

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
and Independent Auditors' Report

September 30, 2018 and 2017

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
September 30, 2018 and 2017

Contents

Independent Auditors' Report.....	1-2
<i>Financial Statements</i>	
Statement of Financial Position	3
Statement of Activities.....	4-5
Statement of Functional Expenses	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-26

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, 2018; 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, 2018, 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

We have previously audited the Fund's September 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 12, 2018. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2017, 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
February 13, 2019

Vietnam Veterans Memorial Fund, Inc.

Statement of Financial Position
September 30, 2018
(With Comparative Totals for September 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Assets					
Cash and cash equivalents	\$ 351,774	\$ 234,027	\$ -	\$ 585,801	\$ 4,350,766
Investments	10,258,703	3,810,200	200,000	14,268,903	19,809,224
Deferred compensation investments	-	-	-	-	140,866
Promises to give and other receivables, net	41,137	-	-	41,137	3,754,430
Prepaid expenses, deposits, and other	282,534	-	-	282,534	225,605
Property and equipment, net	4,473,749	-	-	4,473,749	4,496,915
Construction in progress – Education Center	-	-	-	-	8,435,247
Total assets	<u>\$ 15,407,897</u>	<u>\$ 4,044,227</u>	<u>\$ 200,000</u>	<u>\$ 19,652,124</u>	<u>\$ 41,213,053</u>
Liabilities and Net Assets					
Liabilities					
Accounts payable	\$ 363,828	\$ -	\$ -	\$ 363,828	\$ 291,502
Accrued expenses and other liabilities	115,619	-	-	115,619	172,322
Grants to be repaid per donor contracts	7,745,133	-	200,000	7,945,133	-
Deferred revenue	55,500	-	-	55,500	39,110
Deferred compensation	-	-	-	-	140,866
Deferred rent	211,764	-	-	211,764	216,473
Total liabilities	<u>8,491,844</u>	<u>-</u>	<u>200,000</u>	<u>8,691,844</u>	<u>860,273</u>
Net Assets					
Unrestricted	6,916,053	-	-	6,916,053	14,886,101
Temporarily restricted	-	4,044,227	-	4,044,227	25,266,679
Permanently restricted	-	-	-	-	200,000
Total net assets	<u>6,916,053</u>	<u>4,044,227</u>	<u>-</u>	<u>10,960,280</u>	<u>40,352,780</u>
Total liabilities and net assets	<u>\$ 15,407,897</u>	<u>\$ 4,044,227</u>	<u>\$ 200,000</u>	<u>\$ 19,652,124</u>	<u>\$ 41,213,053</u>

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Activities
For the Year Ended September 30, 2018
(With Comparative Totals for the Year Ended September 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Revenue and Support					
Contributions	\$ 6,159,269	\$ 97,981	\$ -	\$ 6,257,250	\$ 16,502,382
Donated goods and services	6,162,648	-	-	6,162,648	3,111,243
Site fees	293,000	-	-	293,000	274,000
Special events – gross receipts	115,236	-	-	115,236	-
Special events – cost of direct benefit to donors	(61,111)	-	-	(61,111)	-
Investment income, net	997,500	251,311	-	1,248,811	1,479,034
Loss on foreign currency translation	-	-	-	-	(189,601)
Other income	90,662	-	-	90,662	436,917
Released from restrictions	393,068	(393,068)	-	-	-
Total revenue and support	14,150,272	(43,776)	-	14,106,496	21,613,975
Expenses					
Program services:					
Memorial legacy	9,938,476	-	-	9,938,476	6,187,321
Education Center	256,067	-	-	256,067	1,129,568
Ceremonies and events	414,162	-	-	414,162	469,925
In Memory	131,058	-	-	131,058	-
The Wall That Heals	678,006	-	-	678,006	736,185
Outreach	95,886	-	-	95,886	-
Education programs	184,262	-	-	184,262	199,301
Memorial maintenance	131,287	-	-	131,287	156,176
Total program services	11,829,204	-	-	11,829,204	8,878,476
Supporting services:					
Fundraising	1,479,422	-	-	1,479,422	1,623,046
General and administrative	374,423	-	-	374,423	286,073
Total supporting services	1,853,845	-	-	1,853,845	1,909,119
Total expenses	13,683,049	-	-	13,683,049	10,787,595
Change in Net Assets from Continuing Operations	467,223	(43,776)	-	423,447	10,826,380

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Vietnam Veterans Memorial Fund, Inc.

