

Marine Toys For Tots Foundation

Financial Report
December 31, 2008

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying balance sheets of Marine Toys for Tots Foundation (the Foundation) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Vienna, Virginia
March 27, 2009

Marine Toys For Tots Foundation

Balance Sheets

December 31, 2008 And 2007

Assets	2008	2007
Cash And Cash Equivalents, of which for 2008, \$16 million is designated for 2009 toy purchases	\$ 30,452,147	\$ 24,646,480
Investments	24,571,953	16,824,173
Promises To Give	4,951,966	6,635,338
Other	386,220	390,237
Inventory	22,031,396	17,272,340
Property And Equipment, Net	5,914,082	2,141,125
Refundable Deposit – Office Space	-	444,000
	\$ 88,307,764	\$ 68,353,693
Liabilities And Net Assets		
Liabilities		
Accounts payable	\$ 8,775,324	\$ 9,062,560
Accrued vacation	86,462	129,152
Deferred revenue	21,500	42,000
Total liabilities	8,883,286	9,233,712
Contingency (Note 8)		
Net Assets		
Unrestricted		
Undesignated	16,821,129	41,915,808
Board designated		
Endowment	23,934,140	12,429,522
Building fund	637,813	4,394,651
2008 inventory for 2009 distribution	22,031,396	-
2009 toy purchase	16,000,000	-
	62,603,349	16,824,173
Temporarily restricted	-	380,000
Total net assets	79,424,478	59,119,981
	\$ 88,307,764	\$ 68,353,693

See Notes To Financial Statements.

Marine Toys For Tots Foundation

Statements Of Activities

Years Ended December 31, 2008 And 2007

	2008	2007
Support and revenue:		
Contributions:		
Toys	\$ 180,312,246	\$ 165,470,482
Individual	31,384,604	14,155,785
Direct mail	15,639,059	13,884,731
Corporate	6,226,995	7,550,360
Donated services	1,490,898	2,199,058
Combined federal campaign	354,669	334,836
Events	252,895	259,565
Other	495,044	178,815
Interest and dividends	800,957	515,399
Unrealized and realized (loss) gain on investments, net	(3,948,323)	1,619,586
Total support and revenue	233,009,044	206,168,617
Expenses:		
Toy distribution program	203,735,456	200,050,618
Education program	2,151,265	1,696,723
Fundraising	5,974,103	6,022,403
Management and general	843,723	847,230
Total expenses	212,704,547	208,616,974
Change in net assets	20,304,497	(2,448,357)
Net assets:		
Beginning	59,119,981	61,568,338
Ending	\$ 79,424,478	\$ 59,119,981

See Notes To Financial Statements.

Marine Toys For Tots Foundation

Statement Of Functional Expenses
Year Ended December 31, 2008

Description	Program Services			Supporting Services			Total
	Toy Distribution	Education	Total	Fundraising	Management And General	Total	
Toys distributed	\$ 196,817,988	\$ -	\$ 196,817,988	\$ -	\$ -	\$ -	\$ 196,817,988
Printing and support materials	966,194	762,792	1,728,986	1,291,801	-	1,291,801	3,020,787
Public relations and development	2,211,535	-	2,211,535	446,515	221,154	667,669	2,879,204
Postage and shipping	838,247	1,036,422	1,874,669	1,718,710	21,372	1,740,082	3,614,751
Professional fees and services	278,257	352,051	630,308	1,978,333	328,399	2,306,732	2,937,040
Travel and conferences	776,435	-	776,435	285,623	104,053	389,676	1,166,111
Office expense	60,771	-	60,771	9,116	6,077	15,193	75,964
Repairs and maintenance	42,501	-	42,501	6,376	4,250	10,626	53,127
Telephone	66,424	-	66,424	9,964	6,642	16,606	83,030
Insurance	57,206	-	57,206	8,581	5,721	14,302	71,508
Occupancy	239,329	-	239,329	11,998	7,999	19,997	259,326
Salaries	1,196,417	-	1,196,417	179,462	119,642	299,104	1,495,521
Payroll related expense	53,616	-	53,616	8,043	5,361	13,404	67,020
Other	5,751	-	5,751	863	574	1,437	7,188
Subtotal	203,610,671	2,151,265	205,761,936	5,955,385	831,244	6,786,629	212,548,565
Depreciation	124,785	-	124,785	18,718	12,479	31,197	155,982
Total expenses	\$ 203,735,456	\$ 2,151,265	\$ 205,886,721	\$ 5,974,103	\$ 843,723	\$ 6,817,826	\$ 212,704,547

See Notes To Financial Statements.

