

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
and Independent Auditors' Report

September 30, 2019 and 2018

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
September 30, 2019 and 2018

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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, 2019; 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As disclosed in Note 2 to the financial statements, the Fund adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in the issuance of the statement of functional expenses, additional footnote disclosures, and changes to the classification of net assets. In addition, as discussed in Note 3 to the financial statements, the previously issued financial statements have been restated for the correction of a net asset classification for the year ended September 30, 2018. Our opinion is not modified with respect to these matters.

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

Vienna, Virginia
March 10, 2020

Vietnam Veterans Memorial Fund, Inc.

Statement of Financial Position
September 30, 2019
(With Comparative Totals for September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Assets				
Cash and cash equivalents	\$ 676,056	\$ -	\$ 676,056	\$ 220,083
Investments	7,903,204	2,679,840	10,583,044	14,634,621
Accounts receivable	-	-	-	22,000
Pledges receivable, net	5,000	-	5,000	19,137
Prepaid expenses and deposits	173,795	-	173,795	282,534
Property and equipment, net	3,817,982	-	3,817,982	4,473,749
	<u>\$ 12,576,037</u>	<u>\$ 2,679,840</u>	<u>\$ 15,255,877</u>	<u>\$ 19,652,124</u>
Total assets				
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 324,381	\$ -	\$ 324,381	\$ 479,447
Grants to be repaid per donor contracts	3,500,000	-	3,500,000	7,945,133
Deferred revenue	52,000	-	52,000	55,500
Deferred rent	202,602	-	202,602	211,764
	<u>4,078,983</u>	<u>-</u>	<u>4,078,983</u>	<u>8,691,844</u>
Total liabilities				
Net Assets				
Without donor restrictions	8,497,054	-	8,497,054	8,062,789
With donor restrictions	-	2,679,840	2,679,840	2,897,491
	<u>8,497,054</u>	<u>2,679,840</u>	<u>11,176,894</u>	<u>10,960,280</u>
Total net assets				
Total liabilities and net assets	<u>\$ 12,576,037</u>	<u>\$ 2,679,840</u>	<u>\$ 15,255,877</u>	<u>\$ 19,652,124</u>

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Activities
For the Year Ended September 30, 2019
(With Comparative Totals for the Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue and Support				
Contributions	\$ 6,087,225	\$ -	\$ 6,087,225	\$ 6,257,250
Donated goods and services	4,099,685	-	4,099,685	6,162,648
Site fees	307,500	-	307,500	293,000
Special events – gross receipts	-	-	-	115,236
Special events – cost of direct benefit to donors	-	-	-	(61,111)
Royalty income	284,783	-	284,783	65,893
Investment income, net	229,957	61,522	291,479	1,248,811
Other income	4,631,343	-	4,631,343	24,769
Released from restrictions	279,173	(279,173)	-	-
Total revenue and support	15,919,666	(217,651)	15,702,015	14,106,496
Expenses				
Program services:				
Memorial legacy	11,883,969	-	11,883,969	9,938,476
Education Center	-	-	-	256,067
Online Visitor Center and Museum	317,161	-	317,161	-
Ceremonies and events	220,243	-	220,243	414,162
In Memory	191,884	-	191,884	131,058
The Wall That Heals	738,050	-	738,050	678,006
Outreach	100,831	-	100,831	95,886
Education programs	111,652	-	111,652	184,262
Memorial maintenance	103,721	-	103,721	131,287
Total program services	13,667,511	-	13,667,511	11,829,204
Supporting services:				
Fundraising	1,455,919	-	1,455,919	1,479,422
General and administrative	361,971	-	361,971	374,423
Total supporting services	1,817,890	-	1,817,890	1,853,845
Total expenses	15,485,401	-	15,485,401	13,683,049
Change in Net Assets from Continuing Operations	434,265	(217,651)	216,614	423,447

(continued on next page)

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Activities (continued)
 For the Year Ended September 30, 2019
 (With Comparative Totals for the Year Ended September 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Discontinued Operations – Education Center				
Loss on capitalized expenses in relation to the termination of the Education Center construction project	-	-	-	(8,437,271)
Pledges cancelled due to the termination of the Education Center construction project	-	-	-	(3,433,543)
Grants to be repaid per donor contract	-	-	-	(7,945,133)
Grants repaid per donor contract	-	-	-	(10,000,000)
Total discontinued operations – Education Center	-	-	-	(29,815,947)
Change in Net Assets	434,265	(217,651)	216,614	(29,392,500)
Net Assets , beginning of year, as restated	8,062,789	2,897,491	10,960,280	40,352,780
Net Assets , end of year	<u>\$ 8,497,054</u>	<u>\$ 2,679,840</u>	<u>\$ 11,176,894</u>	<u>\$ 10,960,280</u>