Statement of Activities (continued)
 For the Year Ended September 30, 2018
 (With Comparative Totals for the Year Ended September 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
Discontinued Operations – Education Center					
Loss on capitalized expenses in relation to the termination of the Education Center construction project	(8,437,271)	-	-	(8,437,271)	-
Pledges cancelled due to the termination of the Education Center construction project	-	(3,433,543)	-	(3,433,543)	-
Grants to be repaid per donor contract	-	(7,745,133)	(200,000)	(7,945,133)	-
Grants repaid per donor contract	-	(10,000,000)	-	(10,000,000)	-
Total discontinued operations – Education Center	(8,437,271)	(21,178,676)	(200,000)	(29,815,947)	-
Change in Net Assets	(7,970,048)	(21,222,452)	(200,000)	(29,392,500)	10,826,380
Net Assets, beginning of year	14,886,101	25,266,679	200,000	40,352,780	29,526,400
Net Assets, end of year	<u>\$ 6,916,053</u>	<u>\$ 4,044,227</u>	<u>\$ -</u>	<u>\$ 10,960,280</u>	<u>\$ 40,352,780</u>

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Functional Expenses
For the Year Ended September 30, 2018
(With Comparative Totals for the Year Ended September 30, 2017)

	Program Services									Supporting Services				2018 Total Expenses	2017 Total Expenses
	Memorial Legacy	Education Center	Ceremonies and Events	In Memory	The Wall That Heals	Outreach	Education Programs	Memorial Maintenance	Total Program Services	Fundraising	General and Administrative	Indirect Costs	Total Supporting Services		
Direct mail and digital media	\$ 2,764,500	\$ 61,537	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,826,037	\$ 785,132	\$ -	\$ -	\$ 785,132	\$ 3,611,169	\$ 3,521,237
Salaries and benefits	209,988	89,505	101,066	69,118	223,153	54,034	111,525	43,651	902,040	320,330	55,542	101,178	477,050	1,379,090	1,745,384
Public relations – donated services	6,130,180	11,968	-	-	2,500	-	-	-	6,144,648	-	-	-	-	6,144,648	3,047,080
Consulting	20,500	19,133	45,180	-	28,800	-	350	19,763	133,726	27,467	-	-	27,467	161,193	135,614
Facility and equipment rental	1,669	-	97,840	-	-	-	12	-	99,521	-	-	190,703	190,703	290,224	206,268
Professional fees	15,643	1,828	275	-	430	-	6,914	133	25,223	12,934	227,703	17,463	258,100	283,323	410,828
Travel and lodging	13,897	4,788	20,725	-	116,171	-	1,588	-	157,169	29,005	1,591	4,837	35,433	192,602	216,046
Depreciation and amortization	605,508	-	1,520	-	90,108	-	-	-	697,136	-	-	55,821	55,821	752,957	636,183
Special events	-	-	33,890	1,058	-	-	-	-	34,948	-	-	-	-	34,948	122,591
Other	9,627	697	6,004	-	4,159	-	-	-	20,487	1,430	291	6,339	8,060	28,547	13,901
TWTH-Transportation of the Wall	-	-	-	-	30,762	-	-	-	30,762	-	-	-	-	30,762	74,248
Caging	-	-	-	-	-	-	-	-	-	168,488	-	-	168,488	168,488	167,769
Website	4,778	-	-	-	-	-	-	-	4,778	-	-	48,001	48,001	52,779	98,590
Printing and postage	9,400	1,973	26,198	4,008	17,695	300	-	-	59,574	4,551	218	24,377	29,146	88,720	73,279
Bank charges	-	-	-	-	-	-	-	-	-	-	-	48,584	48,584	48,584	47,631
Insurance	-	-	-	-	-	-	-	-	-	-	24,606	223,518	248,124	248,124	38,084
Dues and subscriptions	-	550	-	-	-	-	-	-	550	234	-	242	476	1,026	-
Photos and video	2,028	6,940	12,265	1,400	3,620	-	-	-	26,253	-	-	99	99	26,352	91,153
Contributions and sponsorships	10,000	-	-	-	-	-	-	-	10,000	35	-	-	35	10,035	10,181
Supplies	5,949	667	13,745	4,482	11,939	1,063	250	104	38,199	4,118	1,426	10,703	16,247	54,446	63,899
Telephone	54	-	-	-	-	-	-	-	54	27	-	22,865	22,892	22,946	22,384
Meals and entertainment	8,123	476	940	-	15,542	-	455	-	25,536	2,975	64	823	3,862	29,398	28,378
Service provider fees	-	-	-	-	-	-	-	-	-	-	18,112	2,574	20,686	20,686	-
Repairs and maintenance	-	-	-	5,435	514	-	-	52,623	58,572	-	802	3,524	4,326	62,898	59,917
Taxes, licenses, and filings	-	-	-	-	-	-	-	-	-	-	13,651	-	13,651	13,651	50,854
Capitalized costs for Wall of Faces	-	-	-	-	-	-	-	-	-	-	-	(74,547)	(74,547)	(74,547)	-
Capitalized costs for Education Center	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(93,904)
Subtotal	9,811,844	200,062	359,648	85,501	545,393	55,397	121,094	116,274	11,295,213	1,356,726	344,006	687,104	2,387,836	13,683,049	10,787,595
Indirect expense allocation	126,632	56,005	54,514	45,557	132,613	40,489	63,168	15,013	533,991	122,696	30,417	(687,104)	(533,991)	-	-
Total Expenses	\$ 9,938,476	\$ 256,067	\$ 414,162	\$ 131,058	\$ 678,006	\$ 95,886	\$ 184,262	\$ 131,287	\$ 11,829,204	\$ 1,479,422	\$ 374,423	\$ -	\$ 1,853,845	\$ 13,683,049	\$ 10,787,595

