

Vietnam Veterans Memorial Fund, Inc.

Financial Report
December 31, 2010

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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, 2010, 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 2009 financial statements, and, in our report dated December 10, 2010, 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 2010 financial statements referred to above present fairly, in all material respects, the financial position of Vietnam Veterans Memorial Fund, Inc., as of December 31, 2010, 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 4, 2011

Vietnam Veterans Memorial Fund, Inc.

Balance Sheet

December 31, 2010

(With Comparative Totals For 2009)

Assets	2010	2009
Cash And Cash Equivalents		
Unrestricted	\$ 571,104	\$ 675,102
Designated for Education Center	2,671,778	1,912,154
Designated for memorial maintenance	116,746	108,595
	3,359,628	2,695,851
Investments		
Unrestricted	3,352,011	2,694,285
Designated for Education Center	3,769,134	3,724,950
Designated for memorial maintenance	2,847,887	2,942,500
	9,969,032	9,361,735
Promises To Give, Bequests, And Other Receivables	12,163,274	10,029,747
Prepaid Expenses	104,681	116,120
Deposits	25,085	25,085
Property And Equipment, net	541,689	665,055
Construction in Progress – Education Center and Exhibit	4,557,711	3,245,519
	17,392,440	14,081,526
	\$ 30,721,100	\$ 26,139,112
Liabilities And Net Assets		
Liabilities		
Accounts payable	\$ 886,346	\$ 971,331
Accrued expenses	136,881	77,846
Refundable advances	333,909	-
Deferred rent	397,644	296,629
Deferred compensation	188,168	115,580
	1,942,948	1,461,386
Commitments And Contingency (Notes 11 and 12)		
Net Assets		
Unrestricted	7,706,830	4,819,290
Temporarily restricted	19,171,322	17,958,436
Permanently restricted	1,900,000	1,900,000
	28,778,152	24,677,726
	\$ 30,721,100	\$ 26,139,112

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Activities
Year Ended December 31, 2010
(With Comparative Totals For 2009)

	2010			Total	2009
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Support and revenue:					
Contributions and grants	\$ 6,112,956	\$ 3,979,981	\$ -	\$ 10,092,937	\$ 8,601,094
Investment income, net	458,282	330,159	-	788,441	1,229,540
Other	123,262	-	-	123,262	102,988
Site fees	108,500	-	-	108,500	56,161
Donated services	66,076	-	-	66,076	1,439,251
Net assets released restrictions	3,097,254	(3,097,254)	-	-	-
Total support and revenue	9,966,330	1,212,886	-	11,179,216	11,429,034
Expenses:					
Program services	5,242,480	-	-	5,242,480	6,253,668
Support services	1,814,499	-	-	1,814,499	2,229,884
Total expenses	7,056,979	-	-	7,056,979	8,483,552
Change in net assets before write-off of promises to give	2,909,351	1,212,886	-	4,122,237	2,945,482
Write-off of promises to give	21,811	-	-	21,811	533,000
Change in net assets	2,887,540	1,212,886	-	4,100,426	2,412,482
Net assets:					
Beginning	4,819,290	17,958,436	1,900,000	24,677,726	22,265,244
Ending	\$ 7,706,830	\$ 19,171,322	\$ 1,900,000	\$ 28,778,152	\$ 24,677,726

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Functional Expenses
Year Ended December 31, 2010
(With Comparative Totals For 2009)

