

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
and Independent Auditors' Report

September 30, 2020 and 2019

Vietnam Veterans Memorial Fund, Inc.

Financial Statements
September 30, 2020 and 2019

Contents

Independent Auditors' Report.....	1-2
<i>Financial Statements</i>	
Statement of Financial Position	3
Statement of Activities.....	4
Statement of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-21

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, 2020; 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Fund adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) and FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Fund's September 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2020. In our opinion, the summarized comparative information presented herein, as of and for the year ended September 30, 2019, 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 8, 2021

Vietnam Veterans Memorial Fund, Inc.

Statement of Financial Position
September 30, 2020
(With Comparative Totals for September 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Assets				
Cash and cash equivalents	\$ 1,529,366	\$ -	\$ 1,529,366	\$ 676,056
Investments	4,474,558	2,318,653	6,793,211	10,583,044
Contributions receivable	15,100	-	15,100	5,000
Prepaid expenses and deposits	177,776	-	177,776	173,795
Property and equipment, net	3,093,826	-	3,093,826	3,817,982
Total assets	<u>\$ 9,290,626</u>	<u>\$ 2,318,653</u>	<u>\$ 11,609,279</u>	<u>\$ 15,255,877</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 255,282	\$ -	\$ 255,282	\$ 324,381
Grants to be repaid per donor contracts	200,000	-	200,000	3,500,000
Deferred revenue	141,000	-	141,000	52,000
Deferred rent	188,876	-	188,876	202,602
Total liabilities	<u>785,158</u>	<u>-</u>	<u>785,158</u>	<u>4,078,983</u>
Net Assets				
Without donor restrictions	8,505,468	-	8,505,468	8,497,054
With donor restrictions	-	2,318,653	2,318,653	2,679,840
Total net assets	<u>8,505,468</u>	<u>2,318,653</u>	<u>10,824,121</u>	<u>11,176,894</u>
Total liabilities and net assets	<u>\$ 9,290,626</u>	<u>\$ 2,318,653</u>	<u>\$ 11,609,279</u>	<u>\$ 15,255,877</u>

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Activities
For the Year Ended September 30, 2020
(With Comparative Totals for the Year Ended September 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenue and Support				
Contributions	\$ 6,021,264	\$ 200	\$ 6,021,464	\$ 6,087,225
Grants	212,162	-	212,162	-
Donated goods and services	3,706,901	-	3,706,901	4,099,685
Site fees	120,000	-	120,000	307,500
Royalty income	151,972	-	151,972	284,783
Investment return, net	(190,138)	(233,343)	(423,481)	291,479
Loss on foreign currency translation	(73,797)	-	(73,797)	-
Other income	20,197	-	20,197	4,631,343
Released from restrictions	128,044	(128,044)	-	-
Total revenue and support	10,096,605	(361,187)	9,735,418	15,702,015
Expenses				
Program services:				
Memorial legacy	6,564,348	-	6,564,348	11,883,969
Online Visitor Center and Museum	-	-	-	317,161
Ceremonies and events	168,025	-	168,025	220,243
In Memory	177,470	-	177,470	191,884
The Wall That Heals	584,123	-	584,123	738,050
Outreach	116,161	-	116,161	100,831
Education programs	294,019	-	294,019	111,652
Memorial maintenance	128,043	-	128,043	103,721
Total program services	8,032,189	-	8,032,189	13,667,511
Supporting services:				
Fundraising	1,670,157	-	1,670,157	1,455,919
General and administrative	385,845	-	385,845	361,971
Total supporting services	2,056,002	-	2,056,002	1,817,890
Total expenses	10,088,191	-	10,088,191	15,485,401
Change in Net Assets	8,414	(361,187)	(352,773)	216,614
Net Assets, beginning of year	8,497,054	2,679,840	11,176,894	10,960,280
Net Assets, end of year	\$ 8,505,468	\$ 2,318,653	\$ 10,824,121	\$ 11,176,894

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statement of Functional Expenses
For the Year Ended September 30, 2020
(With Comparative Totals for the Year Ended September 30, 2019)

