

NATIONAL MILITARY FAMILY ASSOCIATION
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2025 AND 2024



Strategic, Smart and **Wonderfully Human**

NATIONAL MILITARY FAMILY ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

The Board of Governors
National Military Family Association
Alexandria, Virginia

Opinion

We have audited the financial statements of the National Military Family Association (NMFA), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

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

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

A handwritten signature in black ink, reading "Matthews, Carter and Boye". The signature is written in a cursive, flowing style.

Fairfax, Virginia
September 28, 2026

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,671,905	\$ 885,834
Contributions receivable, net	137,204	87,569
Prepaid expenses	82,112	51,085
Total Current Assets	<u>\$ 3,891,221</u>	<u>\$ 1,024,488</u>
OTHER ASSETS		
Operating lease right-of-use-asset, net	\$ 159,473	\$ 283,375
Property and equipment, net of accumulated depreciation	3,465	3,094
Investments	4,586,609	5,010,019
Deposits	21,895	21,895
Total Other Assets	<u>\$ 4,771,442</u>	<u>\$ 5,318,383</u>
TOTAL ASSETS	<u><u>\$ 8,662,663</u></u>	<u><u>\$ 6,342,871</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 90,696	\$ 121,728
Accrued salaries and related taxes	105,893	91,685
Accrued vacation	124,617	108,444
Deferred grant revenue	600,009	750,000
Line of credit	1,000,000	492,238
Operating lease liability, current portion	157,773	150,035
Total Current Liabilities	<u>\$ 2,078,988</u>	<u>\$ 1,714,130</u>
OTHER LIABILITIES		
Operating lease liability, net of current portion	31,262	183,526
Total Liabilities	<u>\$ 2,110,250</u>	<u>\$ 1,897,656</u>
NET ASSETS		
Without donor restrictions		
Board designated for general reserve fund	\$ 3,401,402	\$ 3,377,944
Board designated for scholarships	-	632,074
Undesignated	23,561	152,972
Total net assets without donor restrictions	<u>\$ 3,424,963</u>	<u>\$ 4,162,990</u>
With donor restrictions	3,127,450	282,225
Total Net Assets	<u>\$ 6,552,413</u>	<u>\$ 4,445,215</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,662,663</u></u>	<u><u>\$ 6,342,871</u></u>

The accompanying notes are an integral part of these financial statements.

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and grants	\$ 2,191,729	\$ 4,453,885	\$ 6,645,614
In-kind donations	1,104,381	-	1,104,381
Other income	3,362	-	3,362
Interest and dividends	264,157	-	264,157
 Total	 \$ 3,563,629	 \$ 4,453,885	 \$ 8,017,514
Net assets released from restrictions for scholarships and program grants	1,608,660	(1,608,660)	-
 Total Revenue	 \$ 5,172,289	 \$ 2,845,225	 \$ 8,017,514
EXPENSES			
Program services			
Strengthening and healing families	\$ 2,634,847	\$ -	\$ 2,634,847
Engaging communities	1,639,499	-	1,639,499
Creating change: policy and awareness	502,463	-	502,463
Research and insights	97,648	-	97,648
 Total Program Services	 \$ 4,874,457	 \$ -	 \$ 4,874,457
Supporting services			
Management and general	\$ 681,705	\$ -	\$ 681,705
Fundraising	665,775	-	665,775
 Total Supporting Services	 \$ 1,347,480	 \$ -	 \$ 1,347,480
 Total Expenses	 \$ 6,221,937	 \$ -	 \$ 6,221,937
Change in net assets before other gains and losses	\$ (1,049,648)	\$ 2,845,225	\$ 1,795,577
Other gains and losses			
Investment return, net	311,621	-	311,621
 CHANGE IN NET ASSETS	 \$ (738,027)	 \$ 2,845,225	 \$ 2,107,198
 NET ASSETS, BEGINNING OF YEAR	 4,162,990	 282,225	 4,445,215
 NET ASSETS, END OF YEAR	 \$ 3,424,963	 \$ 3,127,450	 \$ 6,552,413

The accompanying notes are an integral part of these financial statements.