	2010													2009 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	General And Administrative	Indirect Costs	Total Support Service		
Direct mail expenses	\$ -	\$ -	\$ -	\$ 1,770,966	\$ -	\$ -	\$ -	\$ 1,770,966	\$ 1,205,276	\$ -	\$ -	\$ 1,205,276	\$ 2,976,242	\$ 2,580,160
Salaries and benefits	46,348	132,405	98,020	159,769	159,531	283,727	165,211	1,045,011	89,329	35,923	52,659	177,911	1,222,922	1,146,204
Public relations	-	10,500	2,866	14,950	25	372,858	-	401,199	14,830	-	7,874	22,704	423,903	1,595,424
Professional fees	790	2,876	2,658	6,947	-	15,916	6,876	36,063	19,378	41,244	307,421	368,043	404,106	232,396
Consulting	2,550	28,735	66,468	-	-	-	212,619	310,372	34,550	3,568	32,350	70,468	380,840	885,850
Facility and equipment rental	-	-	-	-	538	-	-	538	-	-	228,745	228,745	229,283	236,050
Memorial maintenance, name additions	221,966	-	-	-	-	-	-	221,966	-	-	-	-	221,966	102,510
Insurance	-	-	2,723	-	-	-	-	2,723	-	-	162,502	162,502	165,225	142,734
Caging	-	-	-	-	-	-	-	-	159,721	-	-	159,721	159,721	165,643
Depreciation	-	-	33,501	-	-	4,171	20,290	57,962	-	-	86,670	86,670	144,632	106,924
Travel and lodging	1,280	3,583	32,166	4,368	843	-	55,990	98,230	2,446	187	15,209	17,842	116,072	175,658
Vietnam program	-	-	-	-	-	-	109,410	109,410	-	-	-	-	109,410	533,372
Meals and entertainment	7,959	10,727	26,821	3,337	197	-	8,127	57,168	19,972	730	6,998	27,700	84,868	52,143
Printing and postage	216	12,046	1,830	3,071	9,252	20,719	6,358	53,492	616	1,506	24,689	26,811	80,303	90,081
Special events	-	45,819	-	-	-	-	-	45,819	4,322	-	-	4,322	50,141	65,351
Website	145	1,017	1,390	37,552	129	5,467	12	45,712	2,163	197	-	2,360	48,072	92,546
Bank charges	-	-	78	-	-	8,283	-	8,361	-	-	35,698	35,698	44,059	55,874
Other	2	1,597	745	634	25	81	48	3,132	7,081	27,504	5,038	39,623	42,755	59,733
Photos and video	742	5,452	8,989	17,844	-	-	1,400	34,427	1,900	12	857	2,769	37,196	21,821
Supplies	318	-	2,577	-	1,127	638	747	5,407	7,667	17	18,271	25,955	31,362	33,861
Taxes, licenses, filings	-	-	128	-	50	-	-	178	-	21,714	-	21,714	21,892	18,013
Telephone	7	80	1,172	31	-	1,194	77	2,561	43	82	15,324	15,449	18,010	24,317
Gasoline	-	-	14,790	-	-	-	-	14,790	-	-	-	-	14,790	9,582
Equipment lease	-	-	-	-	-	-	-	-	-	-	9,896	9,896	9,896	23,648
Service provider fees	-	-	-	-	-	-	-	-	-	-	9,679	9,679	9,679	13,438
Repairs and maintenance	-	1,568	4,867	-	-	-	-	6,435	-	-	3,199	3,199	9,634	20,219
	282,323	256,405	301,789	2,019,469	171,717	713,054	587,165	4,331,922	1,569,294	132,684	1,023,079	2,725,057	7,056,979	8,483,552
Indirect expense allocation	40,891	116,604	85,537	139,372	133,991	247,051	147,112	910,558	77,737	34,784	(1,023,079)	(910,558)	-	-
Total expenses	\$ 323,214	\$ 373,009	\$ 387,326	\$ 2,158,841	\$ 305,708	\$ 960,105	\$ 734,277	\$ 5,242,480	\$ 1,647,031	\$ 167,468	\$ -	\$ 1,814,499	\$ 7,056,979	\$ 8,483,552

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Cash Flows
Year Ended December 31, 2010
(With Comparative Totals For 2009)