	Program Services							Supporting Services			2020 Total Expenses	2019 Total Expenses	
	Memorial Legacy	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	\$ 1,725,669	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,725,669	\$ 1,000,761	\$ -	\$ 1,000,761	\$ 2,726,430	\$ 2,910,095
Salaries and benefits	293,198	85,829	124,284	307,559	87,481	232,098	25,702	1,156,151	319,742	152,810	472,552	1,628,703	1,548,055
Public relations – donated services	3,595,289	-	-	1,250	-	-	-	3,596,539	-	-	-	3,596,539	3,963,720
In-kind support: Australian Vietnam Veterans Museum	-	-	-	-	-	-	-	-	-	-	-	-	4,537,271
Consulting	-	32,000	21,028	12,600	-	-	39,722	105,350	71,535	29,026	100,561	205,911	135,475
Facility and equipment rental	37,418	16,070	12,731	48,419	17,415	24,786	1,671	158,510	23,966	13,701	37,667	196,177	211,554
Professional fees	12,877	1,850	1,309	4,455	1,563	5,630	148	27,832	5,266	106,039	111,305	139,137	223,146
Travel and lodging	3,919	1,682	126	44,938	139	350	20	51,174	6,339	419	6,758	57,932	174,455
Depreciation and amortization	622,294	2,936	4,487	111,070	6,117	8,730	578	756,212	8,432	4,820	13,252	769,464	759,942
Special events	290	5,539	99	375	135	192	13	6,643	186	106	292	6,935	14,703
Other	40	6	15	53	19	29	1	163	219	289	508	671	2,253
TWTH – Transportation of the Wall	-	-	-	5,250	-	-	-	5,250	-	-	-	5,250	31,500
Caging	-	-	-	-	-	-	-	-	172,502	-	172,502	172,502	189,819
Website	104,218	1	1	5,977	1	16,472	-	126,670	1,149	-	1,149	127,819	208,201
Printing and postage	10,834	5,470	8,761	15,335	414	1,219	38	42,071	24,788	310	25,098	67,169	74,011
Bank charges	120	-	-	-	-	-	-	120	27,335	16,374	43,709	43,829	40,537
Insurance	660	136	243	855	311	466	29	2,700	330	33,276	33,606	36,306	63,454
Dues and subscriptions	-	-	-	8	75	13	-	96	618	-	618	714	17,438
Photos and video	31,105	3,063	-	1,500	-	-	-	35,668	-	-	-	35,668	19,301
Contributions and sponsorships	-	-	-	-	-	-	-	-	-	-	-	-	1,284
Supplies	120,495	12,395	2,925	8,988	479	1,013	2,466	148,761	2,388	733	3,121	151,882	172,133
Telephone	4,224	949	1,431	5,467	1,965	2,789	246	17,071	2,734	1,549	4,283	21,354	22,497
Meals and entertainment	1,313	99	30	8,621	47	232	81	10,423	1,137	375	1,512	11,935	59,538
Service provider fees	-	-	-	-	-	-	-	-	-	11,732	11,732	11,732	15,119
Repairs and maintenance	190	-	-	1,403	-	-	57,328	58,921	-	-	-	58,921	72,636
Taxes, licenses, and filings	195	-	-	-	-	-	-	195	730	14,286	15,016	15,211	17,264
Total Expenses	\$ 6,564,348	\$ 168,025	\$ 177,470	\$ 584,123	\$ 116,161	\$ 294,019	\$ 128,043	\$ 8,032,189	\$ 1,670,157	\$ 385,845	\$ 2,056,002	\$ 10,088,191	\$ 15,485,401

