

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
and Independent Auditors' Report

September 30, 2017 and 2016 (As Restated)

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
September 30, 2017 and 2016 (As Restated)

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Vietnam Veterans Memorial Fund, Inc. ("the Fund"), which comprise the statement of financial position as of September 30, 2017; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 3 to the financial statements, unrestricted net assets as of October 1, 2015 have been restated to reflect the amortization of content and design costs originally accumulated and developed for the Education Center, which have been placed in service for wider use. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Fund's September 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2017. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
March 12, 2018

Vietnam Veterans Memorial Fund, Inc.

Statement of Financial Position

September 30, 2017

(With Comparative Totals for September 30, 2016 (As Restated))

	Unrestricted	Temporarily Restricted		Permanently Restricted	2017 Total	2016 Total (As Restated)
		International Partners	Other			
Assets						
Cash and cash equivalents	\$ 953,035	\$ 3,397,731	\$ -	\$ -	\$ 4,350,766	\$ 2,773,094
Investments	1,427,956	4,227,402	13,953,866	200,000	19,809,224	8,606,407
Deferred compensation investments	140,866	-	-	-	140,866	309,109
Promises to give and other receivables, net	66,750	2,616,260	1,071,420	-	3,754,430	5,842,188
Prepaid expenses, deposits, and other	225,605	-	-	-	225,605	193,537
Property and equipment, net	4,496,915	-	-	-	4,496,915	4,801,001
Construction in progress – Education Center	8,435,247	-	-	-	8,435,247	8,403,996
Total assets	\$ 15,746,374	\$ 10,241,393	\$ 15,025,286	\$ 200,000	\$ 41,213,053	\$ 30,929,332
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 291,502	\$ -	\$ -	\$ -	\$ 291,502	\$ 718,804
Accrued expenses and other liabilities	172,322	-	-	-	172,322	178,622
Deferred revenue	39,110	-	-	-	39,110	23,000
Deferred compensation	140,866	-	-	-	140,866	309,109
Deferred rent	216,473	-	-	-	216,473	173,397
Total liabilities	860,273	-	-	-	860,273	1,402,932
Net Assets						
Unrestricted	14,886,101	-	-	-	14,886,101	14,479,471
Temporarily restricted	-	10,241,393	15,025,286	-	25,266,679	14,846,929
Permanently restricted	-	-	-	200,000	200,000	200,000
Total net assets	14,886,101	10,241,393	15,025,286	200,000	40,352,780	29,526,400
Total liabilities and net assets	\$ 15,746,374	\$ 10,241,393	\$ 15,025,286	\$ 200,000	\$ 41,213,053	\$ 30,929,332

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Activities
For the Year Ended September 30, 2017
(With Comparative Totals for the Year Ended September 30, 2016 (As Restated))

	Unrestricted	Temporarily Restricted		Permanently Restricted	2017 Total	2016 Total (As Restated)
		International Partners	Other			
Revenue and Support						
Contributions	\$ 6,291,922	\$ -	\$ 10,210,460	\$ -	\$ 16,502,382	\$ 10,652,649
Donated goods and services	2,206,163	-	905,080	-	3,111,243	579,691
Site fees	274,000	-	-	-	274,000	206,325
Special events – gross receipts	-	-	-	-	-	383,808
Special events – cost of direct benefit to donors	-	-	-	-	-	(179,965)
Investment income, net	473,679	-	1,005,355	-	1,479,034	612,616
Loss on foreign currency translation	-	(189,601)	-	-	(189,601)	-
Other income	436,917	-	-	-	436,917	390,645
Released from restrictions	1,511,544	-	(1,511,544)	-	-	-
Total revenue and support	11,194,225	(189,601)	10,609,351	-	21,613,975	12,645,769
Expenses						
Program services:						
Memorial legacy	6,187,321	-	-	-	6,187,321	3,688,506
Education Center	1,129,568	-	-	-	1,129,568	781,793
Ceremonies and events	469,925	-	-	-	469,925	370,694
The Wall That Heals	736,185	-	-	-	736,185	686,138
Education programs	199,301	-	-	-	199,301	212,869
Memorial maintenance	156,176	-	-	-	156,176	200,650
Total program services	8,878,476	-	-	-	8,878,476	5,940,650
Supporting services:						
Fundraising	1,623,046	-	-	-	1,623,046	2,180,876
General and administrative	286,073	-	-	-	286,073	369,993
Total supporting services	1,909,119	-	-	-	1,909,119	2,550,869
Total expenses	10,787,595	-	-	-	10,787,595	8,491,519
Change in Net Assets	406,630	(189,601)	10,609,351	-	10,826,380	4,154,250
Net Assets, beginning of year, as restated	14,479,471	10,430,994	4,415,935	200,000	29,526,400	25,372,150
Net Assets, end of year	\$ 14,886,101	\$ 10,241,393	\$ 15,025,286	\$ 200,000	\$ 40,352,780	\$ 29,526,400