Marine Toys For Tots Foundation

Statement Of Functional Expenses
Year Ended December 31, 2007

Description	Program Services			Supporting Services			
	Toy Distribution	Education	Total	Fundraising	Management And General	Total	Total
Toys distributed	\$ 193,820,314	\$ -	\$ 193,820,314	\$ -	\$ -	\$ -	\$ 193,820,314
Printing and support materials	917,653	528,725	1,446,378	1,136,642	-	1,136,642	2,583,020
Public relations and development	2,481,749	-	2,481,749	599,796	225,614	825,410	3,307,159
Postage and shipping	600,635	891,083	1,491,718	1,900,628	10,484	1,911,112	3,402,830
Professional fees and services	236,629	276,915	513,544	1,874,581	436,668	2,311,249	2,824,793
Travel and conferences	673,305	-	673,305	270,718	69,444	340,162	1,013,467
Office expense	47,096	-	47,096	9,786	4,281	14,067	61,163
Repairs and maintenance	13,056	-	13,056	2,713	1,187	3,900	16,956
Telephone	56,314	-	56,314	11,701	5,120	16,821	73,135
Insurance	48,041	-	48,041	9,983	4,368	14,351	62,392
Occupancy	205,963	-	205,963	8,484	3,712	12,196	218,159
Salaries	856,434	-	856,434	177,960	77,858	255,818	1,112,252
Payroll related expense	45,853	-	45,853	9,527	4,169	13,696	59,549
Other	22,259	-	22,259	4,624	2,024	6,648	28,907
Subtotal	200,025,301	1,696,723	201,722,024	6,017,143	844,929	6,862,072	208,584,096
Depreciation	25,317	-	25,317	5,260	2,301	7,561	32,878
Total expenses	\$ 200,050,618	\$ 1,696,723	\$ 201,747,341	\$ 6,022,403	\$ 847,230	\$ 6,869,633	\$ 208,616,974

See Notes To Financial Statements.

Marine Toys For Tots Foundation

Statements Of Cash Flows Years Ended December 31, 2008 And 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 20,304,497	\$ (2,448,357)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized and realized loss (gain) on investments, net	3,948,323	(1,619,586)
Depreciation	155,982	32,878
Gain on disposal of property and equipment	(209,532)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Promises to give	1,683,372	(582,399)
Refundable deposit – office space	444,000	-
Inventory	(4,759,056)	8,563,155
Other	4,017	(114,013)
Increase (decrease) in:		
Accounts payable	(287,236)	252,147
Accrued vacation	(42,690)	16,036
Deferred revenue	(20,500)	27,225
Net cash provided by operating activities	21,221,177	4,127,086
Cash Flows From Investing Activities		
Purchase of property and equipment	(4,203,308)	(1,832,074)
Proceeds from sale of donated property	483,901	-
Proceeds from sale of investments	6,880,753	9,819,581
Purchase of investments	(18,576,856)	(11,472,758)
Net cash used in investing activities	(15,415,510)	(3,485,251)
Net increase in cash and cash equivalents	5,805,667	641,835
Cash And Cash Equivalents		
Beginning	24,646,480	24,004,645
Ending	\$ 30,452,147	\$ 24,646,480

See Notes To Financial Statements.

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 (the Director of the U.S. Marine Corps Reserve Toys for Tots Program) 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 and luncheons. Toys are distributed to needy children through approximately 650 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, 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) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, 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 permanently restricted net assets at December 31, 2008 and 2007, and no temporarily restricted net assets at December 31, 2008.

Unrestricted Net Assets – This classification is used to record all assets that are not required to be reported as either temporarily or permanently restricted. The category is used to record activity which has not been restricted by a donor or funding source.

Temporarily Restricted Net Assets – This classification is used to record contributions that have been specifically restricted in some manner by the donor. Typically, these restrictions relate to a time period for which the contribution has been designated, or for a special purpose or project for which the donor has provided funding. Temporarily restricted contributions are recorded as revenue when the donor has made a gift, rather than when the cash is actually received. Once the restriction has been satisfied, a transfer is made through net assets released from restrictions from temporarily restricted net assets to unrestricted net assets.

Cash and cash equivalents: For the purpose of reporting cash flows, the Foundation considers money market accounts to be cash equivalents.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

The Foundation maintains cash and cash equivalent 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, 2008 and 2007, of approximately \$10,992,000 and \$9,880,000, respectively, is included in cash and cash equivalents on the balance sheets.

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 mutual funds and government securities. Such investments are exposed to various risks, such as market and credit. 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 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 collectibility 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.

Inventory: Inventory consists of toys, either donated from individuals and corporations or purchased by the Foundation, that have not been distributed at December 31. Donated inventory is stated at fair market value and purchased inventory is stated at cost.

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: The Foundation accounts for the valuation of long-lived assets under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 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 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. Cash held by the investment advisor is considered investments.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

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.

Deferred revenue: Deferred revenue represents contributions received for special events to occur in the subsequent year.

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 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. Indirect expenses are unallocated in the statements of functional expenses.

The Foundation attained a functional allocation expense ratio of approximately 9.7 to 0.3 for program services versus supporting services, respectively, for the years ended December 31, 2008 and 2007.

Income taxes: The Foundation is generally exempt from federal income tax under Internal Revenue Code Section 501(c)(3). In addition, the Foundation qualifies for charitable contributions 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, 2008 and 2007.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Board Designated Endowment Funds

On August 6, 2008, FASB issued the Staff Position No. FAS 117-1 (FSP) which provides guidance on the 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). 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.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 2. Board Designated Endowment Funds (Continued)

The FSP 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

The Foundation does not currently appropriate spending for these funds for operations.

Note 3. Fair Value Of Financial Instruments

The Foundation adopted SFAS No. 157, *Fair Value Measurements*, at the beginning of the 2008 year with no material impact to the financial statements. SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 requires new disclosure that establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosure about fair value measurements. SFAS No. 157 enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. SFAS No. 157 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

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

Level 2: Observable market-based 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 SFAS No. 157. 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.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 3. Fair Value Of Financial Instruments (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy:

	Level 1	Level 2	Level 3
Investments	\$ 24,571,953	\$ -	\$ -
Inventory	\$ -	\$ 22,031,396	\$ -

The Foundation holds investments primarily in mutual and money market funds at December 31, 2008 (See Note 4).

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

The Foundation's inventory consists of toys, either donated from individuals and corporations or purchased by the Foundation, that have not been distributed at December 31. 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 or purchased by the Foundation, a current market value as of the date of donation is included on the documentation provided by the company. Since there are observable retail prices, inventory is considered a Level 2 item.

Note 4. Investments

Investments consist of the following at December 31, 2008 and 2007:

	2008	2007
Endowment fund:		
Mutual funds	\$ 8,934,138	\$ 12,429,522
Certificates of deposit and money market funds	15,000,002	-
	<u>23,934,140</u>	<u>12,429,522</u>
Building fund:		
Mutual funds	637,662	-
Cash	151	1,448,969
Government securities	-	2,495,750
Certificate of deposit	-	449,932
	<u>637,813</u>	<u>4,394,651</u>
	<u>\$ 24,571,953</u>	<u>\$ 16,824,173</u>

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. However, the Foundation's investments have outperformed their assigned benchmark comparatives during all periods of record, outperforming them on a total weighted-average basis.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 5. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2008 and 2007, consist of the following:

	2008	2007
Building	\$ 4,931,122	\$ -
Land	944,700	-
Furniture and equipment	277,858	165,871
Leasehold improvements	-	16,149
Construction in process – building	-	1,827,217
Donated property – held for sale	-	380,000
	<u>6,153,680</u>	<u>2,389,237</u>
Less accumulated depreciation	239,598	248,112
	<u>\$ 5,914,082</u>	<u>\$ 2,141,125</u>

Assets purchased with a cost threshold over \$1,000 are capitalized and all others are expensed. Depreciation expense was \$155,982 and \$32,878 for the years ended December 31, 2008 and 2007, respectively.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2007, consisted of a home located in the San Diego, California area that was donated during the year ended December 31, 2001. The Foundation obtained possession of the home when the former owners vacated the home in March 2008. The home was sold by the Foundation on May 16, 2008, for a gain of \$209,532. Temporarily restricted net assets activity is as follows:

	Balance December 31, 2007	Additions	Released	Balance December 31, 2008
Donated property	\$ 380,000	\$ -	\$ 380,000	\$ -

Note 7. 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, 2008 and 2007, the Foundation incurred joint costs of \$6,573,154 and \$6,114,467, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$2,151,265 and \$1,696,723 was allocated to program expenses and \$4,421,889 and \$4,417,744 was allocated to supporting services for the years ended December 31, 2008 and 2007, 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.

Marine Toys For Tots Foundation

Notes To Financial Statements

Note 8. Retirement Plan

The Foundation maintains a 403(b) plan (the Plan). The Plan allows employees to make pre-tax contributions to their individual retirement accounts. The Foundation also maintains a qualified retirement plan (QRP) for employees. The principal elements of the QRP are as follows:

- a. The QRP is an employer only contribution plan.
- b. The QRP is administered by the Foundation.
- c. The funds are in a special investment account.
- d. The QRP is audited annually by Pension Design Group.
- e. An employee becomes eligible to receive employer contributions during his/her first full fiscal year (January 1 - December 31) with the Foundation.
- f. During the first full fiscal year and each succeeding year, the Foundation makes a contribution to the plan equal to 10% of an employee's total annual compensation. Prior to the year ended December 31, 2008, the contribution was 5%.
- g. 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, 2008 and 2007, the Foundation contributed \$107,535 and \$58,609, respectively, to the QRP.

Note 9. Deferred Compensation Plan

During the year ended December 31, 2007, the Foundation had a Marine Toys for Tots Foundation 457 Plan, which was a deferred compensation agreement with the Foundation's former president, providing benefits payable at a minimum age of 65 years until age 70.5, or in cases of unforeseeable emergencies. The Foundation made contributions to the plan at the sole discretion of the Board of Directors. The former Foundation president retired in January 2008 and a lump-sum distribution was paid in January 2009 for the balance of \$68,173. Deferred compensation expense was \$16,000 for the year ended December 31, 2008.

Note 10. Personal Injury Claim

An individual who allegedly sustained a personal injury in 2004 while sorting toys in a U.S. Army-owned warehouse, as a civilian volunteer for the U.S. Marine Corps Reserve Toys for Tots Campaign, has sent a letter to the Army, the Marine Corps, and the Foundation which attached forms claiming \$10 million of damages against the Army and the Marine Corps. The management of the Foundation believes that this claim is without merit and will not result in any loss to the Foundation.