

**Vietnam Veterans
Memorial Fund, Inc.**

Financial Report
December 31, 2009

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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, 2009, 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 2008 financial statements, and, in our report dated May 13, 2009, 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 2009 financial statements referred to above present fairly, in all material respects, the financial position of Vietnam Veterans Memorial Fund, Inc., as of December 31, 2009, 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
December 10, 2010

Vietnam Veterans Memorial Fund, Inc.

Balance Sheet

December 31, 2009

(With Comparative Totals For 2008)

Assets	2009	2008
Cash And Cash Equivalents		
Unrestricted	\$ 675,102	\$ 1,490,344
Designated for Education Center	1,912,154	2,888,371
Designated for memorial maintenance	108,595	440,086
	<u>2,695,851</u>	<u>4,818,801</u>
Investments		
Unrestricted	2,694,285	2,198,149
Designated for Education Center	3,724,950	-
Designated for memorial maintenance	2,942,500	2,164,021
	<u>9,361,735</u>	<u>4,362,170</u>
Promises To Give And Other	10,029,747	11,099,489
Prepaid Expenses	116,120	-
Deposits And Other	25,085	13,341
Property And Equipment, net	665,055	382,568
Construction In Progress – Education Center	3,245,519	2,634,368
	<u>14,081,526</u>	<u>14,129,766</u>
	<u>\$ 26,139,112</u>	<u>\$ 23,310,737</u>
Liabilities And Net Assets		
Liabilities		
Accounts payable	\$ 971,331	\$ 1,000,988
Accrued expenses	193,426	44,505
Deferred rent	296,629	-
	<u>1,461,386</u>	<u>1,045,493</u>
Commitments And Contingency (Notes 11 And 13)		
Net Assets		
Unrestricted	4,819,290	4,198,272
Temporarily restricted	17,958,436	16,166,972
Permanently restricted	1,900,000	1,900,000
	<u>24,677,726</u>	<u>22,265,244</u>
	<u>\$ 26,139,112</u>	<u>\$ 23,310,737</u>

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Activities

Year Ended December 31, 2009

(With Comparative Totals For 2008)

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and grants	\$ 4,482,708	\$ 4,118,386	\$ -	\$ 8,601,094	\$ 8,661,291
Investment income (loss) , net	570,129	659,411	-	1,229,540	(2,301,103)
Donated services	1,239,251	200,000	-	1,439,251	69,000
Site fees	56,161	-	-	56,161	110,700
Sale of statue, net	-	-	-	-	150,761
Other	102,988	-	-	102,988	153,920
Net assets released restrictions	2,653,333	(2,653,333)	-	-	-
Total support and revenue	9,104,570	2,324,464	-	11,429,034	6,844,569
Expenses:					
Program services	6,253,668	-	-	6,253,668	3,477,479
Support services	2,229,884	-	-	2,229,884	2,886,517
Total expenses	8,483,552	-	-	8,483,552	6,363,996
Change in net assets before write-off of promises to give	621,018	2,324,464	-	2,945,482	480,573
Write-off of promises to give	-	533,000	-	533,000	150,200
Change in net assets	621,018	1,791,464	-	2,412,482	330,373
Net assets:					
Beginning	4,198,272	16,166,972	1,900,000	22,265,244	21,934,871
Ending	\$ 4,819,290	\$ 17,958,436	\$ 1,900,000	\$ 24,677,726	\$ 22,265,244

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Functional Expenses
 Year Ended December 31, 2009
 (With Comparative Totals For 2008)

