

# **Vietnam Veterans Memorial Fund, Inc.**

Financial Report  
December 31, 2011

## Contents

---

<b>Independent Auditor's Report</b>	<b>1</b>
<b>Financial Statements</b>	
Balance Sheet	2
Statement Of Activities	3
Statement Of Functional Expenses	4
Statement Of Cash Flows	5
<b>Notes To Financial Statements</b>	<b>6 – 17</b>

---



## 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, 2011, 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's summarized comparative information has been derived from the Fund's 2010 financial statements and, in our report dated May 4, 2011, 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. 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 2011 financial statements referred to above present fairly, in all material respects, the financial position of Vietnam Veterans Memorial Fund, Inc. as of December 31, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2012, on our consideration of the Fund's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

*McGladrey LLP*

Vienna, Virginia  
May 8, 2012

**Vietnam Veterans Memorial Fund, Inc.**

**Balance Sheet**

**December 31, 2011**

**(With Comparative Totals For 2010)**

<b>Assets</b>	<b>2011</b>	<b>2010</b>
Cash And Cash Equivalents		
Unrestricted	\$ 436,521	\$ 687,850
Designated for Education Center	1,100,024	2,671,778
Designated for memorial maintenance	2,090	-
	<u>1,538,635</u>	<u>3,359,628</u>
Investments		
Unrestricted	4,697,110	3,252,902
Designated for Education Center	6,539,756	3,868,243
Designated for memorial maintenance	1,285,839	2,847,887
	<u>12,522,705</u>	<u>9,969,032</u>
Promises To Give, Bequests, And Other Receivables	8,225,291	12,163,274
Prepaid Expenses	87,016	104,681
Deposits	25,085	25,085
Property And Equipment, net	403,468	541,689
Construction In Progress – Education Center And Exhibit	7,160,649	4,557,711
	<u>15,901,509</u>	<u>17,392,440</u>
	<u>\$ 29,962,849</u>	<u>\$ 30,721,100</u>
<b>Liabilities And Net Assets</b>		
Liabilities		
Accounts payable	\$ 741,059	\$ 874,377
Accrued expenses	260,892	138,350
Deferred revenue	20,000	10,500
Refundable advances	138,138	333,909
Deferred rent	416,011	397,644
Deferred compensation	257,661	188,168
Other	15,863	-
	<u>1,849,624</u>	<u>1,942,948</u>
Commitments And Contingency (Notes 11 And 12)		
Net Assets		
Unrestricted	9,581,211	7,706,830
Temporarily restricted	16,632,014	19,171,322
Permanently restricted	1,900,000	1,900,000
	<u>28,113,225</u>	<u>28,778,152</u>
	<u>\$ 29,962,849</u>	<u>\$ 30,721,100</u>

See Notes To Financial Statements.

**Vietnam Veterans Memorial Fund, Inc.**

**Statement Of Activities**

**Year Ended December 31, 2011**

**(With Comparative Totals For 2010)**

	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and revenue:</b>					
Contributions	\$ 4,626,517	\$ 2,081,985	\$ -	\$ 6,708,502	\$ 9,820,289
Donated services	3,562,523	161,587	-	3,724,110	66,076
Federal grant	629,394	-	-	629,394	69,773
<b>Special events:</b>					
Special event gross receipts	-	253,460	-	253,460	202,875
Cost of direct benefit to donors	-	(74,029)	-	(74,029)	(57,085)
Site fees	119,000	-	-	119,000	108,500
Other	53,884	-	-	53,884	123,262
Investment (loss) income, net	(23,000)	(10,231)	-	(33,231)	788,441
Net assets released restrictions	4,952,080	(4,952,080)	-	-	-
<b>Total support and revenue</b>	<b>13,920,398</b>	<b>(2,539,308)</b>	<b>-</b>	<b>11,381,090</b>	<b>11,122,131</b>
<b>Expenses:</b>					
Program services	9,966,885	-	-	9,966,885	5,185,395
Support services	2,079,132	-	-	2,079,132	1,814,499
<b>Total expenses</b>	<b>12,046,017</b>	<b>-</b>	<b>-</b>	<b>12,046,017</b>	<b>6,999,894</b>
<b>Change in net assets before write-off of promises to give</b>	<b>1,874,381</b>	<b>(2,539,308)</b>	<b>-</b>	<b>(664,927)</b>	<b>4,122,237</b>
Write-off of promises to give	-	-	-	-	21,811
<b>Change in net assets</b>	<b>1,874,381</b>	<b>(2,539,308)</b>	<b>-</b>	<b>(664,927)</b>	<b>4,100,426</b>
<b>Net assets:</b>					
Beginning	7,706,830	19,171,322	1,900,000	28,778,152	24,677,726
Ending	\$ 9,581,211	\$ 16,632,014	\$ 1,900,000	\$ 28,113,225	\$ 28,778,152

