

Vietnam Veterans Memorial Fund, Inc.

Financial Report
December 31, 2008

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Vietnam Veterans Memorial Fund, Inc.
Washington, D.C.

We have audited the accompanying balance sheet of Vietnam Veterans Memorial Fund, Inc. (the Fund), as of December 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's 2007 financial statements, and, in our report dated July 11, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of Vietnam Veterans Memorial Fund, Inc., as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

Vienna, Virginia
May 13, 2009

Vietnam Veterans Memorial Fund, Inc.

Balance Sheet
 December 31, 2008
 (With Comparative Totals For 2007)

Assets	2008	2007
Cash		
Unrestricted	\$ 1,490,344	\$ 1,692,510
Restricted for visitor center	2,888,371	777,252
Restricted for memorial maintenance	440,086	608,874
	4,818,801	3,078,636
Investments		
Unrestricted	2,198,149	3,296,823
Restricted for memorial maintenance	2,164,021	3,251,528
	4,362,170	6,548,351
Promises To Give And Other	11,099,489	11,213,968
Deposits And Other	13,341	47,841
Property And Equipment, net	3,016,936	2,432,377
	14,129,766	13,694,186
	\$ 23,310,737	\$ 23,321,173
Liabilities And Net Assets		
Liabilities		
Accounts payable	\$ 1,000,988	\$ 1,076,539
Accrued expenses	44,505	36,430
Deferred revenue	-	273,333
	1,045,493	1,386,302
Commitments And Contingency (Notes 11 And 13)		
Net Assets		
Unrestricted	4,198,272	4,412,576
Temporarily restricted	16,166,972	15,622,295
Permanently restricted	1,900,000	1,900,000
	22,265,244	21,934,871
	\$ 23,310,737	\$ 23,321,173

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Activities
 Year Ended December 31, 2008
 (With Comparative Totals For 2007)

	2008			Total	2007 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and grants	\$ 4,730,273	\$ 3,931,018	\$ -	\$ 8,661,291	\$ 8,703,406
Investment (loss) income, net	(1,126,981)	(1,174,122)	-	(2,301,103)	528,195
Site fees	110,700	-	-	110,700	117,780
Sale of statue, net	150,761	-	-	150,761	-
Donated services	69,000	-	-	69,000	10,633
Other	153,920	-	-	153,920	115,132
Net assets released from restrictions	2,062,019	(2,062,019)	-	-	-
Total support and revenue	6,149,692	694,877	-	6,844,569	9,475,146
Expenses:					
Program services	3,477,479	-	-	3,477,479	3,382,572
Support services	2,886,517	-	-	2,886,517	2,840,439
Total expenses	6,363,996	-	-	6,363,996	6,223,011
Change in net assets before write-off of promises to give	(214,304)	694,877	-	480,573	3,252,135
Write-off of promises to give	-	150,200	-	150,200	40,000
Change in net assets	(214,304)	544,677	-	330,373	3,212,135
Net assets:					
Beginning	4,412,576	15,622,295	1,900,000	21,934,871	18,722,736
Ending	\$ 4,198,272	\$ 16,166,972	\$ 1,900,000	\$ 22,265,244	\$ 21,934,871

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Functional Expenses
 Year Ended December 31, 2008
 (With Comparative Totals For 2007)