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statements of Cash Flows
For the Years Ended September 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (29,392,500)	\$ 10,826,380
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized gain on investments	(584,613)	(1,187,704)
Loss on exchange rate	-	189,601
Depreciation and amortization	752,957	636,183
Loss on disposal of property and equipment	3,324	861
Loss on disposal of Education Center	8,437,271	-
Loss on cancellation of pledges – Education Center	3,433,543	-
Change in present-value discount	(48,580)	(41,203)
Change in value – deferred compensation	-	168,243
Change in operating assets and liabilities:		
(Increase) decrease in:		
Promises to give and other receivables	328,330	1,939,360
Prepaid expenses, deposits, and other	(56,929)	(32,068)
Deferred compensation	140,866	-
Increase (decrease) in:		
Accounts payable	72,326	(427,302)
Accrued expenses and other liabilities	(56,703)	(6,300)
Grants to be repaid per donor contracts	7,945,133	-
Deferred revenue	16,390	16,110
Deferred compensation	(140,866)	(168,243)
Deferred rent	(4,709)	43,076
Net cash (used in) provided by operating activities	(9,154,760)	11,956,994
Cash Flows from Investing Activities		
Purchases of property and equipment	(733,115)	(332,958)
Construction in progress – Education Center	(2,024)	(31,251)
Purchases of investments	(22,040,054)	(10,140,371)
Proceeds from sale of investments	28,164,988	125,258
Net cash provided by (used in) investing activities	5,389,795	(10,379,322)
Net (Decrease) Increase in Cash and Cash Equivalents	(3,764,965)	1,577,672
Cash and Cash Equivalents, beginning of year	4,350,766	2,773,094
Cash and Cash Equivalents, end of year	\$ 585,801	\$ 4,350,766

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

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 3/4-scale replica and mobile education center.

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.

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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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. During the year ended September 30, 2018, the Fund cancelled \$3,433,543 of outstanding pledges receivable due to the cancellation of the Education Center construction project and as of September 30, 2018 and 2017, 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.

Construction in Progress

The Fund was in the process of designing an Education Center, which would have been 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 were capitalized.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Construction in Progress (continued)

Effective September 21, 2018, the Board of Directors and management of the Fund terminated the efforts to construct a physical building on the National Mall and shifted their focus to continue efforts of building online resources, developing hand-held technology, education staff, mobile exhibits, and partnerships. As a result, during the year ended September 30, 2018, the Fund disposed of the capitalized cost totaling \$8,437,271, which is included on the accompanying statement of activities as a loss on discontinued operation. At September 30, 2018 and 2017, construction in progress totaled \$-0- and \$8,435,247, 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.

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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

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.

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 2017 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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

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.

Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through February 13, 2019, the date the financial statements were available to be issued.

Subsequent to year end and as of February 13, 2019, the Fund repaid contributions and grants totaling \$4,325,132 due to the cancellation of the Education Center construction project and legal commitments within specific grant agreements.

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 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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

4. Investments

Investments consist of the following at September 30:

	<u>2018</u>	<u>2017</u>
Money markets	\$ 8,568,517	\$ -
Mutual funds	1,488,973	5,624,141
Equities	3,208,192	7,896,415
Other	<u>1,003,221</u>	<u>6,288,668</u>
Total investments	<u>\$ 14,268,903</u>	<u>\$ 19,809,224</u>

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

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 817,093	\$ 424,653
Realized and unrealized gain	584,613	1,187,704
Less: investment fees	<u>(152,895)</u>	<u>(133,323)</u>
Total investment income, net	<u>\$ 1,248,811</u>	<u>\$ 1,479,034</u>

5. 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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

5. Fair Value Measurements (continued)

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.

The following table presents the Fund's fair value hierarchy for those assets measured on a recurring basis at September 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Money markets	\$ 8,568,517	\$ -	\$ -	\$ 8,568,517
Mutual funds:				
Preferred stock	604,039	-	-	604,039
Short-term bond	230,236	-	-	230,236
Intermediate-term bond	231,809	-	-	231,809
Convertibles	236,473	-	-	236,473
Corporate bond	186,416	-	-	186,416
Equities:				
Mid-cap growth	240,860	-	-	240,860
Mid-cap value	240,453	-	-	240,453
Mid growth	339,670	-	-	339,670
Mid blend	238,543	-	-	238,543
Large growth	509,541	-	-	509,541
Foreign large blend	565,817	-	-	565,817
Large value	482,358	-	-	482,358
Real estate	338,372	-	-	338,372
Small growth	252,578	-	-	252,578
Other:				
World allocation	1,003,221	-	-	1,003,221
	\$ 14,268,903	\$ -	\$ -	\$ 14,268,903
Total investments	\$ 14,268,903	\$ -	\$ -	\$ 14,268,903

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

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, 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, 2018 and 2017

6. Promises to Give and Other Receivables

Net promises to give and other receivables are due as follows at September 30:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 41,137	\$ 3,153,010
One to five years	<u>-</u>	<u>650,000</u>
Total promises to give	41,137	3,803,010
Less: present-value discount (2–4.49%)	<u>-</u>	<u>(48,580)</u>
Promises to give and other receivables, net	<u><u>\$ 41,137</u></u>	<u><u>\$ 3,754,430</u></u>

During the year ended September 30, 2018, the Fund contacted donors regarding the strategic shift in the Education Center and cancelled \$3,433,543 of outstanding pledges receivable. These amounts are included in the loss on discontinued operations in the accompanying statement of activities for the year ended September 30, 2018.

7. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2018</u>	<u>2017</u>
Trailer exhibit	\$ 87,345	\$ 89,503
TV world wide web	107,478	107,478
Website and application	237,207	237,207
Furniture and equipment	80,929	78,330
Traveling wall	809,301	429,597
Education Center design and content	<u>6,174,997</u>	<u>6,005,763</u>
Total property and equipment	7,497,257	6,947,878
Less: accumulated depreciation and amortization	<u>(3,023,508)</u>	<u>(2,450,963)</u>
Property and equipment, net	<u><u>\$ 4,473,749</u></u>	<u><u>\$ 4,496,915</u></u>

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

8. Temporarily Restricted Net Assets

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

	<u>2018</u>	<u>2017</u>
Purpose restricted:		
Education Center	\$ 175,452	\$ 17,830,367
Memorial maintenance and additional names	3,868,775	3,748,632
Time restricted:		
Education Center	<u>-</u>	<u>3,687,680</u>
Total temporarily restricted net assets	<u>\$ 4,044,227</u>	<u>\$ 25,266,679</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, 2018 and 2017

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, 2018 and 2017.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

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>2018:</u>				
Donor-restricted endowment fund	\$ -	\$ -	\$ -	\$ -
<hr/>				
<u>2017:</u>				
Donor-restricted endowment fund	\$ -	\$ -	\$ 200,000	\$ 200,000
<hr/>				