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Contributions and grants	\$ 1,842,121	\$ 1,282,514	\$ 3,124,635
In-kind donations	526,541	-	526,541
Other income	51	-	51
Interest and dividends	108,825	-	108,825
Total	\$ 2,477,538	\$ 1,282,514	\$ 3,760,052
Net assets released from restrictions for scholarships and program grants	1,435,289	(1,435,289)	-
Total Revenue	\$ 3,912,827	\$ (152,775)	\$ 3,760,052
EXPENSES			
Program services			
Strengthening and healing families	\$ 2,320,568	\$ -	\$ 2,320,568
Engaging communities	1,028,008	-	1,028,008
Creating change: policy and awareness	395,395	-	395,395
Research and insights	77,640	-	77,640
Total Program Services	\$ 3,821,611	\$ -	\$ 3,821,611
Supporting services			
Management and general	\$ 613,545	\$ -	\$ 613,545
Fundraising	609,320	-	609,320
Total Supporting Services	\$ 1,222,865	\$ -	\$ 1,222,865
Total Expenses	\$ 5,044,476	\$ -	\$ 5,044,476
Change in net assets before other gains and losses	\$ (1,131,649)	\$ (152,775)	\$ (1,284,424)
Other gains and losses			
Investment return, net	508,949	-	508,949
CHANGE IN NET ASSETS	\$ (622,700)	\$ (152,775)	\$ (775,475)
NET ASSETS, BEGINNING OF YEAR	4,785,690	435,000	5,220,690
NET ASSETS, END OF YEAR	\$ 4,162,990	\$ 282,225	\$ 4,445,215

The accompanying notes are an integral part of these financial statements.

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2025

	Program Services					Supporting Services			
	Strengthening and Healing Families	Engaging Communities	Creating Change: Policy and Awareness	Research and Insights	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 807,897	\$ 416,816	\$ 141,808	\$ 56,372	\$ 1,422,893	\$ 265,063	\$ 414,805	\$ 679,868	\$ 2,102,761
Camp and family supplies & materials	716,287	-	-	-	716,287	-	-	-	716,287
Depreciation and amortization	1,304	645	224	94	2,267	502	676	1,178	3,445
Insurance	-	-	-	-	-	12,654	-	12,654	12,654
Interest	-	-	-	-	-	73,208	-	73,208	73,208
IT equipment support	-	988	-	-	988	42,781	-	42,781	43,769
Legal, bank fees and accounting	31,655	14,892	5,065	2,003	53,615	161,998	15,649	177,647	231,262
Outside consultants	7,150	530	267,036	35,000	309,716	25,649	29,425	55,074	364,790
Postage, mailing and other services	8,441	234	25	8	8,708	427	3,095	3,522	12,230
Promotional materials and advertising	6,034	1,043,068	260	-	1,049,362	3,139	75	3,214	1,052,576
Publications, dues and subscriptions	13,279	3,832	10,279	91	27,481	4,891	91,119	96,010	123,491
Rent and office maintenance	56,690	28,535	9,787	4,029	99,041	21,248	28,500	49,748	148,789
Scholarships	841,685	-	-	-	841,685	-	-	-	841,685
Supplies and materials	75,575	405	10	4	75,994	3,099	26	3,125	79,119
Training and conferences	2,196	61	45,309	-	47,566	-	33,427	33,427	80,993
Travel and meetings expenses	46,953	80,332	22,534	-	149,819	32,255	9,903	42,158	191,977
Website and communication services	19,701	49,161	126	47	69,035	34,791	39,075	73,866	142,901
Total Expenses	<u>\$ 2,634,847</u>	<u>\$ 1,639,499</u>	<u>\$ 502,463</u>	<u>\$ 97,648</u>	<u>\$ 4,874,457</u>	<u>\$ 681,705</u>	<u>\$ 665,775</u>	<u>\$ 1,347,480</u>	<u>\$ 6,221,937</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services					Supporting Services			
	Strengthening and Healing Families	Engaging Communities	Creating Change: Policy and Awareness	Research and Insights	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and benefits	\$ 804,334	\$ 330,978	\$ 256,543	\$ 61,788	\$ 1,453,643	\$ 183,628	\$ 364,655	\$ 548,283	\$ 2,001,926
Camp and family supplies & materials	452,545	-	-	-	452,545	-	-	-	452,545
Depreciation and amortization	3,644	1,475	1,187	281	6,587	1,171	1,624	2,795	9,382
Insurance	-	-	-	-	-	12,080	-	12,080	12,080
Interest	-	-	-	-	-	49,717	-	49,717	49,717
IT equipment support	-	1,655	-	-	1,655	61,483	-	61,483	63,138
Legal, bank fees and accounting	28,535	11,956	9,337	2,312	52,140	158,991	26,958	185,949	238,089
Outside consultants	55,045	27,963	54,875	2,000	139,883	29,023	58,232	87,255	227,138
Postage, mailing and other services	2,190	693	145	26	3,054	660	7,124	7,784	10,838
Promotional materials and advertising	3,344	518,064	717	-	522,125	34,084	500	34,584	556,709
Publications, dues and subscriptions	25,548	8,469	11,522	155	45,694	3,608	16,396	20,004	65,698
Rent and office maintenance	52,938	21,052	17,426	4,218	95,634	21,112	30,115	51,227	146,861
Scholarships	819,418	-	-	-	819,418	-	-	-	819,418
Supplies and materials	18,992	105	-	-	19,097	1,776	103	1,879	20,976
Training and conferences	3,662	4,725	36,402	-	44,789	4	52,130	52,134	96,923
Travel and meetings expenses	39,529	67,940	6,742	4,964	119,175	27,389	8,254	35,643	154,818
Website and communication services	10,844	32,933	499	1,896	46,172	28,819	43,229	72,048	118,220
Total Expenses	<u>\$ 2,320,568</u>	<u>\$ 1,028,008</u>	<u>\$ 395,395</u>	<u>\$ 77,640</u>	<u>\$ 3,821,611</u>	<u>\$ 613,545</u>	<u>\$ 609,320</u>	<u>\$ 1,222,865</u>	<u>\$ 5,044,476</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, program revenue and contributors	\$ 6,446,449	\$ 3,535,037
Interest and dividend income received	264,157	108,825
Interest paid	(73,208)	(50,518)
Cash paid to suppliers and employees	(5,131,897)	(4,426,270)
Net Cash - Operating Activities	<u>\$ 1,505,501</u>	<u>\$ (832,926)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of marketable securities	\$ (656,361)	\$ (596,852)
Sales of marketable securities	1,432,884	1,026,494
Purchases of property and equipment	(3,715)	-
Net Cash - Investing Activities	<u>\$ 772,808</u>	<u>\$ 429,642</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit	\$ -	\$ (494,874)
Draws on the line of credit	507,762	-
Net Cash - Financing Activities	<u>\$ 507,762</u>	<u>\$ (494,874)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ 2,786,071</u>	<u>\$ (898,158)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>885,834</u>	<u>1,783,992</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 3,671,905</u></u>	<u><u>\$ 885,834</u></u>