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Functional Expenses
For the Year Ended September 30, 2019
(With Comparative Totals for the Year Ended September 30, 2018)

	Program Services								Supporting Services			2019 Total Expenses	2018 Total Expenses	
	Memorial Legacy	Online Visitor Center and Museum	Ceremonies and Events	In Memory	The Wall That Heals	Outreach	Education Programs	Memorial Maintenance	Total Program Services	Fundraising	General and Administrative			Total Supporting Services
Direct mail and digital media	\$ 2,123,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,123,557	\$ 786,538	\$ -	\$ 786,538	\$ 2,910,095	\$ 3,611,169
Salaries and benefits	315,735	131,477	92,487	94,039	301,375	70,344	92,523	24,187	1,122,167	310,127	115,761	425,888	1,548,055	1,379,090
Public relations – donated services	3,963,720	-	-	-	-	-	-	-	3,963,720	-	-	-	3,963,720	6,144,648
In-kind support: Australian Vietnam Veterans Museum	4,537,271	-	-	-	-	-	-	-	4,537,271	-	-	-	4,537,271	-
Consulting	-	44,975	16,000	16,000	43,000	-	-	15,500	135,475	-	-	-	135,475	161,193
Facility and equipment rental	33,591	17,142	31,406	11,946	50,297	15,702	8,963	1,681	170,728	25,791	15,035	40,826	211,554	290,224
Professional fees	9,670	10,082	1,294	1,584	6,833	2,083	1,192	224	32,962	17,111	173,073	190,184	223,146	283,323
Travel and lodging	6,976	430	21,536	233	111,201	356	1,342	38	142,112	31,225	1,118	32,343	174,455	192,602
Depreciation and amortization	619,380	5,220	2,928	3,667	108,099	4,817	2,747	515	747,373	7,908	4,661	12,569	759,942	752,957
Special events	24	7	14,589	7	32	11	6	-	14,676	18	9	27	14,703	34,948
Other	144	59	36	265	774	-	734	7	2,019	116	118	234	2,253	28,547
TWTH-Transportation of the Wall	-	-	-	-	31,500	-	-	-	31,500	-	-	-	31,500	30,762
Caging	-	-	-	-	-	-	-	-	-	189,819	-	189,819	189,819	168,488
Website	108,852	99,310	-	39	-	-	-	-	208,201	-	-	-	208,201	52,779
Printing and postage	13,595	2,159	13,880	8,756	24,114	1,874	893	169	65,440	6,963	1,608	8,571	74,011	88,720
Bank charges	-	-	-	-	-	-	-	-	-	40,537	-	40,537	40,537	48,584
Insurance	6,587	3,362	1,886	14,377	9,818	3,046	1,737	328	41,141	5,014	17,299	22,313	63,454	248,124
Dues and subscriptions	52	37	16	118	78	23	15	3	342	16,974	122	17,096	17,438	1,026
Photos and video	4,217	-	10,775	1,355	2,954	-	-	-	19,301	-	-	-	19,301	26,352
Contributions and sponsorships	1,237	-	-	-	-	-	-	-	1,237	47	-	47	1,284	10,035
Supplies	128,807	740	11,016	3,146	15,847	599	373	699	161,227	10,282	624	10,906	172,133	54,446
Telephone	4,173	2,002	1,128	1,401	5,905	1,845	1,052	198	17,704	3,030	1,763	4,793	22,497	22,946
Meals and entertainment	4,399	63	123	34,878	16,472	41	25	5	56,006	3,067	465	3,532	59,538	29,398
Service provider fees	-	-	-	-	-	-	-	-	-	-	15,119	15,119	15,119	20,686
Repairs and maintenance	1,982	96	57	73	9,751	90	50	60,167	72,266	149	221	370	72,636	62,898
Taxes, licenses, and filings	-	-	1,086	-	-	-	-	-	1,086	1,203	14,975	16,178	17,264	13,651
Capitalized costs for Wall of Faces	-	-	-	-	-	-	-	-	-	-	-	-	-	(74,547)
Total Expenses	\$ 11,883,969	\$ 317,161	\$ 220,243	\$ 191,884	\$ 738,050	\$ 100,831	\$ 111,652	\$ 103,721	\$ 13,667,511	\$ 1,455,919	\$ 361,971	\$ 1,817,890	\$ 15,485,401	\$ 13,683,049