See Notes To Financial Statements.

Vietnam Veterans Memorial Fund, Inc.

Statement Of Functional Expenses  
Year Ended December 31, 2011  
(With Comparative Totals For 2010)

	2011											2010 Total		
	Memorial Maintenance	Ceremonies And Events	The Wall That Heals	Memorial Legacy	Education Programs	Education Center	Project RENEW	Total Program	Fundraising	Support Services General And Administrative	Indirect Costs		Total Support Service	Total
Public relations	\$ -	\$ 24,601	\$ 14,561	\$ 1,395,393	\$ -	\$ 2,564,345	\$ -	\$ 3,999,900	\$ 22,349	\$ 5,560	\$ 3,623	\$ 31,532	\$ 4,030,432	\$ 413,011
Direct mail expenses	-	99,511	142,378	1,757,641	-	387,464	-	2,125,305	1,233,327	-	-	1,233,327	3,358,632	2,976,242
Salaries and benefits	23,430	8,898	13,590	134,356	62,831	220,343	126,178	809,027	92,245	10,858	662,570	785,473	1,574,500	1,355,451
Consulting	-	-	24,399	6,200	2,255	286,556	146,724	474,223	71,230	14,819	8,886	94,745	588,968	380,640
Facility and equipment rental	-	-	160	29,308	2,053	13,738	4,806	48,013	7,443	4,884	236,870	241,754	371,272	236,729
Professional fees	-	-	-	-	-	-	309,703	309,703	-	9,142	300,286	316,981	364,984	404,108
Vietnam program	-	-	-	-	-	-	-	-	-	-	-	-	309,703	109,410
Caging	-	-	-	-	-	-	-	-	-	-	-	-	183,879	159,721
Direct calling	-	-	-	-	-	-	-	-	-	-	-	-	166,160	-
Travel and lodging	390	7,739	17,088	19,441	436	55,200	16,584	147,015	6,905	1,300	5,350	110,960	162,470	115,459
Website	-	1,397	1,174	79,368	115	85,337	-	110,483	34,785	7,369	-	42,154	152,647	48,072
Printing and postage	-	13,100	966	8,188	37,875	28,439	98,203	15,649	8,522	8,522	-	49,584	147,797	76,057
Special events	-	45,602	-	13,392	679	12,265	71,858	61,352	-	-	-	61,352	133,310	50,141
Depreciation	-	-	31,815	-	-	-	8,454	40,269	-	-	-	78,830	119,099	144,632
Memorial maintenance, name additions	97,299	-	-	-	-	-	97,299	97,299	-	-	-	97,299	97,299	221,966
Other	-	1,056	70	73	-	33	24,270	25,502	-	627	42,365	42,992	68,494	42,755
Photos and video	-	15,295	2,470	60	24	45,472	5,177	63,321	2,750	264	-	3,014	66,335	35,584
Insurance	-	-	5,177	-	-	-	-	5,177	-	1,121	32,685	33,806	38,983	32,686
Supplies	476	-	6,226	2,448	5,557	489	15,194	2,728	-	89	15,355	16,172	33,366	30,012
Meals and entertainment	2,688	672	4,198	4,051	97	10,038	21,739	1,863	-	1,788	5,863	9,214	30,953	48,936
Gasoline	-	-	22,740	-	-	-	22,740	-	-	541	-	541	23,281	14,790
Telephone	-	-	726	-	-	3,579	4,305	-	-	-	16,168	16,168	20,473	18,010
Bank charges	-	-	-	-	-	6,963	6,963	-	-	-	9,353	9,353	16,316	44,059
Taxes, licenses, filings	-	-	100	-	-	-	100	-	-	-	-	13,788	13,888	21,892
Service provider fees	-	-	-	-	-	-	-	-	-	13,788	-	12,749	12,749	9,679
Repairs and maintenance	-	-	7,085	-	-	-	7,085	-	-	113	2,944	2,944	10,029	6,984
Indirect expense allocation	124,283	215,871	284,933	3,450,117	111,717	3,750,566	739,785	8,687,252	1,849,565	80,385	1,458,727	3,388,677	12,075,929	6,989,894
	15,353	162,032	285,212	206,259	107,630	346,259	174,888	1,279,633	141,625	7,557	(1,458,727)	(1,309,545)	(29,912)	-
<b>Total expenses</b>	\$ 135,638	\$ 377,903	\$ 560,135	\$ 3,650,376	\$ 219,347	\$ 4,096,815	\$ 914,673	\$ 9,966,885	\$ 1,891,190	\$ 87,942	\$ -	\$ 2,079,132	\$ 12,046,017	\$ 6,989,894