The accompanying notes are an integral part of these financial statements.

NATIONAL MILITARY FAMILY ASSOCIATION

STATEMENTS OF CASH FLOWS (CONCLUDED)

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Change in Net Assets to Net Cash - Operating Activities		
CHANGE IN NET ASSETS	<u>\$ 2,107,198</u>	<u>\$ (775,475)</u>
Adjustments to reconcile change in net assets to Net Cash -		
Operating Activities:		
Depreciation and amortization	\$ 3,445	\$ 9,382
Realized gain on sales of marketable securities	(282,435)	(340,133)
Unrealized gain on marketable securities	(67,777)	(207,817)
Donated marketable securities	(2,901)	(7,018)
Amortization of right-of use-asset	123,903	133,403
Changes in assets and liabilities		
(Increase) decrease in:		
Contributions receivable	(49,635)	117,369
Prepaid expenses	(31,027)	(5,341)
Increase (decrease) in:		
Accounts payable and accrued expenses	(31,134)	97,358
Accrued salaries and related taxes	14,208	(1,249)
Accrued vacation	16,173	(4,036)
Deferred grant revenue	(149,991)	300,000
Payments on operating lease liability	<u>(144,526)</u>	<u>(149,369)</u>
Total adjustments	<u>\$ (601,697)</u>	<u>\$ (57,451)</u>
Net Cash - Operating Activities	<u><u>\$ 1,505,501</u></u>	<u><u>\$ (832,926)</u></u>
Non-cash investing and financing activities:		
Right of use asset acquired with lease liability	\$ 5,794	\$ -
Other cash flow information:		
Donated marketable securities	\$ 2,901	\$ 7,018
Cash paid for interest	\$ 73,208	\$ 50,518

The accompanying notes are an integral part of these financial statements.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 1. Organization

The National Military Family Association (NMFA or the Association) was incorporated in the State of Maryland in December 1969 as a non-stock, not-for-profit organization. The Association was organized to identify and resolve issues of concern to military families and to fight for benefits and programs that strengthen and protect uniform service families. The Association is also recognized as a charitable organization and is primarily supported by charitable contributions and grants. The Association is governed by an elected Board of Governors.