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statements of Cash Flows
For the Years Ended September 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 216,614	\$ (29,392,500)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized gain on investments	(58,050)	(584,613)
Depreciation and amortization	759,942	752,957
Donated securities	(2,078)	-
(Gain) loss on disposal of property and equipment	(73,241)	3,324
Loss on disposal of Education Center	-	8,437,271
Loss on cancellation of pledges – Education Center	-	3,433,543
Change in present-value discount	(863)	(48,580)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	22,000	-
Pledges receivable	15,000	328,330
Prepaid expenses and deposits	108,739	(56,929)
Deferred compensation	-	140,866
Increase (decrease) in:		
Accounts payable and accrued expenses	(155,066)	15,623
Grants to be repaid per donor contracts	(4,445,133)	7,945,133
Deferred revenue	(3,500)	16,390
Deferred compensation	-	(140,866)
Deferred rent	(9,162)	(4,709)
Net cash used in operating activities	(3,624,798)	(9,154,760)
Cash Flows from Investing Activities		
Purchases of property and equipment	(104,934)	(733,115)
Proceeds from sale of property and equipment	74,000	-
Construction in progress – Education Center	-	(2,024)
Purchases of investments	(5,960,957)	(22,405,772)
Proceeds from sale of investments	10,072,662	28,164,988
Net cash provided by investing activities	4,080,771	5,024,077
Net Increase (Decrease) in Cash and Cash Equivalents	455,973	(4,130,683)
Cash and Cash Equivalents, beginning of year	220,083	4,350,766
Cash and Cash Equivalents, end of year	\$ 676,056	\$ 220,083

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2019 and 2018

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. 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.

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, 2019 and 2018

1. Nature of Operations (continued)

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 Wall of Faces 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 Wall of Faces. 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 Wall of Faces.

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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2019 and 2018

1. Nature of Operations (continued)

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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2019 and 2018

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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. All realized and unrealized gains and losses, net of investment management fees, are reported as a component of net investment income in the accompanying statement of activities.

Accounts Receivable

The Fund's accounts receivable consist of amounts due from site fees. The Fund's accounts receivable are all due in less than one year and are recorded at net realizable value. The Fund writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based on management's best estimate of the outstanding uncollectible accounts. At September 30, 2019 and 2018, management deems all accounts receivable to be fully collectible, and no allowance for uncollectible accounts was established.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Pledges receivable represent unconditional amounts committed to the Fund. Pledges receivable are reflected at either net realizable value, or at net present value based on projected cash flows. The discount rates used for all years range from 2% to 4.50%. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. No allowance for uncollectible pledges receivable has been established at September 30, 2019 and 2018, as all amounts are deemed fully collectible.

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.

Property and Equipment

Property and equipment with a cost in excess of \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets, which range from three to ten years. Expenditures for repairs and maintenance are expensed as incurred.

Education Center – 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. 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 operations.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Education Center – Grants to be Repaid per Donor Contracts

In conjunction with terminating the construction of the physical building on the National Mall, the Fund cancelled pledges and repaid previously received grant funds to donors totaling \$6,500,000 and \$13,453,543 during the years ended September 30, 2019 and 2018, respectively. At September 30, 2019 and 2018, remaining funds to be repaid to donors amounted to \$3,500,000 and \$7,945,133, respectively, and is included in the accompanying statement of financial position as grants to be repaid per donor contracts.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Fund reports them as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to one of the Fund's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements 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 net assets without donor restrictions.

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 value of contributions that enhance a nonfinancial asset, which are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying statements of activities as donated goods and services. The Fund receives donated goods and services from businesses and other organizations toward the fulfillment of program objectives and general operations. Those goods and services, which are objectively measurable, are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor, at the date of receipt, or calculated fair value of use of property in the period the property is used.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Advertising costs are expensed as incurred. There were no advertising costs during the years ended September 30, 2019 and 2018, respectively.

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.

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.

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 2018 financial statements, from which the summarized information was derived.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Fund has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued 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 2022.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications have no effect on the change in the 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 10, 2020, the date the financial statements were available to be issued.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2019 and 2018

3. Prior Period Restatement

After issuance of the September 30, 2018 audited financial statements, the Fund revisited its investment earnings allocation methodology and concluded that too much of the earnings was being allocated to the memorial maintenance fund. As a result, the previously reported net assets without donor restrictions at September 31, 2018 were increased by \$1,146,736 and net assets with donor restrictions were decreased by the same amount. This restatement had no net effect on the total net assets at September 30, 2018, as previously reported.

4. Liquidity and Availability

The Fund has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses. As part of this liquidity management, the Fund invests cash in excess of daily requirements in various investments including money market funds and mutual funds.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at September 30:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 676,056	\$ 220,083
Investments	10,583,044	14,634,621
Accounts receivable	-	22,000
Pledges receivable, net	<u>5,000</u>	<u>19,137</u>
Total financial assets	11,264,100	14,895,841
Less: restricted by donors for purpose	<u>(2,679,840)</u>	<u>(2,897,491)</u>
Total available for general expenditures	<u>\$ 8,584,260</u>	<u>\$ 11,998,350</u>

Vietnam Veterans Memorial Fund, Inc.