See Notes To Financial Statements.

**Vietnam Veterans Memorial Fund, Inc.**

**Statement Of Cash Flows**  
**Year Ended December 31, 2011**  
**(With Comparative Totals For 2010)**

	2011	2010
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (664,927)	\$ 4,100,426
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	119,099	144,632
Loss on disposals of property and equipment	22,379	25,872
Decrease in provision for doubtful accounts	-	(350,000)
Unrealized and realized loss (gain) on investments, net	434,860	(509,067)
Decrease in present value discount	319,522	39,763
Deferred rent	18,367	101,015
Change in assets and liabilities:		
Decrease (increase) in:		
Promises to give, bequests and other receivables	3,618,461	(1,823,290)
Prepaid expenses	17,665	11,439
(Decrease) increase in:		
Accounts payable	(305,453)	(23,127)
Accrued expenses	122,542	103,035
Deferred revenue	9,500	(44,000)
Refundable advances	(195,771)	333,909
Other	15,863	-
<b>Net cash provided by operating activities</b>	<b>3,532,107</b>	<b>2,110,607</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	8,030,554	1,987,295
Purchase of investments	(10,949,594)	(2,074,795)
Purchases of property and equipment	(3,257)	(47,138)
Construction in progress – Education Center Exhibit	(2,430,803)	(1,312,192)
<b>Net cash used in Investing activities</b>	<b>(5,353,100)</b>	<b>(1,446,830)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,820,993)</b>	<b>663,777</b>
<b>Cash And Cash Equivalents:</b>		
Beginning	3,359,628	2,695,851
Ending	<b>\$ 1,538,635</b>	<b>\$ 3,359,628</b>
<b>Supplemental Schedule Of Noncash Investing Activities</b>		
Construction in process included in accounts payable	<b>\$ 172,135</b>	<b>\$ -</b>

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.

The Fund is currently in the design stage of a construction project to build the Education Center (the Center) at the Wall, a visitor center to be built adjacent to the Vietnam Veterans Memorial which will further promote and conserve the legacy of the Wall. Upon completion of the Center, the Fund will donate the building to the United States Department of the Interior and will take on responsibility for the maintenance of the Center and its exhibits.

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 current operations.

Financial risk: The Fund maintains its cash and cash equivalents in bank deposit accounts and money market funds held in investment 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. 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.

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, 2011, all receivables are considered fully collectible.