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ 4,100,426	\$ 2,412,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	144,632	106,924
Loss on disposals of property and equipment	25,872	-
Decrease in provision for doubtful accounts	(350,000)	350,000
Unrealized and realized gain on investments, net	(515,227)	(1,017,095)
Decrease in present value discount	39,763	152,703
Deferred rent	101,015	296,629
Change in assets and liabilities:		
Decrease (increase) in:		
Promises to give and other receivables	(1,823,290)	567,039
Prepaid expenses	11,439	(116,120)
Deposits	-	(11,744)
(Decrease) increase in:		
Accounts payable	(84,985)	(29,657)
Accrued expenses	59,035	33,341
Refundable advances	333,909	-
Deferred compensation	72,588	115,580
Net cash provided by operating activities	2,115,177	2,860,082
Cash Flows From Investing Activities		
Proceeds from sales of investments	2,095,028	4,716,410
Purchase of investments	(2,187,098)	(8,698,880)
Purchases of property and equipment	(47,138)	(364,411)
Construction in progress – Education Center Exhibit	(1,312,192)	(636,151)
Net cash used in investing activities	(1,451,400)	(4,983,032)
Net increase (decrease) in cash and cash equivalents	663,777	(2,122,950)
Cash And Cash Equivalents		
Beginning	2,695,851	4,818,801
Ending	\$ 3,359,628	\$ 2,695,851

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 13, 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 site, 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 Wall's 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. As of December 31, 2010, all receivables are considered fully collectible.

The Fund recognizes bequests as receivables and revenue when the probate court declares the will valid.

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 invests in a professionally managed portfolio that contains mutual funds and equities. 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, 2010.

Refundable advances: Refundable advances represent amounts received from the grantor in advance of expenditure, and are only recognized as revenue when the terms on which the advances depend are substantially met.

Deferred rent: The Fund has a lease agreement for rental space in Washington, D.C. 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 in advance for program support are recorded as a liability when received. Federal grant income is recognized when funds are used for allowable expenses. Other 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.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

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

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.

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, Father’s Day, Mother’s 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.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

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

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 and Quang Binh Provinces, the most heavily bombed and shelled areas 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.

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.

General and administrative – costs related to maintaining the corporate entity and corporate governance.

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, 2010.

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 percent 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. Generally, the Fund is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 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 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, 2009, from which the summarized information was derived.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

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

New pronouncements: In January 2010, the Financial Accounting Standards Board (FASB) released Accounting Standards Update No. 2010-06 (ASU 2010-06), which provided accounting guidance that requires new fair value measurement classification disclosures and clarifies existing disclosures. The guidance requires: (i) separate disclosures of significant transfers between Level 1 and 2 and reasons for transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances and net settlements within Level 3 measurements; (iii) disclosures by class of assets and liabilities; and (iv) a description of the evaluation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. The guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation of the Level 3 activity, which is effective for interim and annual periods beginning after December 15, 2010. The Fund adopted ASU 2010-06 during the year ended December 31, 2010.

Reclassifications: Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 financial statements, with no effect on previously reported change in net assets.

Subsequent events: The Fund evaluated subsequent events through May 4, 2011, which is the date the financial statements were available to be issued.

Note 2. Investments

Investments at December 31, 2010, consist of the following:

Mutual funds	\$ 6,922,627
Equities	3,028,663
Alternatives	17,742
	<u>\$ 9,969,032</u>

Investment income for the year ended December 31, 2010, consists of the following:

Unrealized and realized gain on investments, net	\$ 515,227
Interest and dividends	353,934
Investment fees	(80,720)
	<u>\$ 788,441</u>

Note 3. Promises To Give, Bequests, And Other Receivables

Promises to give and other at December 31, 2010, consist of the following:

Promises to give	\$ 10,868,730
Bequests	1,205,718
List rental and other	88,826
	<u>\$ 12,163,274</u>

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 3. Promises To Give, Bequests, And Other Receivables (Continued)

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, 2010, consist of the following:

Promises to give in less than one year	\$ 4,718,741
Promises to give in one to five years	6,492,137
Promises to give greater than five years	500,000
Total promises to give	11,710,878
Less discount to net present value	842,148
Net promises to give	<u>\$ 10,868,730</u>

Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2010, and depreciation expense for the year ended December 31, 2010, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Trailer exhibit	10 years	\$ 395,328	\$ 263,035	\$ 132,293	\$ 23,975
Traveling wall	3 to 10 years	136,558	72,410	64,148	13,697
Furniture and equipment	3 years	211,658	151,524	60,134	25,328
Vehicles	5 years	101,450	71,015	30,435	20,290
Leasehold improvements	10 years	278,420	58,004	220,416	46,403
Website	3 years	21,980	4,384	17,596	6,606
TV World Wide Web	3 years	43,000	26,333	16,667	8,333
		<u>\$ 1,188,394</u>	<u>\$ 646,705</u>	<u>\$ 541,689</u>	<u>\$ 144,632</u>

Note 5. Fair Value Measurements

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.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 5. Fair Value Measurements (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	Total
Liabilities:				
Deferred compensation	\$ -	\$ 188,168	\$ -	\$ 188,168
Total liabilities	\$ -	\$ 188,168	\$ -	\$ 188,168
Assets:				
Equities				
Financial	\$ 821,183	\$ -	\$ -	\$ 821,183
Services	327,744	-	-	327,744
Energy	286,125	-	-	286,125
Health care	235,469	-	-	235,469
Technology	209,632	-	-	209,632
Industrial goods	185,231	-	-	185,231
Consumer discretionary	151,245	-	-	151,245
Information technology	144,370	-	-	144,370
Materials	144,257	-	-	144,257
Utilities	120,881	-	-	120,881
Consumer staples	118,567	-	-	118,567
Consumer goods	107,769	-	-	107,769
Telecommunication	90,635	-	-	90,635
Basic materials	74,324	-	-	74,324
Exchange-traded fund	11,231	-	-	11,231
Total equities	3,028,663	-	-	3,028,663
Mutual Funds				
Fixed Income				
Corporate	5,083,615	-	-	5,083,615
Inflation protected	796,723	-	-	796,723
World	192,398	-	-	192,398
Multisector	107,979	-	-	107,979
Intermediate term	57,156	-	-	57,156
Growth	43,488	-	-	43,488
Other sector	29,915	-	-	29,915
Long term	23,206	-	-	23,206
Closed end fund	17,736	-	-	17,736
Emerging markets	12,361	-	-	12,361
Equities				
World allocation	129,684	-	-	129,684
Large value	118,156	-	-	118,156
Global real estate	47,249	-	-	47,249
Emerging markets	34,362	-	-	34,362
Mid cap growth	34,320	-	-	34,320
Small value	34,212	-	-	34,212
Diversified emerging markets	21,184	-	-	21,184
Closed end fund – debt	11,953	-	-	11,953
Blended – Fidelity Freedom 2000	126,930	-	-	126,930
Total mutual funds	6,922,627	-	-	6,922,627
Alternative Investments				
Private Equity Commodities – Agriculture	-	-	17,742	17,742
Total assets	\$ 9,951,290	\$ -	\$ 17,742	\$ 9,969,032

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 5. Fair Value Measurements (Continued)

The fair value of the deferred compensation liability is based on observable market data, as the underlying assets are comprised of Level 1 investments; however, the liability is not actively traded and as a result deferred compensation is considered a Level 2 item. The fair value of equities and mutual funds are determined based on quoted market prices, when available, or market prices provided by recognized broker dealer; thus, they are categorized as Level 1. The alternative investments are considered Level 3 because they are not actively traded and do not have observable inputs that are corroborated by market data.

A summary of the activity for the alternative investments for the year ended December 31, 2010, is as follows:

Alternative Investments:	
Beginning	\$ -
Purchases	15,164
Unrealized gains	2,578
Ending	<u>\$ 17,742</u>

There were no transfers between levels for the alternative investments. The gain is included in unrealized and realized gain on investments, net on the statement of activities.

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, 2010, due to the time restriction ending or the purpose restriction being accomplished.