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5. 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.

6. Investments and Fair Value Measurements

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

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

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

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
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6. Investments and 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, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,129,207	\$ -	\$ -	\$ 4,129,207
Mutual funds – fixed income	2,103,706	-	-	2,103,706
Mutual funds – equities	4,350,131	-	-	4,350,131
Total investments	\$ 10,583,044	\$ -	\$ -	\$ 10,583,044

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
Money market funds	\$ 8,934,235	\$ -	\$ -	\$ 8,934,235
Mutual funds – fixed income	1,488,973	-	-	1,488,973
Mutual funds – equities	3,208,192	-	-	3,208,192
Mutual funds – other	1,003,221	-	-	1,003,221
Total investments	\$ 14,634,621	\$ -	\$ -	\$ 14,634,621

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

	2019	2018
Interest and dividends	\$ 281,250	\$ 817,093
Realized and unrealized gain	58,050	584,613
Less: investment management fees	(47,821)	(152,895)
Investment income, net	\$ 291,479	\$ 1,248,811

Vietnam Veterans Memorial Fund, Inc.

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7. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
Education Center design and content	\$ 6,174,997	\$ 6,174,997
Traveling wall	606,526	809,301
Website and application	271,508	237,207
Furniture and equipment	88,607	80,929
Trailer exhibit	25,557	87,345
TV world wide web	-	107,478
	<u>7,167,195</u>	<u>7,497,257</u>
Total property and equipment	7,167,195	7,497,257
Less: accumulated depreciation and amortization	<u>(3,349,213)</u>	<u>(3,023,508)</u>
Property and equipment, net	<u>\$ 3,817,982</u>	<u>\$ 4,473,749</u>

8. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at September 30:

	<u>2019</u>	<u>2018</u>
Purpose restricted:		
Memorial maintenance and additional names	\$ 2,679,840	\$ 2,722,039
Education Center	-	175,452
	<u>2,679,840</u>	<u>2,897,491</u>
Total net assets with donor restrictions	<u>\$ 2,679,840</u>	<u>\$ 2,897,491</u>

9. Methods Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The majority of expenses are recorded directly to specific programs and functions, using the direct allocation method. Expenses that are allocated include salaries and benefits, consulting, professional fees, travel and lodging, depreciation and amortization, insurance, supplies, and other expenses, which are allocated on the basis of estimates of time and effort.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
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10. Commitments and Contingencies

Operating Leases

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 lease calls for annual rental increases of 2.50% and states that the Fund will pay its pro rata share of the building's operating expenses and real estate taxes. 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.

The terms of the lease include incentive in the form of fifteen-month rental abatement. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as deferred rent in the accompanying statements of financial position. Rent expense under this operating lease was \$211,554 and \$290,224 for the years ended September 30, 2019 and 2018, respectively.

The Fund also leases office equipment under the terms of an operating lease, which is set to expire in July 2022.

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

2020	\$	190,469
2021		195,147
2022		199,385
2023		201,511
2024		206,549
Thereafter		<u>447,253</u>
Total future minimum lease payments	\$	<u><u>1,440,314</u></u>

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.

Vietnam Veterans Memorial Fund, Inc.

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11. Retirement Plan

The Fund maintains 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, 2019 and 2018, were \$31,594 and \$14,281, respectively. The Fund did not have any discretionary profit sharing contributions to the 401(k) Plan during the years ended September 30, 2019 and 2018.

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, and bringing healing to their loved ones, or educating the public about the need to build the Education Center.

During the years ended September 30, 2019 and 2018, these activities included a direct mail and a digital media campaign. For the years ended September 30, 2019 and 2018, the costs of conducting those campaigns include a total of \$2,910,095 and \$3,611,169, 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 expenses.

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

	2019	2018
Memorial legacy	\$ 2,123,557	\$ 2,764,500
Fundraising	786,538	785,132
Education Center	-	61,537
Total joint costs	<u>\$ 2,910,095</u>	<u>\$ 3,611,169</u>

Vietnam Veterans Memorial Fund, Inc.

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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 as well as the Online Visitor Center and Museum project.

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

	<u>2019</u>	<u>2018</u>
Memorial legacy	\$ 3,963,720	\$ 6,132,680
Online Visitor Center and Museum	104,465	-
Transportation	31,500	18,000
Education Center	-	11,968
	<u> </u>	<u> </u>
Total donated goods and services	<u>\$ 4,099,685</u>	<u>\$ 6,162,648</u>

14. Income Taxes

The Fund is generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). In addition, the Fund qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. The Fund had no unrelated business income for the years ended September 30, 2019 and 2018. Management has evaluated the Fund's tax positions and has concluded that the Fund has taken no uncertain tax positions that require adjustment to or disclosure in the accompanying financial statements.