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Functional Expenses
For the Year Ended September 30, 2017
(With Comparative Totals for the Year Ended September 30, 2016 (As Restated))

	Program Services							Supporting Services				2017 Total Expenses	2016 Total Expenses (As Restated)
	Memorial Legacy	Education Center	Ceremonies and Events	The Wall That Heals	Education Programs	Memorial Maintenance	Total Program Services	Fundraising	General and Administrative	Indirect Costs	Total Supporting Services		
Direct mail and digital media	\$ 2,570,345	\$ 41,128	\$ 2,901	\$ 5,266	\$ -	\$ -	\$ 2,619,640	\$ 901,597	\$ -	\$ -	\$ 901,597	\$ 3,521,237	\$ 3,798,851
Salaries and benefits	303,349	98,066	189,225	254,860	96,752	58,214	1,000,466	325,740	77,770	341,408	744,918	1,745,384	1,773,443
Public relations-donated services	2,142,000	905,080	-	-	-	-	3,047,080	-	-	-	-	3,047,080	464,422
Consulting	2,040	1,380	40,309	31,400	9,875	11,261	96,265	15,000	-	24,349	39,349	135,614	368,229
Facility and equipment rental	261	-	31,983	-	-	-	32,244	-	-	174,024	174,024	206,268	236,563
Professional fees	21,296	1,687	-	86	-	-	23,069	11,876	52,138	323,745	387,759	410,828	346,003
Travel and lodging	29,533	1,204	16,121	122,221	531	1,240	170,850	40,579	3,113	1,504	45,196	216,046	227,697
Depreciation and amortization	590,849	-	1,520	28,612	-	-	620,981	-	-	15,202	15,202	636,183	643,612
Special events	107,197	-	15,394	-	-	-	122,591	-	-	-	-	122,591	2,087
Other	1,600	2,232	-	5,402	175	106	9,515	893	2,256	1,237	4,386	13,901	26,042
TWTH-Transportation of the Wall	-	-	-	74,248	-	-	74,248	-	-	-	-	74,248	-
Caging	-	-	-	-	-	-	-	167,769	-	-	167,769	167,769	107,407
Name additions	-	-	-	-	-	-	-	-	-	-	-	-	48,366
Website	66,257	3,279	5,829	6,276	2,981	702	85,324	6,732	6,534	-	13,266	98,590	61,736
Printing and postage	37,019	60	8,720	5,947	812	-	52,558	5,526	22	15,173	20,721	73,279	80,605
Bank charges	-	-	-	9	-	-	9	-	42	47,580	47,622	47,631	78,879
Insurance	-	-	-	91	11	-	102	-	14,186	23,796	37,982	38,084	46,563
Dues and subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	5,742
Photos and video	61,741	2,341	18,323	180	-	-	82,585	4,969	-	3,599	8,568	91,153	18,100
Contributions and sponsorships	8,182	-	-	-	1,500	-	9,682	499	-	-	499	10,181	16,058
Supplies	18,319	917	10,348	18,847	100	551	49,082	1,671	6,417	6,729	14,817	63,899	70,402
Telephone	-	-	-	-	-	-	-	-	-	22,384	22,384	22,384	22,765
Meals and entertainment	5,708	180	271	13,647	2	3,106	22,914	4,193	718	553	5,464	28,378	22,765
Service provider fees	-	-	-	-	-	-	-	-	-	-	-	-	15,940
Repairs and maintenance	3,229	-	-	4,106	-	52,582	59,917	-	-	-	-	59,917	97,046
Taxes, licenses and filings	-	-	-	-	-	-	-	-	19,290	31,564	50,854	50,854	13,986
Capitalized costs for Education Center	-	-	-	-	-	-	-	-	-	(93,904)	(93,904)	(93,904)	(101,790)
Subtotal	5,968,925	1,057,554	340,944	571,198	112,739	127,762	8,179,122	1,487,044	182,486	938,943	2,608,473	10,787,595	8,491,519
Indirect expense allocation	218,396	72,014	128,981	164,987	86,562	28,414	699,354	136,002	103,587	(938,943)	(699,354)	-	-
Total Expenses	\$ 6,187,321	\$ 1,129,568	\$ 469,925	\$ 736,185	\$ 199,301	\$ 156,176	\$ 8,878,476	\$ 1,623,046	\$ 286,073	\$ -	\$ 1,909,119	\$ 10,787,595	\$ 8,491,519