	2009												2008 Total
	Program Services							Support Services				Total	
	Memorial Maintenance	Ceremonies and Events	The Wall That Heals	Memorial Legacy	Education Programs	Education Center	Project RENEW	Total Program	Fundraising	Indirect Costs	Total Support		
Direct mail expenses	\$ -	\$ -	\$ -	\$ 1,260,635	\$ -	\$ -	\$ -	\$ 1,260,635	\$ 1,319,525	\$ -	\$ 1,319,525	\$ 2,580,160	\$ 3,038,072
Public Relations - In-Kind	-	-	-	1,595,424	-	-	-	1,595,424	-	-	-	1,595,424	-
Salaries and benefits	21,953	95,143	121,750	119,364	135,355	247,402	46,788	787,755	135,055	223,394	358,449	1,146,204	830,794
Consulting	-	79,964	11,785	203,036	-	-	118,190	412,975	364,227	108,648	472,875	885,850	538,813
Vietnam program	-	-	-	-	-	-	533,372	533,372	-	-	-	533,372	283,838
Facility and equipment rental	-	-	-	-	-	-	-	-	-	236,050	236,050	236,050	185,594
Professional fees	823	4,117	4,940	4,940	5,763	10,292	4,058	34,933	5,763	191,700	197,463	232,396	162,576
Travel and lodging	752	20,519	37,316	7,634	1,437	-	77,558	145,216	12,085	18,357	30,442	175,658	302,037
Caging	-	-	-	-	-	-	-	-	165,643	-	165,643	165,643	110,255
Insurance	-	-	-	-	-	-	-	-	-	142,734	142,734	142,734	141,782
Depreciation	-	-	-	-	-	-	-	-	-	106,924	106,924	106,924	97,408
Memorial maintenance/name additions	102,510	-	-	-	-	-	-	102,510	-	-	-	102,510	27,176
Website	238	601	2,258	61,034	210	304	19	64,664	124	27,758	27,882	92,546	71,761
Printing and postage	-	-	-	-	-	-	-	-	-	90,081	90,081	90,081	109,905
Special events	-	65,351	-	-	-	-	-	65,351	-	-	-	65,351	57,900
Other	-	-	-	-	-	-	-	-	-	59,733	59,733	59,733	121,801
Bank charges	-	-	-	-	-	-	-	-	-	55,874	55,874	55,874	53,992
Meals and entertainment	77	14,883	11,003	3,383	66	-	7,234	36,646	4,943	10,554	15,497	52,143	76,578
Supplies	-	-	-	-	-	-	-	-	-	25,939	25,939	25,939	22,497
Telephone	-	-	-	-	-	-	-	-	-	24,317	24,317	24,317	18,567
Truck lease	-	-	23,648	-	-	-	-	23,648	-	-	-	23,648	36,000
Photos and video	-	14,320	725	1,851	-	-	4,925	21,821	-	-	-	21,821	27,906
Repairs and maintenance	-	-	-	-	-	-	-	-	-	20,219	20,219	20,219	9,727
State filings	-	-	-	-	-	-	-	-	18,013	-	18,013	18,013	16,721
Service provider fees	-	-	-	-	-	-	-	-	-	13,438	13,438	13,438	-
Gasoline	-	-	9,852	-	-	-	-	9,852	-	-	-	9,852	20,568
Office expenses	-	-	-	-	-	-	-	-	-	7,652	7,652	7,652	1,728
	126,353	294,898	223,277	3,257,301	142,831	257,998	792,144	5,094,802	2,025,378	1,363,372	3,388,750	8,483,552	6,363,996
Indirect expense allocation	27,268	136,337	177,238	177,238	204,506	368,110	68,169	1,158,866	204,506	(1,363,372)	(1,158,866)	-	-
Total expenses	\$ 153,621	\$ 431,235	\$ 400,515	\$ 3,434,539	\$ 347,337	\$ 626,108	\$ 860,313	\$ 6,253,668	\$ 2,229,884	\$ -	\$ 2,229,884	\$ 8,483,552	\$ 6,363,996

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Cash Flows
Year Ended December 31, 2009
(With Comparative Totals For 2008)

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ 2,412,482	\$ 330,373
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	106,924	97,408
Increase in provision for doubtful accounts	350,000	150,200
Unrealized and realized (gain) loss on investments, net	(1,017,095)	2,584,613
Increase (decrease) in present value discount	152,703	(580,814)
Change in assets and liabilities:		
Decrease (increase) in:		
Promises to give and other	567,039	545,094
Prepaid expenses	(116,120)	-
Deposits and other	(11,744)	34,500
(Decrease) increase in:		
Accounts payable	(29,657)	(75,551)
Accrued expenses	148,921	8,075
Deferred rent	296,629	(273,333)
Net cash provided by operating activities	2,860,082	2,820,565
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	4,716,410	2,510,797
Purchase of investments	(8,698,880)	(2,909,230)
Purchases of property and equipment	(364,411)	(186,521)
Construction in progress – Education Center	(636,151)	(495,446)
Net cash used in investing activities	(4,983,032)	(1,080,400)
Net (decrease) increase in cash and cash equivalents	(2,122,950)	1,740,165
Cash And Cash Equivalents		
Beginning	4,818,801	3,078,636
Ending	\$ 2,695,851	\$ 4,818,801

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 (FASB) *Accounting Standards Codification* (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, 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.