	2008										2007 Total
	Program Services					Support Services					
	Legacy Preservation	Memorial Maintenance	Special Events	Traveling Wall	Total Program	Fundraising	Management And General	Total Support	Total		
Printing and photocopy	\$ 827,860	\$ 94	\$ 19,396	\$ 19,026	\$ 866,376	\$ 1,015,168	\$ 7,411	\$ 1,022,579	\$ 1,888,955	\$ 1,897,528	
Postage and delivery	412,282	168	5,103	5,303	422,856	505,544	14,509	520,053	942,909	885,991	
Salaries and benefits	260,519	2,162	106,955	89,680	459,316	124,442	247,036	371,478	830,794	659,830	
Consulting	36,116	-	263,402	10,005	309,523	163,505	65,785	229,290	538,813	418,404	
List rental	141,078	-	-	-	141,078	175,035	-	175,035	316,113	277,556	
Travel and lodging	37,174	100	202,329	29,691	269,294	16,613	16,130	32,743	302,037	227,920	
Vietnam trip	-	-	283,838	-	283,838	-	-	-	283,838	298,106	
Facility and equipment rental	71,711	23,710	32,776	60,827	189,024	17,056	15,514	32,570	221,594	179,030	
Professional fees	30,810	331	7,260	-	38,401	12,308	111,867	124,175	162,576	273,044	
Insurance	43,790	7,216	21,513	16,457	88,976	16,416	36,390	52,806	141,782	127,684	
Other	32,176	48	4,419	2,430	39,073	65,184	17,544	82,728	121,801	241,139	
Caging	-	-	-	-	-	-	110,255	110,255	110,255	123,084	
Depreciation	6,824	250	27,262	44,112	78,448	7,085	11,875	18,960	97,408	64,964	
Meals and entertainment	17,378	45	42,790	9,971	70,184	1,784	4,610	6,394	76,578	81,345	
Computer services	52,622	58	2,113	2,352	57,145	2,275	12,341	14,616	71,761	74,683	
Special events	-	-	57,900	-	57,900	-	-	-	57,900	184,076	
Bank service charges	-	-	-	-	-	-	53,992	53,992	53,992	54,595	
Photos	14,171	-	13,735	-	27,906	-	-	-	27,906	30,453	
Name additions	-	27,176	-	-	27,176	-	-	-	27,176	38,941	
Supplies	5,748	70	2,412	4,185	12,415	2,248	7,834	10,082	22,497	26,359	
Gasoline	-	-	-	20,568	20,568	-	-	-	20,568	12,526	
Telephone	5,175	56	2,242	2,520	9,993	2,939	5,635	8,574	18,567	14,108	
State filings	-	-	-	-	-	-	16,721	16,721	16,721	21,407	
Repairs and maintenance	885	-	-	6,206	7,091	-	2,636	2,636	9,727	6,968	
Administrative services	321	9	257	311	898	384	446	830	1,728	3,270	
Total expenses	\$ 1,996,640	\$ 61,493	\$ 1,095,702	\$ 323,644	\$ 3,477,479	\$ 2,127,986	\$ 758,531	\$ 2,886,517	\$ 6,363,996	\$ 6,223,011	

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Cash Flows
Year Ended December 31, 2008
(With Comparative Totals For 2007)

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ 330,373	\$ 3,212,135
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	97,408	64,964
Write-off of promises to give	150,200	40,000
Unrealized and realized loss (gains) on investments, net	2,584,613	(222,079)
(Decrease) increase in present value discount	(580,814)	460,436
Change in assets and liabilities:		
Decrease (increase) in:		
Promises to give and other	545,094	(1,040,972)
Prepaid expenses	-	52,761
Deposits and other	34,500	(34,500)
(Decrease) increase in:		
Accounts payable	(75,551)	137,605
Accrued expenses	8,075	(4,434)
Deferred revenue	(273,333)	273,333
Net cash provided by operating activities	2,820,565	2,939,249
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	2,510,797	4,098,732
Purchase of investments	(2,909,230)	(4,001,101)
Purchases of property and equipment	(681,967)	(1,225,897)
Net cash used in investing activities	(1,080,400)	(1,128,266)
Net increase in cash	1,740,165	1,810,983
Cash		
Beginning	3,078,636	1,267,653
Ending	\$ 4,818,801	\$ 3,078,636

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Vietnam Veterans Memorial Fund, Inc. (the Fund) is a not-for-profit and non-ideological organization authorized by Congress in 1979, to build a memorial dedicated to honoring those who served with the U.S. Armed Forces in the Vietnam War. As described in Note 12, the Fund conveyed the memorial to the United States Department of the Interior in 1984.

Today the Fund continues to work with the National Park Service to preserve the sanctity of the Vietnam Veterans Memorial (the Wall) by maintaining the sight, making name additions and status changes, and hosting annual Memorial and Veterans Day observances. The Fund has developed a series of outreach programs dedicated to education about the Vietnam War and promoting the walls legacy. This includes a secondary school curriculum; a nationwide teacher's network and annual summer conference; a traveling half scale replica and museum; and a mine action program operating in Vietnam.

