	424	-
Depreciation	138,714	137,271
Change in assets and liabilities:		
Decrease (Increase) in:		
Promises to give	926,555	(1,747,929)
Inventory	(4,049,166)	3,632,577
Prepaid expenses and other	58,498	(60,551)
(Decrease) increase in:		
Accounts payable and other	(1,502,397)	(2,394,122)
Accrued vacation	5,524	5,725
Net cash provided by operating activities	5,143,974	2,262,548
Cash flows from investing activities:		
Purchase of property and equipment	(10,950)	(15,476)
Proceeds from sale of investments	25,737,227	54,564,362
Purchase of investments	(28,829,536)	(53,488,876)
Net cash (used in) provided by investing activities	(3,103,259)	1,060,010
Net increase in cash	2,040,715	3,322,558
Cash:		
Beginning	18,553,212	15,230,654
Ending	\$ 20,593,927	\$ 18,553,212

See notes to financial statements.

The Marine Toys for Tots Foundation

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

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

The Foundation's annual fundraising campaign includes: soliciting funds from individual Americans through a direct mail campaign; soliciting funds from corporations; soliciting bulk toy donations from toy manufacturers and retailers; soliciting online donations; participating in the Combined Federal Campaign; pursuing an array of special fundraising projects; and conducting special events, such as golf tournaments. Toys are distributed to needy children through approximately 785 authorized local Toys for Tots Coordinators in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.

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

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the FASB ASC, Financial Statements of Not-for-Profit Organizations, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation had no temporarily or permanently restricted net assets at December 31, 2015 and 2014.

Campaign cash and investments: The Foundation maintains cash and investment accounts for each local Toys for Tots campaign. This represents cash remitted to the Foundation from local Toys for Tots coordinators. Local coordinators are authorized to accept locally donated and raised funds on behalf of the Foundation. Such funds and donations are immediately forwarded to the Foundation, which manages all funds raised and donated based on the use of the Toys for Tots name and logo. The Foundation manages these funds so that the funds are expended in the geographical areas in which the funds originated. The balance of these funds at December 31, 2015 and 2014, was \$15,539,978 and \$12,683,140, respectively. Of these amounts, \$8,131,517 and \$7,408,461 is included in cash and investments, respectively, at December 31, 2015. At December 31, 2014, \$3,712,180 and \$8,970,960 is included in cash and investments, respectively.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash, promises to give, prepaid expenses, and accounts payable approximate fair value because of the short maturity of these instruments.

Marine Toys for Tots Foundation

Notes to Financial Statements

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

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

The Foundation invests in a professionally managed portfolio that contains various securities which are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Promises to give: Contributions are recognized when the donor makes a written promise to give to the Foundation that is, in substance, unconditional. All promises to give are generally receivable within two months of year-end. Management determines the allowance for doubtful promises by regularly evaluating individual promises to give and considering prior history of donor and proven collectability of past donations. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. Management believes promises to give were fully collectible and no provision for doubtful promises to give was necessary. All promises to give are due in the year ending December 31, 2016.

Inventory: Inventory consists of toys, either donated from individuals or corporations, which have not been distributed at December 31, 2015.

For those donated by individuals, a mean value per toy is determined by applying a statistical analysis that includes obtaining actual, pre-Christmas retail prices for those toys included in the analysis. For those donated by corporations, a current fair market value is obtained at the date of donation. Since there are observable retail prices, inventory is considered a Level 2 item.

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

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

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations. Interest and dividends are recorded in the statement of activities when earned.

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

Marine Toys for Tots Foundation

Notes to Financial Statements

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

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

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

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

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

The Foundation attained a functional allocation expense ratio of approximately 9.7 to 0.3 for program services versus supporting services for the years ended December 31, 2015 and 2014. The functional allocation expense ratio excludes donated services.

During the years ended December 31, 2015 and 2014, the Board approved that the Endowment Fund be utilized to finance all employee salaries, bonuses, health and welfare benefits and pension contributions, the amount of which was \$1,559,853 and \$1,383,650 for the years ended December 31, 2015 and 2014, respectively, as shown in the accompanying statements of functional expenses, included in the salaries and insurance expense lines.