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

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, 2009, an allowance for doubtful accounts was established in the amount of \$350,000, 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 and corporate stock. 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.

Construction in progress - Education Center: The Fund is in the process of designing and constructing an Education Center which will be located on the National Mall adjacent to the Vietnam Veterans Memorial. Direct and indirect costs associated with the design and construction of the Education Center have been capitalized.

Valuation of long-lived assets: The Fund 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. The Fund had no impairments of long-lived assets during the year ended December 31, 2009.

Deferred rent: The Fund has a lease agreement for rental space in Washington, DC. Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the balance sheet. In addition, rent abatement was provided, as well as a landlord improvement allowance for leasehold improvements. This benefit is being recognized on a straight-line basis over the life of the lease agreement.

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:

Memorial maintenance – costs related to the Fund's work in cooperation with the National Park Service to provide for special maintenance needs of the Vietnam Veterans Memorial in Washington, D.C., including the adjacent Three Servicemen statue, flagpole and the three-acre site where the Vietnam Veterans Memorial is located, to maintain the site's function as a place of reflection on the Vietnam War, a place of honor, recognition and remembrance of those who served and those who died, a place of spiritual connection with lost comrades and loved ones, and a symbol of healing for our nation. The Memorial has been visited by more than 80 million people, making it one of the most visited memorials on the National Mall.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

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

Classification of expenses (continued)

Ceremonies and events – costs associated with planning, organizing and conducting a number of ceremonies at the Memorial and elsewhere to bring people together to remember and honor the men and women who served in the Vietnam War and those who died. Ceremonies are conducted each year on Memorial Day, Veterans Day, Fathers Day, Mothers Day, In Memory Day and Christmas to recognize, remember and honor those who served and died as well as to bring healing to their families, their friends and our nation.

The wall that heals – costs incurred to promote healing and provide education about the impact of the Vietnam War through its traveling Memorial called “The Wall that Heals.” The Fund exhibits a half-scale replica of the Vietnam Veterans Memorial in cities and locations throughout the United States, making it possible for millions of individuals who are unable to travel to Washington, D.C. to recognize, remember and honor those who served and died, and to experience a connection with lost comrades and loved ones. The traveling memorial also includes an educational museum and an information center to assist visitors in finding names on the Memorial.

Memorial legacy – costs related to preserving the legacy of the Memorial and promoting healing through public outreach, promoting visitation of the memorial by the general public. The Fund provides information about the history of the Memorial and responds to questions from potential visitors. The Fund maintains a commemorative web site called the Virtual Wall that allows families, friends and veterans to post remembrances to those whose names are inscribed on the Memorial, extending the healing power and emotional impact of The Wall to millions of people through the Internet. More than 100,000 messages have been posted on the Virtual Wall. The Fund is also conducting a national Call for Photos to preserve the memory of those whose names are inscribed on the Memorial. The photos will be displayed in the Education Center.

National Education programs – costs incurred to educate students about the impact of the Vietnam War and preserve the legacy of the Vietnam Veterans Memorial through programs related to the education of students and teachers regarding the Vietnam War, the Vietnam Veterans Memorial and the Memorial’s legacy in culture and society. The Fund’s education programs reach teachers and students from grades 7 to 12 as well as higher education.

Education center – costs associated with conducting a national educational campaign called Hometown Heroes, developed to promote a greater understanding of the Vietnam War, the Vietnam era and the personal sacrifice of the individuals whose names are inscribed on the Memorial. Program information is sent to schools and community organizations encouraging students to write biographies of men and women from their community whose names are inscribed on the Memorial. The information gathered by the students will be included in the Education Center being built on the Mall in Washington, D.C.

Project RENEW – costs incurred to promote healing from the effects of the Vietnam War through Project Renew, a humanitarian program designed to reduce the threat of landmines and unexploded ordnance in Vietnam. The project focuses on mine awareness education including public service announcements, and victims’ assistance programs including health care and the development of sustainable employment in Quang Tri Province, the most heavily bombed and shelled area of Vietnam.