NMFA has been determined to be exempt from income tax pursuant to Internal Revenue Code Section 501(c)(3).

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, *Presentation of Financial Statements of Not-for-Profit Entities*. Contributions are recognized as revenue when they are received or when the donor makes an unconditional promise-to-give. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NMFA and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of NMFA's management and the Board of Governors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors or grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of NMFA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue Recognition

The Association accounts for contributions in accordance with the requirements of FASB ASC 958, under which contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions.

The Association records contributions when received or when the unconditional promise-to-give is known. Support that is restricted by the donor, including promises-to-give, are reported as an increase in net assets with donor restrictions. When a donor 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 statements of activities and changes in net assets as net assets released from restrictions. Donated goods or contributed services meeting the requirements for recognition in that they create or enhance non-financial assets or are services that require specialized skills and would typically need to be purchased if not donated are reported at fair value at the time of the donation. Conditional promises-to-give that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

During the years ended December 31, 2025 and 2024, the Association received \$1,104,381 and \$526,541, respectively, of in-kind donations (contributed non-financial assets). Unless otherwise noted, contributed non-financial assets did not have donor-imposed restrictions and were utilized in various programs. Such activity is included in in-kind donations in the accompanying statements of activities and changes in net assets and are comprised of the following:

	2025	2024
Goods	\$ 69,557	\$ 15,500
Advertising	1,034,824	511,041
Total in-kind donations (contributed non-financial assets)	<u>\$ 1,104,381</u>	<u>\$ 526,541</u>

Contributed advertising was received from a newspaper and cable television company. The contributed advertising is reported at the estimated fair value in the financial statements based on current rates for advertising as established by the donors.

Contributed goods recognized comprise donated supplies for Operation Purple Camp. These contributed goods are reported at the estimated fair value in the financial statements based on current rates for such goods.

The Association evaluates its grants and other funding to determine if grants are unconditional promises to give and thus, accounted for as contributions and either earmarked as net assets with or without donor restrictions. In situations in which the grants include significant stipulations, including the donor's ability to cancel funding at any time, the Association treats the grant as conditional promises to give in which the revenue is not recognized until the grantor's stipulations are substantially met. Any amounts received in advance by the Association under such grants are recorded as deferred revenue.

At December 31, 2025 and 2024, contributions approximating \$600,009 and \$750,000 have not been recognized in the accompanying statement of activities and changes in net assets because the condition(s) on which they depend have not yet been met. For 2025, \$600,009 pertained to the Wounded Warrior Project, Inc. grant and had a condition of sending 1,635 children to camps during 2026. For 2024, \$750,000 has a condition of sending 500 children to camps during 2025.

The following table provides information about significant changes in deferred revenue for the years ended December 31, 2025 and 2024:

	2025	2024
Deferred revenue, beginning of year	\$ 750,000	\$ 450,000
Revenue recognized that was included in deferred revenue at the beginning of year	750,000	450,000
Deferred revenue, end of year	600,009	750,000

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Concluded)

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended supersedes nearly all generally accepted accounting principles revenue recognition guidance. These standards establish a contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The following revenue follows the guidance in Topic 606.

Contracts and other revenue which are not refundable and represent an exchange transaction based on the value of the benefits provided, are recognized at the time the transaction occurs. Such revenue is recognized at published prices.

Contracts and other revenue is recorded as other income.

Contributions Receivable and Allowance

The Association's receivables consist primarily of contributions and bequests. Contributions receivable are recognized when an unconditional promise-to-give from a donor or decedent is both determinable and measurable by the Association. The Association reports its contributions receivable at their net realizable value by periodically reviewing an aging of its contributions receivable for collection purposes and to evaluate the adequacy of the allowance. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises were received. The Association determined that no allowance was required as of December 31, 2025 and 2024.