Temporarily restricted net assets at December 31, 2010, are available for the following programs:

	Balance December 31, 2009	Additions	Released	Transferred	Investment Income	Balance December 31, 2010
Purpose restricted:						
Education Center	\$ 5,300,079	\$ 733,444	\$ (2,263,967)	\$ 1,942,088	\$ -	\$ 5,711,644
Memorial maintenance and additional names	2,262,455	98,835	(329,683)	-	156,172	2,187,779
Project renew	3,325	52,247	(55,572)	-	-	-
Time restricted:						
Time Warner	6,130,058	(271,659)	(287,440)	(915,903)	-	4,655,056
Promises to give	3,829,911	3,367,114	-	(1,026,185)	42,834	6,213,674
Endowment earnings						
Humanities program	367,572	-	(107,976)	-	117,347	376,943
Education in Chair	12,420	-	-	-	13,806	26,226
Education –						
Mine Risk Education	43,000	-	(43,000)	-	-	-
CFC	9,616	-	(9,616)	-	-	-
	<u>\$ 17,958,436</u>	<u>\$ 3,979,981</u>	<u>\$ (3,097,254)</u>	<u>\$ -</u>	<u>\$ 330,159</u>	<u>\$ 19,171,322</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	\$ 379,992	\$ 1,900,000	\$ 2,279,992
Investment return:			
Investment income, net of fees	41,899	-	41,899
Net realized and unrealized gains	89,254	-	89,254
Total investment return	<u>131,153</u>	<u>-</u>	<u>131,153</u>
Amount appropriated for expenditure	107,976	-	107,976
Endowment net assets, end of year	<u>\$ 403,169</u>	<u>\$ 1,900,000</u>	<u>\$ 2,303,169</u>

Interpretation of Relevant Law

The Board of Directors of the Fund has interpreted the Washington, D.C. 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 percent 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, 2010, the Fund incurred joint costs of \$2,554,989 for informational materials and activities that included fundraising appeals. Of those costs, \$1,702,226 was allocated to memorial legacy and \$852,763 was allocated to fundraising.

Note 9. Related Party Transactions

The former treasurer of the Fund was a partner in a firm that provided monthly accounting, tax, and consulting services to the Fund. For the year ended December 31, 2010, related party fees and out-of-pocket expenses incurred by the firm were approximately \$138,630. As of May 2010, the accounting services are no longer being provided by the related party firm and an unrelated company has been hired to provide accounting, tax, and advisory services for the Fund.

Note 10. Employee Benefits

Deferred Compensation Plans

The Fund has two deferred compensation plans in effect as of December 31, 2010. The first is 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. During the year ended December 31, 2010, the Fund approved a tandem executive deferral plan under IRC Section 457(f) (the Plan) for the President of the Fund. The Fund contributed a total of \$61,857 to the plans for the year ended December 31, 2010. The Fund will contribute another \$272,143 in equal installments to the tandem executive deferral plan over a six-year period. The contributions to the plans are held in a professionally managed investment account and included in total investments on the balance sheet. The investment earnings on the account were \$10,731 in 2010. At December 31, 2010, the deferred compensation investment and liability totaled \$188,168.

Life Insurance Policy

In September 2010, the Fund obtained a term-life insurance policy of \$750,000 for its President that lists the Fund as the primary beneficiary and requires annual premium payments totaling approximately \$17,000.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 11. Commitments

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, 2010, was \$229,283.

Future minimum lease payments due under this lease agreement at December 31, 2010 are as follows:

Years Ending December 31,	
2011	\$ 244,327
2012	250,456
2013	256,704
2014	263,100
2015	269,703
Thereafter	1,223,678
	<u>\$ 2,507,968</u>

The Fund has a one-time right to terminate the lease as of October 4, 2015, with written notice to the landlord 12 months prior to the termination date. Upon termination, the Fund would be subject to a termination fee of approximately \$111,461.

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.

Construction Contract

The Fund has a contract 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. 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.

Vietnam Veterans Memorial Fund, Inc.

Notes To Financial Statements

Note 13. 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 who 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.