Fundraising – costs associated with raising money to support the Fund’s programs and activities, including the design and construction of the Education Center.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

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

Classification of expenses (continued)

Indirect costs – costs that relate to the Fund's programs but are not specifically identified with any one program. Indirect costs are allocated to the Fund's programs and activities based on the level of effort.

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, 2009.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Fund may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management evaluated the Fund's tax positions and concluded that the Fund had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Fund is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

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, 2008, from which the summarized information was derived.

Reclassifications: Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 financial statements, with no effect on previously reported change in net assets.

Subsequent events: The Fund evaluated subsequent events through December 10, 2010, which is the date the financial statements were available to be issued.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 2. Investments

Investments at December 31, 2009, consist of the following:

Corporate stock	\$ 2,662,091
Mutual funds	6,699,644
	<u>\$ 9,361,735</u>

Investment income for the year ended December 31, 2009, consists of the following:

Unrealized and realized gain on investments, net	\$ 1,017,095
Interest and dividends	250,381
Investment fees	(37,936)
	<u>\$ 1,229,540</u>

Note 3. Promises To Give And Other

Promises to give and other at December 31, 2009, consist of the following:

Promises to give	\$ 10,012,585
List rental and other	17,162
	<u>\$ 10,029,747</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, 2009, consist of the following:

Promises to give in less than one year	\$ 7,462,955
Promises to give in one to five years	2,550,000
Promises to give greater than five years	1,000,000
Total promises to give	<u>11,012,955</u>
Less discount to net present value	650,370
Less allowance for doubtful promises to give	350,000
Net promises to give	<u>\$ 10,012,585</u>

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2009, and depreciation expense for the year ended December 31, 2009, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Trailer exhibit	10 years	\$ 467,854	\$ 303,729	\$ 164,125	\$ 31,228
Traveling wall	3 to 10 years	247,969	173,969	74,000	13,949
Furniture and equipment	3 years	273,298	202,245	71,053	16,500
Vehicles	5 years	101,450	50,725	50,725	20,313
Leasehold improvements	10 years	278,420	11,601	266,819	11,601
Website	3 years	40,000	26,667	13,333	13,333
TV World Wide Web	3 years	43,000	18,000	25,000	-
		<u>\$ 1,451,991</u>	<u>\$ 786,936</u>	<u>\$ 665,055</u>	<u>\$ 106,924</u>

Note 5. Fair Value Measurement

The *Fair Value Measurements and Disclosures* Topic of the FASB ASC establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic requires disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. It 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. This topic 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 the standard. 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.

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
Mutual funds	\$6,699,644	\$6,699,644	\$ -	\$ -
Corporate stock	2,662,091	2,662,091	-	-
	<u>\$9,361,735</u>	<u>\$9,361,735</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.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

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, 2009, due to the time restriction ending or the purpose restriction being accomplished.

Temporarily restricted net assets at December 31, 2009, are available for the following programs:

	Balance December 31, 2008	Additions	Released	Transferred	Investment Income	Balance December 31, 2009
Purpose restricted:						
Education Center	\$ 2,927,851	\$ 227,899	\$ (1,300,022)	\$ 3,444,351	\$ -	\$ 5,300,079
Memorial maintenance and additional names lawn irrigation	1,958,396	-	(73,572)	-	377,631	2,262,455
	-	84,106	(84,106)	-	-	-
Education –						
Department of Defense	-	-	-	-	-	-
Mine Risk Education	214,143	-	(214,143)	-	-	-
The Wall That Heals –						
Sponsors 2009	112,500	125,000	(237,500)	-	-	-
Project renew	10,000	238,636	(245,311)	-	-	3,325
Time restricted :						
Time Warner	7,419,483	166,423	(455,848)	(1,000,000)	-	6,130,058
Promises to give	3,426,387	3,380,875	(533,000)	(2,444,351)	-	3,829,911
Endowment earnings						
Humanities program	89,769	-	-	-	277,803	367,572
Education in Chair	8,443	-	-	-	3,977	12,420
Education –						
Department of Defense						
Mine Risk Education	-	43,000	-	-	-	43,000
CFC	-	52,447	(42,831)	-	-	9,616
	<u>\$ 16,166,972</u>	<u>\$ 4,318,386</u>	<u>\$ (3,186,333)</u>	<u>\$ -</u>	<u>\$ 659,411</u>	<u>\$ 17,958,436</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>\$ 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	\$ 98,212	\$1,900,000	\$ 1,998,212
Investment return:			
Investment income, net of fees	28,876	-	28,876
Net realized and unrealized gains	252,904	-	252,904
Total investment return	<u>281,780</u>	<u>-</u>	<u>281,780</u>
Endowment net assets, end of year	<u>\$ 379,992</u>	<u>\$1,900,000</u>	<u>\$ 2,279,992</u>