A summary of the Fund's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby, 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 in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Fund 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.

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 operations.

Receivables: Receivables, including promises to give, are carried at original invoice amounts less an estimate for doubtful receivables based on an annual review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At December 31, 2008, there was no allowance for doubtful accounts, based on management's evaluation of the collectability of receivables.

Unconditional promises to give: Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

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

The Fund invests in a professionally managed portfolio that contains mutual funds, corporate stock, and corporate bonds. 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 materially affect investment balances and the amounts reported in the financial statements.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

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

Property and equipment: The Fund capitalizes all property and equipment purchased with a cost of \$300 or more. Property and equipment are stated at cost and are being depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years. Property and equipment includes the direct costs and certain allocation of costs of designing and constructing the visitor's center and are capitalized as incurred.

Valuation of long-lived assets: The Fund accounts for the valuation of long-lived assets under Statement of Financial Accounting Standards (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 long-lived assets 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 carrying amount or fair value, less costs to sell.

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. Federal grants received for program support are recorded as unconditional promises to give in the year awarded. Grants which may be used at the Fund's discretion to support any of its programs or supporting activities are recorded as unrestricted support. Grants limited to a particular program or future time period are recorded as temporarily restricted. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Permanently restricted net assets represent endowment funds that are not available for use by the Fund. Earnings on the endowment funds are either temporarily restricted for program purposes or available for operations as specified by the donor.

Classification of expenses: The Fund categorizes expenses as follows:

Legacy preservation – costs to preserve the legacy of the Vietnam Veterans Memorial.

Memorial maintenance – costs related to the addition of names to the memorial, and the costs associated with maintaining and preserving the memorial elements.

Special events – ceremonies at the memorial, various projects related to the use of the land on which the memorial sits, costs of program in Vietnam, and special trips to Vietnam.

Traveling wall – costs incurred in the exhibition and maintenance of a replica of the Vietnam Veterans Memorial touring the United States for educational and outreach purposes.

Fundraising – costs of activities intended to raise funds from the public.

Management and general – all other operating expenses incurred for the memorial in the accomplishment of its tax-exempt purpose.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

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

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated services: The Fund receives contributions of services from businesses and other organizations toward the fulfillment of program objectives and general operations. Those services, which are objectively measurable, have been included in both revenue and the related functional expense categories. Donated services to be received in future years are reflected as temporarily restricted revenue.

Income taxes: The Fund is generally exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. In addition, the Fund qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Fund had no net unrelated business income for the year ended December 31, 2008.

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 disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year's summarized comparative information has been derived from the financial statements for the year ended December 31, 2007, from which the summarized information was derived.

Recently issued accounting pronouncements: 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. This 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 Fund has added the required disclosures in Note 7 of the financial statements.

Effective January 1, 2008, the Fund adopted SFAS No. 157, *Fair Value Measurements*, issued by FASB. SFAS No. 157 defines fair value of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under SFAS No. 157 as assumptions market participants would use in pricing as asset or liability. The Fund has added the required disclosures in Note 5 of the financial statements.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 2. Investments

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

Corporate stock	\$ 2,046,088
Mutual funds	2,316,082
	<u>\$ 4,362,170</u>

Investment loss for the year ended December 31, 2008, consists of the following:

Unrealized and realized loss on investments, net	\$ (2,584,613)
Interest and dividends	314,859
Investment fees	(31,349)
	<u>\$ (2,301,103)</u>

Note 3. Promises To Give And Other

Promises to give and other at December 31, 2008, consist of the following:

Promises to give	\$ 11,073,587
List rental and other	25,902
	<u>\$ 11,099,489</u>

Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of approximately 4.49%. Unconditional promises to give at December 31, 2008, consist of the following:

Promises to give in less than one year	\$ 6,829,908
Promises to give in one to five years	4,741,346
Total promises to give	11,571,254
Less discount to net present value	497,667
Net promises to give	<u>\$ 11,073,587</u>