**Vietnam Veterans Memorial Fund, Inc.**

**Notes To Financial Statements**

---

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

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.

Property and equipment: The Fund capitalizes all property and equipment purchased with a cost of \$1,000 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, 2011.

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 based on market trends for 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, and 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. The Hometown Heroes program, 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, provides program information 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.

Education center – costs associated with promoting future visitation by the general public to the Education Center once construction is complete. The Fund provides information about the important role the Education Center will play in preserving the legacy of those whose names are inscribed on the Memorial.

**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 the removal of unexploded ordnance, and mine awareness 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.

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

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, 2011.

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. Generally, the Fund is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 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, 2010.

**Vietnam Veterans Memorial Fund, Inc.**

**Notes To Financial Statements**

---

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

Reclassifications: Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 financial statements, with no effect on previously reported change in net assets.

Subsequent events: The Fund evaluated subsequent events through May 8, 2012, which is the date the financial statements were available to be issued.

**Note 2. Investments**

Investments at December 31, 2011, consist of the following:

---

Mutual funds	\$ 12,483,554
Alternatives	39,151
	<u>\$ 12,522,705</u>

Investment loss for the year ended December 31, 2011, consists of the following:

---

Unrealized and realized loss on investments, net	\$ (434,860)
Interest and dividends	488,871
Investment fees	(87,242)
	<u>\$ (33,231)</u>

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

Promises to give and other at December 31, 2011, consist of the following:

---

Promises to give	\$ 7,951,639
Bequests	237,779
List rental and other	35,873
	<u>\$ 8,225,291</u>

Promises to give in one year or more are measured using the present value of future cash flows. Promises to give made prior to 2011 are discounted base on a rate of approximately 4.49%. Promises to give made during 2011 are discounted based on a rate of 2.00%.

Unconditional promises to give at December 31, 2011, consist of the following:

---

Promises to give in less than one year	\$ 4,278,693
Promises to give in one to five years	3,945,572
Promises to give greater than five years	250,000
Total promises to give	<u>8,474,265</u>
Less discount to net present value	522,626
Net promises to give	<u>\$ 7,951,639</u>