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016 (As Restated)

	2017	2016 (As Restated)
Cash Flows from Operating Activities		
Change in net assets	\$ 10,826,380	\$ 4,154,250
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized gain on investments	(1,187,704)	(195,318)
Loss on exchange rate	189,601	-
Depreciation and amortization	636,183	643,612
Loss on disposal of property and equipment	861	317
Change in present-value discount	(41,203)	(53,396)
Change in value – deferred compensation	168,243	245,883
Change in operating assets and liabilities:		
(Increase) decrease in:		
Promises to give and other receivables	1,939,360	(2,381,991)
Prepaid expenses, deposits, and other	(32,068)	108,986
Increase (decrease) in:		
Accounts payable	(427,302)	114,542
Accrued expenses and other liabilities	(6,300)	(53,524)
Deferred revenue	16,110	(146,025)
Deferred compensation	(168,243)	(245,883)
Deferred rent	43,076	173,397
Net cash provided by operating activities	11,956,994	2,364,850
Cash Flows from Investing Activities		
Purchases of property and equipment	(332,958)	(27,217)
Construction in progress – Education Center	(31,251)	(250,690)
Purchases of investments	(10,140,371)	(1,206,580)
Proceeds from sale of investments	125,258	887,887
Net cash used in investing activities	(10,379,322)	(596,600)
Net Increase in Cash and Cash Equivalents	1,577,672	1,768,250
Cash and Cash Equivalents, beginning of year	2,773,094	1,004,844
Cash and Cash Equivalents, end of year	\$ 4,350,766	\$ 2,773,094

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

1. Nature of Operations

Vietnam Veterans Memorial Fund, Inc. (“the Fund”) is a nonprofit 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 14, 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 a traveling half-scale replica and museum.

The Fund is currently in the fundraising 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.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Fund’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Fund’s operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Fund or by the passage of time.
- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for the general operations or restricted purposes imposed by the donors.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of the statements of cash flows, the Fund considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition are amounts held for investment.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are reported as a component of net investment income in the accompanying statement of activities.

Receivables

Receivables, including unconditional promises to give, are carried at original invoiced or promised amounts, less an estimate for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. At September 30, 2017 and 2016, management determined that all receivables are considered fully collectible.

Property and Equipment

Property and equipment are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Expenditures for repairs and maintenance are expensed as incurred.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

2. Summary of Significant Accounting Policies (continued)

Construction in Progress

The Fund is in the process of designing an Education Center, which will be located on the National Mall adjacent to the Vietnam Veterans Memorial. Direct and indirect costs associated with the architectural and pre-construction services, curator services, and layout and exhibit design of the Education Center have been capitalized. At September 30, 2017 and 2016, construction in progress totaled \$8,435,246 and \$8,403,996, respectively, and is included in the accompanying statement of financial position.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Fund reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Special event fees are recognized at the time of the event. Amounts received in advance of the event are recorded as deferred revenue.