For the years ended December 31, 2025 and 2024, bad debt expense was \$0. There were no contributions receivable due in excess of one year as of December 31, 2025 and 2024.

Fixed Assets and Depreciation

The Association capitalizes property and equipment acquisitions with a cost of \$1,000 or greater, at cost or estimated fair value at the time of the donation, and reports property and equipment net of accumulated depreciation. The Association depreciates property and equipment using the straight-line method over the estimated useful lives of 3 to 7 years. Expenditures for repairs and maintenance that do not extend the useful life of an asset, supplies, and de minimis items are expensed as incurred.

Cash Equivalents

For financial statement purposes, the Association considers highly liquid debt instruments with original maturities of three months or less, including certain money market funds not maintained in investment accounts, to be cash equivalents. As of December 31, 2025 and 2024, the Association had approximately \$500 and \$4,137 respectively, in money market funds that are included as cash equivalents in the accompanying financial statements.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statement of activities and changes in net assets.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 2. Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

The Association maintains its cash in financial institutions located in the Washington, DC metropolitan area. The balances at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Throughout the year, the balances maintained by the Association may exceed the insured balance.

The Association maintains cash equivalents and marketable securities portfolios with investment brokers which are members of the Securities Investor Protection Corporation (SIPC). The balances maintained in the brokerage accounts are insured by SIPC up to \$500,000. The investments are subject to market fluctuations and risk of loss.

Credit risk with respect to contributions receivable is limited due to the number and credit worthiness of the corporations and individuals that comprise the contributor base.

Advertising

The costs of advertising are expensed as incurred and were \$1,042,020 and \$517,302 for the years ended December 31, 2025 and 2024, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing various programs, and other activities, have been summarized on a functional basis in the statements of activities and changes in net assets. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs, as well as other costs indirectly related to the programs or support services, have been allocated among the programs and supporting services based upon direct labor dollars and related costs charged to the programs and supporting services.

Income Taxes

No provision has been made for income taxes since the Association has been determined to be exempt from income tax pursuant to Internal Revenue Code Section 501(c)(3). There was no unrelated business taxable income during the years ended December 31, 2025 or 2024. The Association files its information tax returns for Federal reporting purposes. The Association is not under audit by any income tax jurisdiction.

FASB ASC 740, *Income Taxes*, requires changes in recognition and measurement for uncertain tax positions. The Association has determined that it currently does not have any uncertain tax positions. If this position changes, the Association will assess the impact of any such matters on its statements of financial position and its results of operations.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 2. Summary of Significant Accounting Policies (Concluded)

Leases

At contract inception, the Association determines if a contract is or contains a lease and whether the lease should be classified as an operating or finance lease. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the accompanying statements of financial position. ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent the Association's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Association has elected to expense payments for short-term leases with a term of 12 months or less, as these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Association has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

The Association has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Note 3. Availability and Liquidity

The following represents the Association's financial assets at December 31, 2025 and 2024 available for use within one year:

Financial assets at December 31:	2025	2024
Cash and cash equivalents	\$ 3,671,905	\$ 885,834
Contributions receivable	137,204	87,569
Investments	<u>4,586,609</u>	<u>5,010,019</u>
Total financial assets	\$ 8,395,718	\$ 5,983,422
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(3,127,450)	(282,225)
Board designated net assets	<u>(3,401,402)</u>	<u>(4,010,018)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,866,866</u>	<u>\$ 1,691,179</u>

During the normal course of operations for the year ending December 31, 2026, the Association will receive contributions and grant revenue which will be available to spend on general expenditures. The Association's Governing Board has established Board designated net assets, see Note 6, that are available to meet general expenditures.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 4. Property and Equipment

Property and equipment consists of the following at December 31:

	2025	2024
Furniture and equipment	\$ 212,929	\$ 271,439
Software	185,113	185,113
Total Property and Equipment	\$ 398,042	\$ 456,552
Less, accumulated depreciation	(394,577)	(453,458)
Net Property and Equipment	\$ 3,465	\$ 3,094

Note 5. Investments

The Association adopted the provisions of FASB ASC 820, *Fair Value Measurement*. In accordance with FASB ASC 820, NMFA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the statements of financial position are categorized based on the inputs to valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are quoted in an active market.
- Level 2 – Inputs to the valuation methodology are inputs other than quoted prices that are observable for the assets.
- Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

All of the investments recorded in the statements of financial position are categorized based on the inputs to the valuation technique and are at quoted prices in active markets for identical assets, Level 1 assets.