**Vietnam Veterans Memorial Fund, Inc.**

**Notes To Financial Statements**

**Note 4. Property And Equipment**

Property and equipment and accumulated depreciation at December 31, 2011, and depreciation expense for the year ended December 31, 2011, are as follows:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation</u>
Trailer exhibit	10 years	\$ 395,328	\$ 280,612	\$ 114,716	\$ 17,577
Traveling wall	3 to 10 years	136,558	86,648	49,910	14,238
Leasehold improvements	10 years	278,420	104,407	174,013	46,403
Furniture and equipment	3 years	210,939	164,714	46,226	16,767
Website	3 years	21,980	11,711	10,269	7,327
TV World Wide Web	3 years	43,000	34,666	8,334	8,333
Vehicles	5 years	-	-	-	8,454
		<u>\$ 1,086,225</u>	<u>\$ 682,758</u>	<u>\$ 403,468</u>	<u>\$ 119,099</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 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
<b>Liabilities:</b>				
Deferred compensation	\$ -	\$ 257,661	\$ -	\$ 257,661
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 257,661</b>	<b>\$ -</b>	<b>\$ 257,661</b>
<b>Assets:</b>				
<b>Mutual Funds:</b>				
<b>Equities:</b>				
Mid-Cap Growth	\$ 704,204	\$ -	\$ -	\$ 704,204
Small Cap Growth	269,600	-	-	269,600
World Stock Medium Growth	151,842	-	-	151,842
Large Value	119,531	-	-	119,531
Bank Loan	76,972	-	-	76,972
Diversified Emerging Mkts	75,633	-	-	75,633
Large Growth	70,599	-	-	70,599
Real Estate	53,240	-	-	53,240
Mid-Cap Value	41,384	-	-	41,384
Equity Precious Metals	38,830	-	-	38,830
New Insights	32,163	-	-	32,163
Currency	16,039	-	-	16,039
VIP Contrafund	11,508	-	-	11,508
International Equity	6,978	-	-	6,978
Small Cap Value	5,946	-	-	5,946
Commodities	2,519	-	-	2,519
<b>Total equities</b>	<b>1,676,988</b>	<b>-</b>	<b>-</b>	<b>1,676,988</b>
<b>Fixed Income:</b>				
Intermediate-Term Bond	1,815,350	-	-	1,815,350
Bank Loan	1,772,452	-	-	1,772,452
Short-Term Bond	1,538,818	-	-	1,538,818
World Allocation	1,019,252	-	-	1,019,252
World Bond	888,677	-	-	888,677
Inflation-Protected Bond	566,594	-	-	566,594
Multisector Bond	457,992	-	-	457,992
Conservative Allocation	281,457	-	-	281,457
Nontraditional Bond	275,618	-	-	275,618
Miscellaneous Sector	65,782	-	-	65,782
Financial	42,116	-	-	42,116
Long-Term Bond	35,948	-	-	35,948
High Yield Bond	8,749	-	-	8,749
<b>Total fixed income</b>	<b>8,768,805</b>	<b>-</b>	<b>-</b>	<b>8,768,805</b>
<b>Blended (Fixed, Equities, and Short Term):</b>				
World Stock Large blend	1,161,505	-	-	1,161,505
Mid Cap Blend	677,246	-	-	677,246
Foreign Large Blend	155,105	-	-	155,105
Small Blend	43,905	-	-	43,905
<b>Total blended</b>	<b>2,037,761</b>	<b>-</b>	<b>-</b>	<b>2,037,761</b>
<b>Total mutual funds</b>	<b>12,483,554</b>	<b>-</b>	<b>-</b>	<b>12,483,554</b>
<b>Alternative Investments</b>				
Private Equity Commodities – Agriculture	-	-	39,151	39,151
<b>Total assets</b>	<b>\$ 12,483,554</b>	<b>\$ -</b>	<b>\$ 39,151</b>	<b>\$ 12,522,705</b>

**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 mutual funds is determined based on quoted market prices, when available, or market prices provided by a 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. There were no transfers between levels for the investments.

A summary of the activity for the alternative investments for the year ended December 31, 2011, is as follows:

Alternative investments:	
Beginning	\$ 17,742
Purchases	28,349
Sales	(4,053)
Unrealized loss	(2,887)
Ending	<u>\$ 39,151</u>

The loss is included in unrealized and realized loss 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, 2011, due to the time restriction ending or the purpose restriction being accomplished.

Temporarily restricted net assets at December 31, 2011, are available for the following programs:

	Balance December 31, 2010	Additions	Released	Transferred	Investment Loss	Balance December 31, 2011
Purpose restricted:						
Education Center	\$ 5,711,644	\$ 1,636,095	\$ (4,593,098)	\$ 3,703,898	-	\$ 6,458,539
Memorial maintenance and additional names	2,187,779	101	(139,636)	-	(5,393)	2,042,851
Endowment earnings:						
Humanities program	376,943	-	(219,346)	-	(4,329)	153,268
Education in Chair	26,226	-	-	-	(509)	25,717
Time restricted:						
Time Warner	4,655,056	161,587	-	(1,262,898)	-	3,553,745
Promises to give	6,213,674	625,220	-	(2,441,000)	-	4,397,894
	<u>\$ 19,171,322</u>	<u>\$ 2,423,003</u>	<u>\$ (4,952,080)</u>	<u>\$ -</u>	<u>\$ (10,231)</u>	<u>\$ 16,632,014</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	\$ 403,169	\$ 1,900,000	\$ 2,303,169
Investment return:			
Investment income, net of fees	58,473	-	58,473
Net realized and unrealized loss	(63,311)	-	(63,311)
<b>Total investment return</b>	<u>(4,838)</u>	<u>-</u>	<u>(4,838)</u>
Amount appropriated for expenditure	219,346	-	219,346
Endowment net assets, end of year	<u>\$ 178,985</u>	<u>\$ 1,900,000</u>	<u>\$ 2,078,985</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% 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. Donated Services**

The Fund uses advertising to educate the general public about the legacy of the Vietnam Veterans Memorial and the project to build the Education Center at The Wall. The production costs of advertising are expensed as incurred. Of the \$4,030,432 in advertising costs incurred during the year ended December 31, 2011, included in public relations on the accompanying statement of functional expenses, \$3,538,875 was donated advertising placement.