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2008, and depreciation expense for the year ended December 31, 2008, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Trailer exhibit	10 years	\$ 467,854	\$ 272,502	\$ 195,352	\$ 19,865
Traveling wall	3 to 10 years	224,191	160,019	64,172	18,258
Furniture and equipment	3 years	211,107	185,745	25,362	7,662
Vehicles	5 years	101,450	30,435	71,015	20,290
Construction in progress –					
Visitor Center	-	2,634,368	-	2,634,368	-
TV World Wide Web	-	18,000	18,000	-	18,000
Website	-	40,000	13,333	26,667	13,333
		<u>\$ 3,696,970</u>	<u>\$ 680,034</u>	<u>\$ 3,016,936</u>	<u>\$ 97,408</u>

Note 5. Fair Value Measurement

During the year ended December 31, 2008, the Fund adopted SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. 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 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 Fund 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.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 5. Fair Value Measurement (Continued)

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

	Total	Level 1	Level 2	Level 3
Corporate stock	\$ 2,046,088	\$ 2,046,088	\$ -	\$ -
Mutual funds	2,316,082	2,316,082	-	-
	<u>\$ 4,362,170</u>	<u>\$ 4,362,170</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value of mutual funds and corporate stocks is determined based on quoted market prices, when available, or market prices provided by recognized broker dealer; thus, they are categorized as Level 1.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted and other funds, which are only available for program activities, or supporting services designated for future years. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2008, due to the time restriction ending or the purpose restriction being accomplished.

Temporarily restricted net assets at December 31, 2008, are available for the following programs:

	Balance December 31, 2007	Additions	Released	Transferred	Investment Loss	Balance December 31, 2008
Purpose restricted:						
Visitor center	\$ 1,433,055	\$ 124,280	\$ (1,040,490)	\$ 2,411,006	\$ -	\$ 2,927,851
Memorial maintenance and additional names	3,292,255	-	(61,525)	-	(1,174,122)	2,056,608
Education –						
Department of Defense	504,822	-	(504,822)	-	-	-
Mine Risk Education	-	289,478	(75,335)	-	-	214,143
The Wall That Heals –						
Sponsors 2009	-	112,500	-	-	-	112,500
Mobile Outreach Grant	20,364	-	(20,364)	-	-	-
Two Men Two Legs	-	595	(595)	-	-	-
Project renew	10,000	302,944	(302,944)	-	-	10,000
Time restricted :						
Time Warner	7,860,405	244,870	-	(685,792)	-	7,419,483
Promises to give	2,490,773	2,811,028	(150,200)	(1,725,214)	-	3,426,387
CFC	10,621	45,323	(55,944)	-	-	-
	<u>\$ 15,622,295</u>	<u>\$ 3,931,018</u>	<u>\$ (2,212,219)</u>	<u>\$ -</u>	<u>\$ (1,174,122)</u>	<u>\$ 16,166,972</u>

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 7. Permanently Restricted Net Assets

The Fund has three permanently restricted endowment funds consisting of the following below which are administered by the audit committee.

E*Trade Endowment Fund	\$	1,300,000
National Endowment for the Humanities		400,000
Time Warner Chair in Education		200,000
	<u>\$</u>	<u>1,900,000</u>

The following table summarizes the changes in the permanently restricted endowment funds.

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<u>\$ 253,437</u>	<u>\$ 1,900,000</u>	<u>\$ 2,153,437</u>
Investment return:			
Investment income, net of fees	39,827	-	39,827
Net realized and unrealized losses	(195,052)	-	(195,052)
Total investment return	<u>(155,225)</u>	<u>-</u>	<u>(155,225)</u>
Endowment net assets, end of year	<u>\$ 98,212</u>	<u>\$ 1,900,000</u>	<u>\$ 1,998,212</u>

Interpretation of Relevant Law

The Board of Directors of the Fund has interpreted the DC enacted version of the Uniform Prudent Management of Institutional Funds Act (DCMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the director of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by DCMIFA. In accordance with DCMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of VVMF and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 7. Permanently Restricted Net Assets (Continued)

Return Objective and Risk Parameters

The Fund'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 Fund targets a diversified asset allocation that places a greater emphasis on equity securities investments to achieve its long-term return objectives within prudent risk constraints. The Fund has established a policy portfolio or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. The Fund 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 Fund will appropriate for expenditure in its annual budget a maximum of 100% of the earnings. There may be times when the Fund may opt not to take the maximum spending rate but rather to reinvest some of the annual return.