The Association reports investments in equity securities at fair value, with gains and losses included in the statements of activities and changes in net assets.

The Association's investments consist of the following as of December 31, 2025 and 2024:

	2025		2024	
	Cost	Market	Cost	Market
Cash, money market funds and bank deposits	\$ 125,322	\$ 125,322	\$ 160,391	\$ 160,391
Mutual funds	3,270,043	4,108,800	3,451,572	4,061,539
Exchange traded products	116,784	163,680	392,185	618,562
Equities	35,279	188,807	35,236	169,527
Total	\$ 3,547,428	\$ 4,586,609	\$ 4,039,384	\$ 5,010,019

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 5. Investments (Concluded)

The following table summarizes the fair value of the Association's investments by level at December 31:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable Securities:	12/31/25			
Cash, money market funds and bank deposits	\$ 125,322	\$ 125,322	\$ -	\$ -
Mutual funds	4,108,800	4,108,800	-	-
Exchange traded products	163,680	163,680	-	-
Equities	188,807	188,807	-	-
Total	<u>\$ 4,586,609</u>	<u>\$ 4,586,609</u>	<u>\$ -</u>	<u>\$ -</u>
Marketable Securities:	12/31/24	(Level 1)	(Level 2)	(Level 3)
Cash, money market funds and bank deposits	\$ 160,391	\$ 160,391	\$ -	\$ -
Mutual funds	4,061,539	4,061,539	-	-
Exchange traded products	618,562	618,562	-	-
Equities	169,527	169,527	-	-
Total	<u>\$ 5,010,019</u>	<u>\$ 5,010,019</u>	<u>\$ -</u>	<u>\$ -</u>

Note 6. Governing Board Designations

The Association's governing board has designated, from net assets without donor restrictions, net assets for the following purposes:

	2025	2024
General reserve fund	\$ 3,401,402	\$ 3,377,944
Scholarship reserve fund	-	632,074
	<u>\$ 3,401,402</u>	<u>\$ 4,010,018</u>

The Association maintained two investment funds. The first is the Association's organizational invested fund, referred to as the "General Reserve Fund." The second invested fund is strictly designated for the spouse scholarship program and is referred to as the "Scholarship Reserve Fund." This Fund was closed in 2025 and the funds were transferred to the General Reserve Fund. The funds are managed by the Finance Committee, the Chair, and the Chief Executive Officer, with the support of an outside investment advisor. Fund performance is reviewed by the Board of Governors. The Finance Committee will allocate invested fund assets in investments that are financially conservative and focused on long term growth. The Finance Committee develops specific asset allocation recommendations, which are approved by the Board of Governors.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 6. Governing Board Designations (Concluded)

General Reserve Fund:

- The Association's goal for this reserve fund is a minimum of six months of normal operating costs. There is no current maximum goal set for this fund.
- Withdrawal of reserve funds may be authorized by the Chairman of the Board based on the recommendation of the Chief Executive Officer with concurrence by the Finance Committee when an emergency exists. Withdrawal of reserve funds for a non-emergency must first be approved by a two-thirds majority of the Board of Governors.

Scholarship Reserve Fund (closed in 2025):

- This fund was established with the goal of providing sufficient resources to finance a reasonable annual spouse scholarship program and support designated/named scholarships in perpetuity.
- Unless otherwise directed by the Board of Governors, the Association's investment plan is to invest the fund to maintain the fund balance at \$700,000, with the goal of an annual return of at least 5%. Any fund balance exceeding \$700,000 will be withdrawn annually to cover existing named scholarship commitments and to provide additional scholarship awards.

Note 7. Line of Credit

In July 2022, the Association entered into a revolving line of credit facility with Old Dominion National Bank. Advances under the credit facility bear interest at Old Dominion National Bank's prime rate plus 0.25% with a floor of 5%. The interest payments are due monthly. The maximum amount which may be advanced is \$1,000,000 or such amount that would result in a loan-to-value ratio of 70% of the collateral. Advances are collateralized by the investment reserve account. The investment account balance pledged under this line of credit held a balance of \$4,586,609 and \$4,377,944 as of December 31, 2025 and 2024, respectively. The amount outstanding under this line of credit was \$1,000,000 and \$492,238 as of December 31, 2025 and 2024, respectively. The balance is due and payable on July 25, 2026.