The fair value of donated services included as unrestricted support in the financial statements and corresponding program expenses for the year ended December 31, 2011, are as follows:

	The Wall That Heals	Memorial Legacy	Education Center	Fundraising	Total
Advertising	\$ -	\$ 1,358,190	\$ 2,177,664	\$ 3,021	\$ 3,538,875
Equipment rental	23,648	-	-	-	23,648
	<u>\$ 23,648</u>	<u>\$ 1,358,190</u>	<u>\$ 2,177,664</u>	<u>\$ 3,021</u>	<u>\$ 3,562,523</u>

**Note 9. Allocation Of Joint Costs**

The Fund conducts activities that include a request for contributions, as well as a program component, such as information promoting the legacy of the Wall, recognizing and honoring those who served and died, gathering photos and stories to preserve their legacy, bringing healing to their loved ones, or educating the public about the need to build the Education Center. These activities include direct mail and direct calling campaigns. The costs of conducting those campaigns include a total of \$3,270,778 of joint costs that are not directly attributable to either the program or fundraising component of the activities. Those costs were allocated as follows:

	Direct Mail	Direct Calling	Total
Memorial legacy	\$ 1,756,818	\$ -	\$ 1,756,818
Education Center	332,684	55,200	387,884
Fundraising	1,043,276	82,800	1,126,076
Total	<u>\$ 3,132,778</u>	<u>\$ 138,000</u>	<u>\$ 3,270,778</u>

**Vietnam Veterans Memorial Fund, Inc.**

**Notes To Financial Statements**

---

**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 not to exceed 25% of all eligible employees' compensation. Plan participants vest, for purposes of employer contributions, after two years of service. Total employer contributions to the Plan for the year ended December 31, 2011, was \$92,884.

Deferred compensation plans: The Fund has two deferred compensation plans in effect. The first is a supplemental executive retirement plan for executives who have been designated by the Board of Directors as eligible to participate. The second is tandem executive deferral plan under IRC Section 457(f) (the Plan) for the President of the Fund. 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. Total contributions of \$78,357 were made to the plans' investment account by the Fund for the year ended December 31, 2011. The Fund will contribute another \$226,785 to the tandem executive deferral plan over a five-year period with a minimum payment of \$45,357 required annually. The contributions to the plans are held in a professionally managed investment accounts and included in total investments on the balance sheet. The investment losses, including fees, on the accounts were \$8,865 in 2011. At December 31, 2011, the deferred compensation investment and liability totaled \$257,661.

**Note 11. Commitments**

Office lease: The Fund has 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, 2011, was \$230,013.

Future minimum lease payments due under this lease agreement at December 31, 2011, are as follows:

Years Ending December 31,

---

2012	\$ 250,456
2013	256,704
2014	263,100
2015	269,703
2016	276,439
Thereafter	947,238
	<u>\$ 2,263,640</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.

## Vietnam Veterans Memorial Fund, Inc.

### Notes To Financial Statements

---

#### Note 11. Commitments (Continued)

Direct mail contract: The Fund engages 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. Prior to December 31, 2011, the Fund exercised its rights to terminate the vendor used during the years ended December 31, 2011 and 2010, by providing 30 days notice. A new vendor was selected for the one-year period beginning January 1, 2012, with an automatic one-year renewal option at December 31, 2012, unless either party provides 60 days written notice of termination. The contract calls for a fixed monthly fee of \$27,000, plus cost of materials.

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, which has not commenced as of December 31, 2011. 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.

#### 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.
- 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.