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes: The Foundation is generally exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). In addition, the Foundation qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income that is not related to its exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Foundation did not have any net unrelated business income for the years ended December 31, 2015 and 2014.

Management has evaluated the Foundation's tax positions and has concluded that the Foundation has taken no uncertain tax positions that require disclosure. Generally, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2012.

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

Reclassifications: Certain items in the December 31, 2014, comparative information have been reclassified to conform to the December 31, 2015, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Subsequent events: The Foundation evaluated subsequent events for required disclosure through April 14, 2016, which is the date the financial statements were available to be issued.

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 2. Board Designated Endowment Funds

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

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

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

Spending policy: During the years ended December 31, 2015 and 2014, the Board approved the utilization of the Endowment Fund for payment of all employee salaries, bonuses, health and welfare benefits and pension contributions.

Board designated net assets consists of the following at December 31, 2015 and 2014:

	2015	2014
Beginning balance	\$ 59,483,815	\$ 54,885,681
Appropriation of additional funds	4,000,000	3,800,000
Investment income, net	149,893	2,181,784
Appropriation of endowment expenditures	(1,559,853)	(1,383,650)
Ending balance	<u>\$ 62,073,855</u>	<u>\$ 59,483,815</u>
	2015	2014
Cash and cash equivalents	\$ 308,230	\$ 401,919
Investments	61,765,625	59,081,896
	<u>\$ 62,073,855</u>	<u>\$ 59,483,815</u>

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 3. Investments

Investments consist of the following at December 31, 2015 and 2014:

	2015	2014
Endowment fund:		
Mutual funds:		
Equities	\$ 38,187,298	\$ 35,798,054
Fixed income – bonds	19,218,901	19,084,050
Hybrid	4,359,426	4,199,792
	<u>61,765,625</u>	<u>59,081,896</u>
Foundation and reserve units:		
Treasury strips	8,591,625	11,165,746
Mutual funds – equities	3,598	1,810
	<u>8,595,223</u>	<u>11,167,556</u>
Building fund – mutual funds:		
Equities	271,563	265,279
Fixed income – bonds	136,631	141,371
Hybrid	30,994	31,111
	<u>439,188</u>	<u>437,761</u>
	<u>\$ 70,800,036</u>	<u>\$ 70,687,213</u>

Note 4. Fair Value Measurement

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

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

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

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

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Foundation at December 31, 2015 and 2014. There were no liabilities incurred by the Foundation subject to fair value measurement at December 31, 2015 and 2014.

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 4. Fair Value Measurement (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds:				
Multi-sector bond	\$ 8,978,543	\$ -	\$ -	\$ 8,978,543
Foreign blend	4,400,205	-	-	4,400,205
Inflation-protected bond	3,038,436	-	-	3,038,436
Bank loan	2,938,348	-	-	2,938,348
	<u>19,355,532</u>	<u>-</u>	<u>-</u>	<u>19,355,532</u>
Hybrid funds:				
Preferred stock	4,390,420	-	-	4,390,420
	<u>4,390,420</u>	<u>-</u>	<u>-</u>	<u>4,390,420</u>
Equity funds:				
Large growth	10,060,714	-	-	10,060,714
Foreign large blend	8,793,121	-	-	8,793,121
Large blend	5,884,024	-	-	5,884,024
Large value	4,515,856	-	-	4,515,856
Small value	3,210,472	-	-	3,210,472
Small growth	3,172,657	-	-	3,172,657
Mid-cap growth	2,825,615	-	-	2,825,615
	<u>38,462,459</u>	<u>-</u>	<u>-</u>	<u>38,462,459</u>
	<u>62,208,411</u>	<u>-</u>	<u>-</u>	<u>62,208,411</u>
Treasury strips	8,591,625	-	-	8,591,625
	<u>8,591,625</u>	<u>-</u>	<u>-</u>	<u>8,591,625</u>
	<u>\$ 70,800,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,800,036</u>
Inventory	<u>\$ -</u>	<u>\$ 31,333,313</u>	<u>\$ -</u>	<u>\$ 31,333,313</u>

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 4. Fair Value Measurement (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2014:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond funds:				
Multi-sector bond	\$ 8,961,900	\$ -	\$ -	\$ 8,961,900
Global bond	4,403,076	-	-	4,403,076
Bank loan	2,946,033	-	-	2,946,033
Inflation protected bond	2,914,412	-	-	2,914,412
	<u>19,225,421</u>	<u>-</u>	<u>-</u>	<u>19,225,421</u>
Hybrid funds:				
Preferred stock	4,230,903	-	-	4,230,903
	<u>4,230,903</u>	<u>-</u>	<u>-</u>	<u>4,230,903</u>
Equity funds:				
Foreign large blend	8,142,369	-	-	8,142,369
Large value	8,645,975	-	-	8,645,975
Large blend	5,445,460	-	-	5,445,460
Large growth	5,339,376	-	-	5,339,376
Small growth	3,077,708	-	-	3,077,708
Mid-cap growth	3,006,135	-	-	3,006,135
Small value	2,408,120	-	-	2,408,120
	<u>36,065,143</u>	<u>-</u>	<u>-</u>	<u>36,065,143</u>
	<u>59,521,467</u>	<u>-</u>	<u>-</u>	<u>59,521,467</u>
Treasury strips	11,165,746	-	-	11,165,746
	<u>11,165,746</u>	<u>-</u>	<u>-</u>	<u>11,165,746</u>
	<u>\$ 70,687,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,687,213</u>
Inventory	\$ -	\$ 27,284,147	\$ -	\$ 27,284,147

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

For inventory donated by individuals, a mean value per toy is determined by applying a statistical analysis that includes obtaining actual, pre-Christmas retail prices for those toys included in the analysis. For those donated by corporations, a current fair market value is obtained at the date of donation. Since there are observable retail prices, inventory is considered a Level 2 item.

Marine Toys for Tots Foundation

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2015 and 2014, consist of the following:

	2015	2014
Building	\$ 4,931,122	\$ 4,931,122
Land	944,700	944,700
Furniture and equipment	344,672	341,229
	<u>6,220,494</u>	<u>6,217,051</u>
Less accumulated depreciation	1,310,996	1,179,366
	<u>\$ 4,909,498</u>	<u>\$ 5,037,685</u>

Assets purchased with a cost threshold over \$1,000 and a useful life greater than one year are capitalized and all others are expensed. Depreciation expense was \$138,714 and \$137,271 for the years ended December 31, 2015 and 2014, respectively.

Note 6. Joint Costs

The Foundation consults with a full service direct mail marketing agency to assist in conducting an annual direct mail campaign. During the years ended December 31, 2015 and 2014, the Foundation incurred joint costs of \$8,762,005 and \$8,245,895, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$3,154,321 and \$2,721,144 was allocated to program expenses and \$5,607,684 and \$5,524,751 was allocated to supporting services for the years ended December 31, 2015 and 2014, respectively. The Physical Units Method was used to allocate joint costs.

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

Note 7. Commitment

The Foundation has entered into a contract for hotel rooms and a convention center relating to its September 2016 and 2017 coordinator conferences. In the event of cancellation, the Foundation is required to pay various costs as stipulated in the contract, the amounts of which are dependent upon the date of cancellation.

Note 8. Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan) covering all full-time employees who have completed one year of service. Under the Plan, the Foundation makes a contribution to the Plan equal to 10 percent of an employee's total annual compensation. Employees must remain with the Foundation for three years in order for their retirement benefit to fully vest. If an employee departs before completing three plan years, the unvested portion of his/her funds is forfeited to the Foundation. During the years ended December 31, 2015 and 2014, the Foundation contributed \$135,603 and \$134,048, respectively, to the Plan.