Revenue from all other sources is recognized when earned.

Foreign Currency Translation

The Fund accounts for all of its transactions using the U.S. dollar including support originally enumerated in foreign currency. The Fund has no overseas assets or operations, but has received pledges of support and pledge collections in Korean won. Support is remeasured into U.S. dollars based on the prevailing exchange rate at the time of the transaction. Pledges receivable that are outstanding at the end of the period are remeasured into U.S. dollars based on exchange rates prevailing at the end of the period. Management estimates that there is no material foreign currency translation rate change that could materially affect unsettled foreign currency transactions after year end based on the understanding of the exchange rate between U.S. dollars and Korean won.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

2. Summary of Significant Accounting Policies (continued)

Donated Goods and Services

The Fund receives contributions in the form of donated goods and services from businesses and other organizations toward the fulfillment of program objectives and general operations. Those services and goods, which are objectively measurable, have been included in both revenue and the related functional expense categories and are recorded as contributions at their fair value as of the date of donation.

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.

Comparative 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. Accordingly, such information should be read in conjunction with the Fund's 2016 financial statements, from which the summarized information was derived.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in the Fund's fiscal year 2021.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in the Fund's fiscal year 2019.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through March 12, 2018, the date the financial statements were available to be issued.

3. Prior Period Adjustment

During 2017, the Fund performed analysis to re-evaluate the capitalized costs incurred to date that have been accumulating in the construction-in-progress account for the Education Center. Through advancements in technology and changes in the structure of ongoing programs, the Fund determined that some of the costs that went into the content and design of the Education Center has been in-use and should have been incurring amortization expense. The restructuring of these ongoing programs was an initiative that began in October 2014 by the Fund's current senior leadership team. As a result of this initiative, it created new opportunities for the Fund to start utilizing certain content and design that had been waiting to be placed-in-service until the completion of the Education Center. The significant items within this initiative were: (1) the Faces Never Forgotten photo collection effort that became current online content, which will also be included in the Wall of Faces exhibit once the Education Center is complete; (2) the Wall that Heals mobile exhibit began a redesign effort that culminated with new exhibits on the trailer turning it into a Mobile Education Center, reflective of exhibits of items and the Wall of Faces that will be in the Education Center; and (3) the curriculum for education outreach was re-written and put into use for current programs, which will also be included within the Education Gallery of the completed Education Center.

The Fund retroactively placed in service \$5,420,893 of capitalized Education Center expenses, effective October 31, 2014. An additional \$211,296 and \$179,024 of costs were also placed in service during the years ended September 30, 2016 and 2015, respectively. As a result, \$5,811,213 was reclassified from construction-in-progress to property and equipment on the accompanying statement of financial position for the year ended September 30, 2016. The Board and management decided upon the transparent and conservative approach of amortizing the amount over a period of ten years, on a straight-line basis, beginning October 1, 2015. To reflect the amortization of the design and content over its term of use, the balance of unrestricted net assets has been restated as of the earliest period presented, which resulted in a decrease of \$551,040 and \$570,557 in unrestricted net assets as of October 1, 2015 and 2016, respectively.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

4. Concentration of Credit Risk

Financial instruments that potentially subject the Fund to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Fund maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Fund has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments

Investments consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 19,809,224	\$ 8,296,076
Money markets	-	310,331
Total investments	<u>\$ 19,809,224</u>	<u>\$ 8,606,407</u>

Net investment income consists of the following for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 424,653	\$ 487,296
Realized and unrealized gain	1,187,704	195,318
Less: investment fees	<u>(133,323)</u>	<u>(69,998)</u>
Total investment income, net	<u>\$ 1,479,034</u>	<u>\$ 612,616</u>

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

6. Fair Value Measurements

The Fund follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Fund recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Fund uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

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 input.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

6. Fair Value Measurements (continued)

The following table presents the Fund's fair value hierarchy for those assets measured on a recurring basis at September 30, 2017:

	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds:				
Bank loan (fixed income)	\$ 398,019	\$ -	\$ -	\$ 398,019
Short government	1,624,265	-	-	1,624,265
Preferred stock	555,359	-	-	555,359
Short-term bond	53,191	-	-	53,191
Intermediate-term bond	549,107	-	-	549,107
Convertibles	225,168	-	-	225,168
Multisector bond	2,003,121	-	-	2,003,121
Corporate bond	215,911	-	-	215,911
Equities:				
Large blend	887,466	-	-	887,466
Mid-cap growth	227,453	-	-	227,453
Mid-cap value	216,571	-	-	216,571
Mid growth	719,727	-	-	719,727
Mid blend	207,537	-	-	207,537
Large growth	476,011	-	-	476,011
Foreign large blend	562,099	-	-	562,099
Large value	2,210,450	-	-	2,210,450
Real estate	210,550	-	-	210,550
Small value	1,008,968	-	-	1,008,968
Small growth	1,169,583	-	-	1,169,583
Other:				
Market neutral	1,469,458	-	-	1,469,458
World allocation	4,740,640	-	-	4,740,640
Tactical allocation (large)	78,570	-	-	78,570
Total investments	\$ 19,809,224	\$ -	\$ -	\$ 19,809,224
Deferred compensation investments and liability	\$ -	\$ 140,866	\$ -	\$ 140,866

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

6. Fair Value Measurements (continued)

The following table presents the Fund's fair value hierarchy for those assets measured on a recurring basis at September 30, 2016:

	Level 1	Level 2	Level 3	Total
Investments:				
Money markets	\$ 310,331	\$ -	\$ -	\$ 310,331
Mutual funds:				
High yield	1,303,401	-	-	1,303,401
Bank loan (fixed income)	417,784	-	-	417,784
Short government	354,277	-	-	354,277
Preferred stock	98,811	-	-	98,811
Short-term bond	95,170	-	-	95,170
Intermediate-term bond	62,582	-	-	62,582
Convertibles	60,973	-	-	60,973
Equities:				
Large blend	1,362,960	-	-	1,362,960
Mid-cap growth	557,899	-	-	557,899
Mid-cap blend	261,282	-	-	261,282
Large growth	186,112	-	-	186,112
Foreign large blend	148,498	-	-	148,498
Large value	127,349	-	-	127,349
World stock	92,702	-	-	92,702
Diversified emerging markets	89,528	-	-	89,528
Real estate	77,387	-	-	77,387
Small value	74,648	-	-	74,648
Small growth	67,161	-	-	67,161
Utilities	40,544	-	-	40,544
Foreign large growth	30,840	-	-	30,840
Other:				
Market neutral	523,494	-	-	523,494
Tactical allocation	136,446	-	-	136,446
Long/short equity	58,478	-	-	58,478
World allocation	1,817,798	-	-	1,817,798
Tactical allocation (large)	221,671	-	-	221,671
Foreign large blend	28,281	-	-	28,281
Total investments	\$ 8,606,407	\$ -	\$ -	\$ 8,606,407
Deferred compensation investments and liability	\$ -	\$ 309,109	\$ -	\$ 309,109

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

7. Promises to Give and Other Receivables

Promises to give are due as follows at September 30:

	2017	2016
Less than one year	\$ 3,153,010	\$ 4,796,490
One to five years	650,000	1,035,481
More than five years	-	100,000
Total promises to give	3,803,010	5,931,971
Less: present-value discount (2–4.49%)	(48,580)	(89,783)
Promises to give, net	\$ 3,754,430	\$ 5,842,188

8. Property and Equipment

Property and equipment consists of the following at September 30:

	2017	(As restated)
Trailer exhibit	\$ 89,503	\$ 422,988
TV world wide web	107,478	107,478
Website	107,208	107,208
Furniture and equipment	78,330	91,323
Traveling wall	429,597	89,503
Education Center design and content	6,005,763	5,811,213
Total property and equipment	6,817,879	6,629,713
Less: accumulated depreciation and amortization	(2,320,964)	(1,828,712)
Property and equipment, net	\$ 4,496,915	\$ 4,801,001

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at September 30:

	<u>2017</u>	<u>2016</u>
Purpose restricted:		
Education Center	\$ 17,830,367	\$ 6,140,769
Memorial maintenance and additional names	3,748,632	2,899,453
Time restricted:		
Education Center	<u>3,687,680</u>	<u>5,806,707</u>
Total temporarily restricted net assets	<u>\$ 25,266,679</u>	<u>\$ 14,846,929</u>

10. Endowment

The Fund's endowment was established to fund the Fund's operations and consists of donor-restricted contributions to the endowment. Under accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Fund has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 direction 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 UPMIFA.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

10. Endowment (continued)

Interpretation of Relevant Law (continued)

In accordance with UPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the fund; (2) the purposes of the Fund and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Fund; and (7) the investment policies of the Fund.

Return Objectives, Risk Parameters, and Strategies

The Fund's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs and 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 and How Investment Objectives Relate to 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 reinvest some of the annual return.

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may from time to time fall below the level that the donor or UPMIFA requires the Fund to retain as a fund of perpetual duration. There were no deficiencies of this nature for the years ended September 30, 2017 and 2016.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

10. Endowment (continued)

Composition of Endowment Net Assets

Endowment net assets consist of the following at September 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2017:</u>				
Donor-restricted endowment fund	\$ -	\$ -	\$ 200,000	\$ 200,000
<u>2016:</u>				
Donor-restricted endowment fund	\$ -	\$ -	\$ 200,000	\$ 200,000

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the years ended September 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2017:</u>				
Endowment assets, beginning	\$ -	\$ -	\$ 200,000	\$ 200,000
Investment appreciation	-	18,107	-	18,107
Appropriation of assets	-	(18,107)	-	(18,107)
Endowment assets, ending	\$ -	\$ -	\$ 200,000	\$ 200,000
<u>2016:</u>				
Endowment assets, beginning	\$ -	\$ -	\$ 200,000	\$ 200,000
Investment appreciation	-	9,500	-	9,500
Appropriation of assets	-	(9,500)	-	(9,500)
Endowment assets, ending	\$ -	\$ -	\$ 200,000	\$ 200,000

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

11. Commitments and Contingencies

Office Leases

The Fund had a non-cancellable operating lease agreement for office space and a one-time right to terminate it as of October 4, 2015, with written notice to the landlord 12 months prior to the termination date, which the Fund exercised during the year ended September 30, 2014. At the beginning of the lease term, the lessor granted the Fund an allowance for leasehold improvements and rent abatement. The deferred rent liability on the termination date was \$291,819, which was recognized as revenue during the year ended September 30, 2015, and is included in other gains in the statement of activities. In addition to base rent, the Fund was responsible for annual increases, as specified in the lease agreement, and its proportionate share of increases in operating expenses.

In June 2015, the Fund entered into a more economical lease arrangement at a 50% reduction in savings per month for office space, which went into effect on October 1, 2015 and set to expire on October 31, 2026. The monthly rental expense is approximately \$14,000 with the first 15 months of rent payments abated, and the first payment is due during the fiscal year ending September 30, 2017. 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. The Fund has a one-time right to terminate the lease as of September 30, 2022, with written notice to the landlord 12 months prior to the termination date, and subject to a penalty payment.

Rent expense, included in facility and equipment rental on the accompanying statement of functional expenses for the years ended September 30, 2017 and 2016, was \$206,268 and \$236,563, respectively.

Future minimum payments are as follows for the years ending September 30:

2018	\$	178,106
2019		182,559
2020		187,123
2021		191,801
2022		196,596
Thereafter through October 31, 2026		<u>855,312</u>
Total future minimum lease payments	\$	<u><u>1,791,497</u></u>

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

11. Commitments and Contingencies (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. This agreement renews annually and can be terminated upon 60 days' written notice by either party. The contract calls for a fixed monthly fee of approximately \$30,000, plus the cost of materials and postage.

12. Employee Benefit Plans

401(k) Plan

The Fund has a 401(k) profit sharing plan ("the 401(k) Plan") covering all employees. Employees may participate in the 401(k) 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 401(k) Plan provides for safe harbor contributions of 3% of compensation, regardless of employee contribution to the 401(k) Plan, and a matching contribution equal to 100% of each participant's elective deferrals up to a maximum of 2% of compensations. 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 401(k) Plan for the years ended September 30, 2017 and 2016, were \$47,684 and \$15,320, respectively. The Fund did not have any discretionary profit sharing contributions to the 401(k) Plan during the years ended September 30, 2017 and 2016.

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 a tandem executive deferral plan under Internal Revenue Code (IRC) Section 457(f) ("the Plan") for the former President of the Fund. Benefits are determined based on both a fixed amount to be determined annually by the Board and a potential additional allocation for an excess benefit amount. There were no contributions made by the Fund for the years ended September 30, 2017 and 2016. The contributions to the plans are held in a professionally managed investment account and are included in the statement of financial position. At September 30, 2017 and 2016, the deferred compensation investment and liability was \$140,866 and \$309,109, respectively.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

13. 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. During the years ended September 30, 2017 and 2016, these activities included a direct mail and a digital media campaign. For the years ended September 30, 2017 and 2016, the costs of conducting those campaigns include a total of \$3,521,231 and \$3,798,851, respectively, of joint costs that are not directly attributable to either the program or fundraising component of the activities. Those costs are included on the statement of functional expenses in direct mail and digital media, caging, and communication campaigns expenses.

Allocation of joint costs were as follows for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Memorial legacy	\$ 2,570,339	\$ 2,321,766
Education Center	41,128	156,311
The Wall That Heals	5,266	721
Ceremonies and events	2,901	2,810
Fundraising	<u>901,597</u>	<u>1,317,243</u>
Total joint costs	<u>\$ 3,521,231</u>	<u>\$ 3,798,851</u>

14. Donated Goods and Services

The Fund uses donated goods and other donated services to educate the general public about the legacy of the Vietnam Veterans Memorial and the project to build the Education Center at the Wall. Public relations expense for the years ended September 30, 2017 and 2016, was \$3,047,080 and \$464,422, respectively, as shown on the accompanying statement of functional expenses. Of the aforementioned amounts, \$3,047,080 and \$461,992, respectively, is donated public relations.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

14. Donated Goods and Services (continued)

The Center received the following donated goods and service during the years ended September 30:

	<u>2017</u>	<u>2016</u>
Public Relations:		
Education Center	\$ 905,080	\$ 461,992
Memorial legacy	2,142,000	-
The Wall That Heals:		
Transportation	64,163	53,000
General and administrative:		
Legal services	-	42,824
Fundraising:		
Consulting services	-	21,875
	<u> </u>	<u> </u>
Total donated goods and services	<u>\$ 3,111,243</u>	<u>\$ 579,691</u>

15. 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 the Department of Defense.
- 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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

16. Program Services

Memorial Legacy

The Memorial Legacy program includes 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.

Education Center

Costs are also incurred to promote 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.

Ceremonies and Events

Ceremonies are conducted each year to recognize, remember, and honor those who served and died, as well as to bring healing to their families, their friends, and the nation. Related costs are 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.

The Wall That Heals

Costs are also incurred to promote healing and provide education about the impact of the Vietnam War through the 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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2017 and 2016 (As Restated)

16. Program Services (continued)

Education Programs

The Fund also seeks 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.

Memorial Maintenance

The Fund works 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.

Fundraising

The Fund also incurs 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 corporate entity and corporate governance are recorded as General and Administrative.

Indirect Costs

Indirect costs are costs related to the Fund's programs, but that 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 in the statement of functional expenses.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
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17. Income Taxes

The Fund is generally exempt from federal income taxes under IRC Section 501(c)(3) of the. 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 years ended September 30, 2017 and 2016.

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.