Interpretation of Relevant Law

The Board of Directors of the Fund has interpreted the Washington, 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

Many of the Fund's fundraising activities contain both a program component, such as information promoting the legacy of the Wall, recognizing or remembering and honoring those who served and died, or bringing healing to their loved ones, as well as a fundraising appeal. The costs associated with these activities having a joint purpose are allocated between program and fundraising expenses based on their program and fundraising components. For the year ended December 31, 2009, the Fund incurred joint costs of \$3,165,230 for informational materials and activities that included fund-raising appeals. Of those costs, \$1,456,129 was allocated to memorial legacy and \$1,709,101 was allocated to fund-raising.

Note 9. Related Party Transactions

The treasurer of the Fund was a partner in the firm that provided monthly accounting, tax, and consulting services to the Fund. For the year ended December 31, 2009, fees and out-of-pocket expenses incurred by the firm were \$357,150 and \$12,323, respectively. Of these amounts, the Fund reimbursed the firm \$322,292 and \$12,323, respectively, resulting in a total of \$34,858 in donated services from the firm.

As of May 2010, the accounting services are no longer being provided by the related party firm and an unrelated company was hired to provide this same accounting, tax, and advisory services for the Fund.

Note 10. Employee Benefits

401(k) plan

The Fund has a 401(k) profit sharing plan (the Plan) covering all employees. Employees may participate in the plan after completing one month of service; however, employees are not eligible for employer contributions until completion of one full year and 500 hours of service. The Plan provides for safe harbor contributions of 3% of compensation, regardless of employee contribution to the Plan, and a matching contribution equal to 100% of each participant's elective deferrals up to a maximum of 2% of compensation. Additionally, the employer may make a discretionary profit sharing contribution. Plan participants vest, for purposes of employer contributions, after two years of service. Total employer contributions to the 401(k) Plan for the year ended December 31, 2009, was \$77,846. The Fund also maintains a Section 403(b) tax-deferred annuity plan covering all employees, for which Plan participants vest after six years.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 10. Employee Benefits (Continued)

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. The Fund contributed \$16,500 to the Plan for the year ended December 31, 2009.

Post-retirement plan

During the year ending December 31, 2010, the Fund approved an additional post-retirement benefit plan (the Plan) for the President of the Fund. The Plan will provide a lump sum payment of \$400,000 to the President or the beneficiary upon the occurrence of any of the following distributable events: attainment of age sixty-five (65), death, or disability.

Life insurance policy

On September 28, 2010, the Fund acquired a term life insurance policy of \$750,000 on the President, which requires that the Fund make annual premium payments.

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

On June 9, 2009, the Fund entered into a non-cancelable operating lease agreement for office space, which expires in January 2020. At the beginning of the lease term, the lessor granted the Fund an allowance for leasehold improvements and rent abatement. 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, 2009, was \$209,780. Future minimum lease payments due under this lease agreement are follows:

Years Ended December 31,

2010	\$	238,360
2011		244,327
2012		250,456
2013		256,704
2014		263,100
2015 – 2020		1,493,381
	\$	<u>2,746,328</u>

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 11. Commitments (Continued)

Construction contracts

The Fund entered into a contract during the year ending December 31, 2010, for the construction of the Education Center and the development and design of an exhibition program. The commitment in the contract for the design of the exhibition programs is approximately \$5,000,000. The contract is cancellable for any reason with 30 days written notice. These costs will be payable throughout the construction period. The Education Center's anticipated completion date is during the year ending December 31, 2014.

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.