Note 8. Allocation Of Joint Costs

For the year ended December 31, 2008, the Fund incurred joint costs of \$3,104,560 for informational materials and activities that included fund-raising appeals. Of those costs, \$1,385,531 was allocated to legacy preservation and \$1,719,029 was allocated to fund-raising.

Note 9. Related Party Transactions

The treasurer of the Fund is a partner in the firm that provides monthly accounting, tax, and consulting services to the Fund. For the year ended December 31, 2008, fees and out-of-pocket expenses incurred by the firm were \$271,720 and \$25,126, respectively. Of these amounts, the Fund reimbursed the firm \$258,720 and \$14,603, respectively, resulting in a total of \$13,000 in donated services from the firm.

Note 10. Employee Benefits

Retirement plans: The Fund has a 401(k) profit sharing plan covering all employees. Employees may participate in the plan after completing one full year of service. Under the 401(k) Plan, both the employer and employee can contribute to the Plan. The 401(k) Plan provides for employer contributions equal to 100% of each participant's elective deferrals up to a maximum of 3% of compensation. In addition, the Fund is required to make matching contributions equal to 50% of the participant's elective deferrals between 3% and 5% of the participant's compensation. Plan participants vest after two years of service. Total employer contributions to the 401(k) Plan for the year ended December 31, 2008, was \$50,453. The Fund also maintains a Section 403(b) tax-deferred annuity plan covering all employees, for which Plan participants vest after six years.

Deferred compensation plan: The Fund has a supplemental executive retirement plan for executives who have been designated by the Board of Directors as eligible to participate. Benefits are determined based on both a fixed amount to be determined annually by the Board and potential additional allocation for an excess benefit amount. There were no contributions to the Plan for the year ended December 31, 2008.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 11. Commitments

Direct mail contract – The Fund participates in a contract with an outside third party to distribute educational materials to the public, which describes the purpose of the Fund and how the general public can participate in honoring Vietnam Veterans. The educational mailings also provide space for a fundraising appeal. All work is performed on a time and materials basis. This agreement can be terminated upon 30 days written notice by either party.

Office lease – The Fund has a non-cancelable operating lease agreement for office space, which expires in November 2009. At the beginning of the lease term, the lessor granted the Fund an allowance for leasehold improvements. In addition to base rent, the Fund is responsible for annual increases, as specified in the lease agreement and its proportionate share of increases in operating expenses. Rent expense, included in facility and equipment rental on the accompanying statement of functional expenses for the year ended December 31, 2008, was \$164,614. Future minimum lease payments due under this lease agreement are \$123,916 for the year ending December 31, 2009.

Note 12. Memorandum Of Conveyance

On November 13, 1984, the Fund and the U.S. Department of the Interior entered into a Memorandum of Conveyance, which governs the conditions under which the Fund conveyed all rights, title, and interest in the Vietnam Veterans Memorial to the U.S. Department of the Interior.

Under the Memorandum of Conveyance, the Fund has the rights and responsibilities of:

Participating with the National Park Service in ceremonies at the memorial on Memorial Day and Veterans Day;

From time to time, adding names of those determined by proper process to have died as a result of injuries sustained in the Vietnam War, and;

Maintaining residual funds to assist with repairs in the event of catastrophic damage to the memorial, requiring more than ordinary maintenance to restore the memorial to its original completed condition.

The obligation to provide ordinary maintenance and care for the memorial was previously given to the Secretary of the Interior under Section 4 of the Joint Congressional Resolution, authorizing the Fund to establish a memorial.

Note 13. Contingency

The Fund participates in a federally-assisted grant program, which is subject to a financial and compliance audit by the federal agency or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit.