

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
and Independent Auditors' Report

September 30, 2016 and 2015

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
September 30, 2016 and 2015

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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, 2016; 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 of 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, 2016, 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.

Report on Summarized Comparative Information

Other auditors previously audited the Fund's September 30, 2015 financial statements, and expressed an unmodified audit opinion on those audited financial statements in their report dated April 13, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2015, 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 31, 2017

Vietnam Veterans Memorial Fund, Inc.

Statement of Financial Position
September 30, 2016
(With Comparative Totals for September 30, 2015)

	Unrestricted	Temporarily Restricted		Permanently Restricted	2016 Total	2015 Total
		Korea	Other			
Assets						
Cash and cash equivalents	\$ 630,395	\$ 1,630,284	\$ 483,827	\$ 28,588	\$ 2,773,094	\$ 1,004,844
Investments	1,508,884	4,254,220	2,671,891	171,412	8,606,407	8,092,396
Deferred compensation investments	309,109	-	-	-	309,109	554,992
Promises to give and other receivables, net	35,481	4,546,490	1,260,217	-	5,842,188	3,406,801
Prepaid expenses, deposits, and other	193,537	-	-	-	193,537	302,523
Property and equipment, net	111,385	-	-	-	111,385	157,540
Construction in progress – Education Center	14,215,209	-	-	-	14,215,209	13,964,519
Total assets	\$ 17,004,000	\$ 10,430,994	\$ 4,415,935	\$ 200,000	\$ 32,050,929	\$ 27,483,615
Liabilities and Net Assets						
Liabilities						
Accounts payable	\$ 718,804	\$ -	\$ -	\$ -	\$ 718,804	\$ 604,262
Accrued expenses and other liabilities	178,622	-	-	-	178,622	232,146
Deferred revenue	23,000	-	-	-	23,000	169,025
Deferred compensation	309,109	-	-	-	309,109	554,992
Deferred rent	173,397	-	-	-	173,397	-
Total liabilities	1,402,932	-	-	-	1,402,932	1,560,425
Net Assets						
Unrestricted	15,601,068	-	-	-	15,601,068	15,430,399
Temporarily restricted	-	10,430,994	4,415,935	-	14,846,929	10,292,791
Permanently restricted	-	-	-	200,000	200,000	200,000
Total net assets	15,601,068	10,430,994	4,415,935	200,000	30,647,997	25,923,190
Total liabilities and net assets	\$ 17,004,000	\$ 10,430,994	\$ 4,415,935	\$ 200,000	\$ 32,050,929	\$ 27,483,615

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Activities
For the Year Ended September 30, 2016
(With Comparative Totals for the Year Ended September 30, 2015)

	Unrestricted	Temporarily Restricted		Permanently Restricted	2016 Total	2015 Total
		Korea	Other			
Revenue and Support						
Contributions	\$ 5,522,617	\$ 4,546,490	\$ 583,542	\$ -	\$ 10,652,649	\$ 7,995,704
Donated goods and services	117,699	-	461,992	-	579,691	1,191,814
Site fees	206,325	-	-	-	206,325	156,900
Special events – gross receipts	383,808	-	-	-	383,808	266,570
Special events – cost of direct benefit to donors	(179,965)	-	-	-	(179,965)	(138,610)
Investment income (loss), net	214,830	-	397,786	-	612,616	(362,188)
Other gains	-	-	-	-	-	199,819
Other income	390,645	-	-	-	390,645	108,060
Released from restrictions	1,435,672	-	(1,435,672)	-	-	-
Total revenue and support	8,091,631	4,546,490	7,648	-	12,645,769	9,418,069
Expenses						
Program services:						
Memorial legacy	3,117,949	-	-	-	3,117,949	2,509,367
Education Center	781,793	-	-	-	781,793	1,628,371
Ceremonies and events	370,694	-	-	-	370,694	450,034
The Wall That Heals	686,138	-	-	-	686,138	804,312
Education programs	212,869	-	-	-	212,869	302,863
Memorial maintenance	200,650	-	-	-	200,650	235,183
Total program services	5,370,093	-	-	-	5,370,093	5,930,130
Supporting services:						
Fundraising	2,180,876	-	-	-	2,180,876	2,664,287
General and administrative	369,993	-	-	-	369,993	336,440
Total supporting services	2,550,869	-	-	-	2,550,869	3,000,727
Total expenses	7,920,962	-	-	-	7,920,962	8,930,857
Change in Net Assets	170,669	4,546,490	7,648	-	4,724,807	487,212
Net Assets, beginning of year	15,430,399	5,884,504	4,408,287	200,000	25,923,190	25,435,978
Net Assets, end of year	\$ 15,601,068	\$ 10,430,994	\$ 4,415,935	\$ 200,000	\$ 30,647,997	\$ 25,923,190

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Functional Expenses
For the Year Ended September 30, 2016
(With Comparative Totals for the Year Ended September 30, 2015)

	Program Services							Supporting Services				2016 Total Expenses	2015 Total Expenses
	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	\$ 2,321,766	\$ 156,311	\$ 2,810	\$ 721	\$ -	\$ -	\$ 2,481,608	\$ 1,317,243	\$ -	\$ -	\$ 1,317,243	\$ 3,798,851	\$ 3,465,333
Salaries and benefits	315,852	86,928	171,133	273,994	123,264	65,674	1,036,845	323,361	173,665	239,572	736,598	1,773,443	2,401,636
Public relations	-	461,992	1,410	-	636	-	464,038	384	-	-	384	464,422	1,022,758
Consulting	24,562	4,634	-	28,500	11,250	18,364	87,310	253,999	21,229	5,691	280,919	368,229	337,855
Facility and equipment rental	2,881	-	24,782	485	-	-	28,148	-	1,402	207,013	208,415	236,563	317,396
Professional fees	87,966	5,382	10,051	2,375	-	-	105,774	7,399	12,152	220,678	240,229	346,003	277,448
Travel and lodging	27,672	17,408	5,383	137,038	1,185	128	188,814	23,045	3,847	11,991	38,883	227,697	183,493
Depreciation and amortization	-	-	540	25,201	-	-	25,741	-	-	47,314	47,314	73,055	150,963
Special events	1,875	-	212	-	-	-	2,087	-	-	-	-	2,087	127,015
Other	-	770	-	2,650	12	-	3,432	69	-	22,541	22,610	26,042	104,568
Caging	-	-	-	-	-	-	-	107,407	-	-	107,407	107,407	109,376
Name additions	-	-	-	-	-	48,366	48,366	-	-	-	-	48,366	84,889
Website	50,836	1,477	1,377	1,006	106	106	54,908	-	6,828	-	6,828	61,736	64,848
Printing and postage	31,037	453	23,306	1,758	1,656	-	58,210	3,792	2,558	16,045	22,395	80,605	62,027
Bank charges	-	-	-	-	238	-	238	-	-	78,641	78,641	78,879	61,664
Insurance	3,410	-	-	159	-	-	3,569	-	12,925	30,069	42,994	46,563	51,373
Dues and subscriptions	-	-	-	-	-	-	-	-	-	5,742	5,742	5,742	-
Photos and video	1,843	1,000	10,949	-	-	-	13,792	2,752	1,050	506	4,308	18,100	41,197
Communications campaigns	-	-	-	-	-	-	-	-	-	-	-	-	40,630
Contributions and sponsorships	15,600	458	-	-	-	-	16,058	-	-	-	-	16,058	-
Supplies	11,495	785	19,570	14,945	1,237	-	48,032	2,643	322	19,405	22,370	70,402	40,396
Telephone	813	822	-	959	-	-	2,594	-	-	20,171	20,171	22,765	26,909
Meals and entertainment	3,027	73	337	10,984	425	-	14,846	4,551	342	3,026	7,919	22,765	25,153
Service provider fees	-	-	-	-	-	-	-	-	-	15,940	15,940	15,940	17,829
Repairs and maintenance	11,250	-	-	39,251	-	40,856	91,357	-	-	5,689	5,689	97,046	16,199
Taxes, licenses and filings	-	-	600	-	-	-	600	-	13,386	-	13,386	13,986	15,240
Gasoline	-	-	-	-	-	-	-	-	-	-	-	-	2,585
Capitalized costs for Education Center	-	-	-	-	-	-	-	-	-	(101,790)	(101,790)	(101,790)	(117,923)
Subtotal	2,911,885	738,493	272,460	540,026	140,009	173,494	4,776,367	2,046,645	249,706	848,244	3,144,595	7,920,962	8,930,857
Indirect expense allocation	206,064	43,300	98,234	146,112	72,860	27,156	593,726	134,231	120,287	(848,244)	(593,726)	-	-
Total Expenses	\$ 3,117,949	\$ 781,793	\$ 370,694	\$ 686,138	\$ 212,869	\$ 200,650	\$ 5,370,093	\$ 2,180,876	\$ 369,993	\$ -	\$ 2,550,869	\$ 7,920,962	\$ 8,930,857

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statements of Cash Flows
For the Years Ended September 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ 4,724,807	\$ 487,212
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gain) loss on investments	(195,318)	658,444
Depreciation and amortization	73,055	150,963
Loss on disposal of property and equipment	317	1,914
Sale of donated property	-	36,795
Change in present-value discount	(53,396)	23,404
Provision for doubtful accounts	-	92,000
Change in value – deferred compensation	245,883	(1,581)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Promises to give and other receivables	(2,381,991)	(210,942)
Prepaid expenses, deposits, and other	108,986	31,990
Increase (decrease) in:		
Accounts payable	114,542	107,157
Accrued expenses and other liabilities	(53,524)	(232,036)
Deferred revenue	(146,025)	27,680
Deferred compensation	(245,883)	49,842
Deferred rent	173,397	(328,635)
Net cash provided by operating activities	2,364,850	894,207
Cash Flows from Investing Activities		
Purchases of property and equipment	(27,217)	(19,962)
Construction in progress – Education Center	(250,690)	(386,389)
Purchases of investments	(1,206,580)	(1,506,706)
Proceeds from sale of investments	887,887	1,330,935
Net cash used in investing activities	(596,600)	(582,122)
Net Increase in Cash and Cash Equivalents	1,768,250	312,085
Cash and Cash Equivalents, beginning of year	1,004,844	692,759
Cash and Cash Equivalents, end of year	\$ 2,773,094	\$ 1,004,844
Supplementary Disclosure of Noncash Investing Activities		
Construction-in-progress included in accounts payable	\$ -	\$ 81,871

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

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, 2016 and 2015

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 (loss) 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, 2016 and 2015, management determined that all receivables are considered fully collectible. A loss on the provision for doubtful accounts for the year ended September 30, 2015 was \$92,000 and is included in other gain (loss) in the statement of activities.

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, 2016 and 2015

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, 2016 and 2015, construction in progress totaled \$14,215,209 and \$13,964,519, 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, 2016 and 2015

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 2015 financial statements, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through March 31, 2017, the date the financial statements were available to be issued.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

3. 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 Depository 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.

4. Investments

Investments consist of the following at September 30:

	<u>2016</u>	<u>2015</u>
Mutual funds	\$ 8,296,076	\$ 7,800,599
Money markets	310,331	291,797
Total investments	<u>\$ 8,606,407</u>	<u>\$ 8,092,396</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 487,296	\$ 369,112
Realized and unrealized gain (loss)	195,318	(658,444)
Less: investment fees	<u>(69,998)</u>	<u>(72,856)</u>
Total investment income (loss), net	<u>\$ 612,616</u>	<u>\$ (362,188)</u>

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

5. Fair Value Measurements

The Fund follows FASB Accounting Standards Codification (ASC) 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, 2016 and 2015

5. 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, 2016 and 2015

5. 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, 2015:

	Level 1	Level 2	Level 3	Total
Investments:				
Money markets	\$ 291,797	\$ -	\$ -	\$ 291,797
Mutual funds:				
High yield	1,225,556	-	-	1,225,556
Bank loan (fixed income)	392,832	-	-	392,832
Short government	333,118	-	-	333,118
Preferred stock	92,910	-	-	92,910
Short-term bond	89,486	-	-	89,486
Intermediate-term bond	58,844	-	-	58,844
Convertibles	57,331	-	-	57,331
Equities:				
Large blend	1,281,558	-	-	1,281,558
Mid-cap growth	524,579	-	-	524,579
Mid-cap blend	245,677	-	-	245,677
Large growth	174,997	-	-	174,997
Foreign large blend	139,629	-	-	139,629
Large value	119,743	-	-	119,743
World stock	87,165	-	-	87,165
Diversified emerging markets	84,181	-	-	84,181
Real estate	72,765	-	-	72,765
Small value	70,190	-	-	70,190
Small growth	63,150	-	-	63,150
Utilities	38,123	-	-	38,123
Foreign large growth	28,998	-	-	28,998
Other:				
Market neutral	492,229	-	-	492,229
Tactical allocation	128,297	-	-	128,297
Long/short equity	54,985	-	-	54,985
World allocation	1,709,231	-	-	1,709,231
Tactical allocation (large)	208,432	-	-	208,432
Foreign large blend	26,593	-	-	26,593
Total investments	\$ 8,092,396	\$ -	\$ -	\$ 8,092,396
Deferred compensation investments and liability	\$ -	\$ 554,992	\$ -	\$ 554,992

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

6. Promises to Give and Other Receivables

Promises to give and other receivables consist of the following at September 30:

	2016	2015
Promises to give, net	\$ 5,842,188	\$ 3,390,182
Site fees and other	-	16,619
Promises to give and other receivables, net	\$ 5,842,188	\$ 3,406,801

Promises to give are due as follows at September 30:

	2016	2015
Less than one year	\$ 4,796,490	\$ 2,180,361
One to five years	1,035,481	1,253,000
More than five years	100,000	100,000
Total promises to give	5,931,971	3,533,361
Less: present-value discount (2–4.49%)	(89,783)	(143,179)
Promises to give, net	\$ 5,842,188	\$ 3,390,182

7. Property and Equipment

Property and equipment consists of the following at September 30:

	2016	2015
Trailer exhibit	\$ 422,988	\$ 404,603
TV world wide web	107,478	107,478
Website	107,208	107,206
Furniture and equipment	91,323	94,276
Traveling wall	89,503	86,953
Total property and equipment	818,500	800,516
Less: accumulated depreciation and amortization	(707,115)	(642,976)
Property and equipment, net	\$ 111,385	\$ 157,540

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

8. Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Purpose restricted:		
Education Center	\$ 6,140,769	\$ 4,201,143
Memorial maintenance and additional names	2,899,453	2,701,466
Time restricted:		
Ceremonies and events	-	25,000
Education Center	<u>5,806,707</u>	<u>3,365,182</u>
Total temporarily restricted net assets	<u>\$ 14,846,929</u>	<u>\$ 10,292,791</u>

9. 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, 2016 and 2015

9. 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, 2016 and 2015.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

9. Endowment (continued)

Composition of Endowment Net Assets

Endowment net assets consist of the following at September 30:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>2016:</u>				
Donor-restricted endowment fund	\$ -	\$ -	\$ 200,000	\$ 200,000
<u>2015:</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>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
<u>2015:</u>				
Endowment assets, beginning	\$ -	\$ 60,057	\$ 200,000	\$ 260,057
Investment depreciation	-	(8,018)	-	(8,018)
Appropriation of assets	-	(52,039)	-	(52,039)
Endowment assets, ending	\$ -	\$ -	\$ 200,000	\$ 200,000

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

10. 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 year ended September 30, 2016 and 2015, was \$236,563 and \$248,735, respectively.

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

2017	\$	130,322
2018		178,106
2019		182,559
2020		187,123
2021		191,801
Thereafter through October 31, 2026		<u>1,051,908</u>
Total future minimum lease payments	\$	<u><u>1,921,819</u></u>

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

10. 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.

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 construction includes a pre-construction fee of \$6,000 per month. It is cancellable at any time prior to the start of construction. 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. Total costs incurred to date on this contract are \$4,739,045.

11. 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, 2016 and 2015, were \$15,320 and \$99,904, respectively. The Fund did not have any discretionary profit sharing contributions to the 401(k) Plan during the years ended September 30, 2016 and 2015.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

11. Employee Benefit Plans (continued)

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. Total contributions of \$-0- and \$49,482 were made by the Fund for the years ended September 30, 2016 and 2015, respectively. 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, 2016 and 2015, the deferred compensation investment and liability was \$309,109 and \$554,992, respectively.

12. 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, 2016 and 2015, these activities included a direct mail and a digital media campaign. For the years ended September 30, 2016 and 2015, the costs of conducting those campaigns include a total of \$3,798,851 and \$3,571,686, 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 year ended September 30, 2016:

	<u>Direct Mail</u>	<u>Digital Media</u>	<u>Total</u>
Memorial legacy	\$ 2,286,567	\$ 35,199	\$ 2,321,766
Education Center	155,503	808	156,311
The Wall That Heals	721	-	721
Ceremonies and events	2,810	-	2,810
Fundraising	1,308,532	8,711	1,317,243
Total joint costs	<u>\$ 3,754,133</u>	<u>\$ 44,718</u>	<u>\$ 3,798,851</u>

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

12. Allocation of Joint Costs (continued)

Allocation of joint costs were as follows for the year ended September 30, 2015:

	Direct Mail	Digital Media	Total
Memorial legacy	\$ 1,433,277	\$ 58,195	\$ 1,491,472
Education Center	164,142	5,058	169,200
Fundraising	1,870,384	40,630	1,911,014
Total joint costs	\$ 3,467,803	\$ 103,883	\$ 3,571,686

13. Donated Goods and 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. Advertising expense for the years ended September 30, 2016 and 2015, was \$464,422 and \$1,022,758, respectively, and is included in public relations expense on the accompanying statement of functional expenses. Of the aforementioned amounts, \$461,992 and \$924,010, respectively, is donated advertising.

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

	2016	2015
Advertising:		
Education Center	\$ 461,992	\$ 821,874
Memorial legacy	-	102,136
The Wall That Heals:		
Equipment rental	-	63,135
Transportation	53,000	-
Media	-	60,682
General and administrative:		
Consulting services	-	101,473
Legal services	42,824	34,074
Fundraising:		
Consulting services	21,875	-
Other	-	8,440
Total donated goods and services	\$ 579,691	\$ 1,191,814

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

14. 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.

15. 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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

15. Program Services (continued)

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.

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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2016 and 2015

15. Program Services (continued)

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.

16. 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, 2016 and 2015.

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.