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>2018:</u>				
Endowment assets, beginning	\$ -	\$ -	\$ 200,000	\$ 200,000
Investment appreciation	-	13,487	-	13,487
Grants to be repaid	-	-	(200,000)	(200,000)
Appropriation of assets	-	(13,487)	-	(13,487)
<hr/>				
Endowment assets, ending	\$ -	\$ -	\$ -	\$ -
<hr/>				
<u>2017:</u>				
Endowment assets, beginning	\$ -	\$ -	\$ 200,000	\$ 200,000
Investment appreciation	-	18,107	-	18,107
Appropriation of assets	-	(18,107)	-	(18,107)
<hr/>				
Endowment assets, ending	\$ -	\$ -	\$ 200,000	\$ 200,000
<hr/>				

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

9. Endowment (continued)

During 2018, as a result of the cancellation of the Education Center, the Fund designated the corpus of the original gift to be returned to the donor in the amount of \$200,000, which is included in the accompanying statement of activities as a loss on discontinued operations.

10. Commitments and Contingencies

Office Lease

In June 2015, the Fund entered into an agreement to lease office space in Arlington, Virginia, which went into effect on October 1, 2015 and is 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 was due during the fiscal year ended 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, recorded as facility and equipment rental on the accompanying statement of functional expenses for the years ended September 30, 2018 and 2017, was \$290,224 and \$206,268, respectively.

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

2019	\$	182,559
2020		187,123
2021		191,801
2022		196,596
2023		201,511
Thereafter through October 31, 2026		<u>653,802</u>
Total future minimum lease payments	\$	<u><u>1,613,392</u></u>

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

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.

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, 2018 and 2017, were \$14,281 and \$47,684, respectively. The Fund did not have any discretionary profit sharing contributions to the 401(k) Plan during the years ended September 30, 2018 and 2017.

Deferred Compensation Plans

The Fund had two deferred compensation plans in effect. The first was a supplemental executive retirement plan for executives who had been designated by the Board of Directors as eligible to participate. The second was a tandem executive deferral plan under Internal Revenue Code (IRC) Section 457(f) ("the Plan") for the former President of the Fund. Benefits were 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, 2018 and 2017. The contributions to the plans were held in a professionally managed investment account and were included in the statement of financial position. During the year ended September 30, 2018, the Fund closed these plans and disbursed \$140,963 to the participant. At September 30, 2018 and 2017, the deferred compensation investment and liability was \$-0- and \$140,866, respectively.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

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, 2018 and 2017, these activities included a direct mail and a digital media campaign. For the years ended September 30, 2018 and 2017, the costs of conducting those campaigns include a total of \$3,611,170 and \$3,521,231, 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, and caging campaigns expenses.

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

	<u>2018</u>	<u>2017</u>
Memorial legacy	\$ 2,764,500	\$ 2,570,339
Education Center	61,538	41,128
The Wall That Heals	-	5,266
Ceremonies and events	-	2,901
Fundraising	<u>785,132</u>	<u>901,597</u>
Total joint costs	<u>\$ 3,611,170</u>	<u>\$ 3,521,231</u>

13. 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, 2018 and 2017, was \$6,162,648 and \$3,111,243, respectively, as shown on the accompanying statement of functional expenses. Of the aforementioned amounts, \$6,139,648 and \$3,047,080, respectively, is donated public relations.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

13. Donated Goods and Services (continued)

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

	<u>2018</u>	<u>2017</u>
Public Relations:		
Education Center	\$ 11,968	\$ 905,080
Memorial legacy	6,132,680	2,142,000
The Wall That Heals:		
Transportation	<u>18,000</u>	<u>64,163</u>
Total donated goods and services	<u>\$ 6,162,648</u>	<u>\$ 3,111,243</u>

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 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, 2018 and 2017

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.

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 3/4-scale replica of the Vietnam Veterans Memorial in cities and locations throughout the United States, making it possible for 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 a mobile education center to teach visitors of all ages about the Vietnam war and the era. These exhibits are based on the photo collection, curation, and education curriculum created from the Education Center campaign efforts.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2018 and 2017

15. 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 curriculum to schools and community organizations to encourage students.

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, In Memory plaque, 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 the second most visited memorial on the National Mall.

Fundraising

The Fund also incurs costs associated with raising money to support the Fund's programs and activities.

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
September 30, 2018 and 2017

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, 2018 and 2017.

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.