Note 8. Net Assets with Donor Restrictions

The Association maintains net assets that are donor restricted as follows:

	<u>2025</u>	<u>2024</u>
Net assets with donor restrictions:		
Educational scholarships	\$ 427,450	\$ 249,725
Operation Purple programs	-	32,500
Special purpose Grants	<u>2,700,000</u>	<u>-</u>
	<u>\$ 3,127,450</u>	<u>\$ 282,225</u>

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 9. Commitments and Contingencies

Operating Lease Commitments

In August 2019, the Association entered into a eighty-nine month non-cancelable operating-type lease for office space which expires in 2027. The lease contains annual rent escalations and also provides for a lease incentive in the amount of \$21,895. Additionally, the Association is required to pay certain real estate taxes, insurance, and repairs as stipulated by the lease agreement. During 2019, the Association entered into a copier operating-type lease under a long term agreement which expired in 2024. During 2019, the Association entered into a postage machine operating-type lease under a long term agreement which expired in 2024. During 2025, the Association entered into a postage machine operating-type lease under a long term agreement which expires in 2031. Rent expense for the year ended December 31, 2025 and 2024 were \$148,789 and \$146,861, respectively. Lease costs are included as components of rent and office maintenance on the statements of functional expenses.

The Right-of-Use (ROU) assets obtained in exchange for operating lease liabilities totaled \$679,581 for the year ended December 31, 2022. The accumulated amortization of the ROU assets as of December 31, 2025 and 2024 were \$506,419 and \$396,206, respectively. Cash paid for amounts included in the measurement of lease liabilities were \$144,526 and \$149,369 for the years ended December 31, 2025 and 2024.

Maturities of the lease liabilities as of December 31, 2025 are as follows for the years ending December 31:

2026	\$ 159,191
2027	28,124
2028	1,208
2029	1,208
2030	1,208
Thereafter	<u>1,208</u>
Total	\$ 192,147
Less: imputed interest	<u>(3,112)</u>
Total present value	\$ 189,035
Less: lease liabilities, current portion	<u>(157,773)</u>
Total lease liabilities, net of current portion	<u>\$ 31,262</u>

Other Information- Operating Leases:

Weighted-average remaining lease terms (in years)	1.2 years
Weighted-average discount rate	1.37%

Operating Contingencies

The Association sponsors various youth programs and summer camps that have inherent risk associated with such activities. Although the Association only sponsors the youth programs or may provide grants for children to attend, the Association purchases insurance coverage with respect to the Association's sponsorship of such activities. Additionally, each camp is required to agree to release, discharge, indemnify, and forever hold harmless the Association, its agents, officers, directors, and employees, from any and all claims. Each camp is also required to provide the Association with proof of insurance.

NATIONAL MILITARY FAMILY ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

Note 10. Retirement Plan

The Association adopted a 403(b) plan covering all employees meeting certain minimal requirements. Plan participants may make voluntary tax-deferred contributions to the retirement plan up to the maximum amount allowed by the Internal Revenue Code. The Association provides eligible participants matching contributions of \$50 per month. During the years ended December 31, 2025 and 2024, the Association incurred retirement plan expenses, including matching contributions and plan administrative costs, approximating \$7,501 and \$7,528, respectively.

Note 11. Risks and Uncertainties

Market Risk

The Association also invests funds in a professionally managed portfolio of fixed income and equity securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements.

Concentrations

Two donors contributed 46% and three donors contributed 37% of NMFA's total contributions and grants in 2025 and 2024, respectively.

Note 12. Presentation of Prior Year Financial Statements

Certain amounts and descriptions in the prior year financial statements have been modified for comparative purposes to conform with the presentation of the current year financial statements. The modifications of the amounts and descriptions resulted in no change to the change in net assets for the periods presented.

Note 13. Subsequent Events

The Association has evaluated events through September 28, 2026, the date the financial statements were available to be issued. In April 2026, the Association paid off and closed its existing line of credit and was subsequently approved for a new \$1,000,000 line of credit. Other than this matter, management determined that no events occurred subsequent to December 31, 2025, that would require recognition or disclosure in these financial statements.