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (352,773)	\$ 216,614
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized loss (gain) on investments	554,971	(58,050)
Depreciation and amortization	769,464	759,942
Donated securities	-	(2,078)
Gain on disposal of property and equipment	-	(73,241)
Change in present-value discount	-	(863)
Funds used – Paycheck Protection Program	(212,162)	-
Funds designated to be returned – Paycheck Protection Program	(38,605)	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	-	22,000
Contributions receivable	(10,100)	15,000
Prepaid expenses and deposits	(3,981)	108,739
Increase (decrease) in:		
Accounts payable and accrued expenses	(69,099)	(155,066)
Grants to be repaid per donor contracts	(3,300,000)	(4,445,133)
Deferred revenue	89,000	(3,500)
Deferred rent	(13,726)	(9,162)
	(2,587,011)	(3,624,798)
Net cash used in operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(45,308)	(104,934)
Proceeds from sale of property and equipment	-	74,000
Purchases of investments	(171,158)	(5,960,957)
Proceeds from sale of investments	3,406,020	10,072,662
	3,189,554	4,080,771
Net cash provided by investing activities		
Cash Flows from Financing Activity		
Proceeds from Paycheck Protection Program	250,767	-
	250,767	-
Net cash provided by financing activity		
Net Increase in Cash and Cash Equivalents	853,310	455,973
Cash and Cash Equivalents, beginning of year	676,056	220,083
Cash and Cash Equivalents, end of year	\$ 1,529,366	\$ 676,056

See accompanying notes.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

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, 2020 and 2019

1. Nature of Operations (continued)

Program Services

Memorial Legacy

Memorial Legacy includes costs related to preserving the legacy of the Memorial and promoting healing through public outreach and awareness, as well as promoting visitation of the Memorial to the general public. The Fund interacts with the public both in person and online to provide information about the Memorial's legacy. In person, Fund staff provide tours, answer questions about The Wall and its history, and do name rubbings for those that can't visit. Online, the Fund's website provides historical and educational information about the Memorial and those whose names are inscribed on it. The Wall of Faces portion of the website provides a page for each service member whose name is inscribed on The Wall and allows families, friends, and veterans to post remembrances and photos, extending the healing power and emotional impact of The Wall to millions of people through the internet. The Fund also uses social media and other digital content and technologies – including a mobile app and a virtual tour – to share the story of the Memorial and its legacy with people all around the world.

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, 2020 and 2019

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, 2020 and 2019

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. The Fund reports contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

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 2019 financial statements, from which the summarized information was derived.

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 in net investment return in the accompanying statement of activities.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable represent unconditional amounts committed to the Fund. Contributions receivable are reflected at either net realizable value, or at net present value based on projected cash flows. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. No allowance for uncollectible receivables has been established at September 30, 2020 and 2019, as all amounts are deemed fully collectible.

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.

Grants to be Repaid per Donor Contracts – Education Center

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.

In conjunction with terminating the construction of the physical building on the National Mall, the Fund cancelled pledges and, where required by specific legal grant agreements, repaid a handful of previously received grant funds to donors totaling \$3,300,000 and \$6,500,000 during the years ended September 30, 2020, and 2019, respectively. As a result, at September 30, 2019, remaining funds to be repaid to donors amounted to \$3,500,000. At September 30, 2020, remaining funds to be repaid to donors totaled \$200,000. These amounts are included in the accompanying statements of financial position as grants to be repaid per donor contracts. Efforts are ongoing to return the final grant of \$200,000.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Fund recognizes contributions and grants when cash, securities, or other assets, or an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Revenue from site fees is recognized either over time or at the point in time that contractual obligations are met. Site fees received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position, which totaled \$141,000 and \$52,000 at September 30, 2020 and 2019, respectively.

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.

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, 2020 and 2019, respectively.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

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 support in Korean won and Australian dollars. Support is remeasured into U.S. dollars based on the prevailing exchange rate at the time of the transaction. Contributions 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. For the year ended September 30, 2020, the Fund returned a grant in the sum of \$3.3 million to the Australian government as a result of the cancellation of the construction of the physical Education Center, which resulted in a one-time loss on foreign currency translation of (\$73,797), which is included in the accompanying statement of activities for the year then ended. Management estimates that there is no material foreign currency translation rate change that could materially affect unsettled foreign currency transactions after year end.

Change in Accounting Principles

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Fund has implemented Topic 606 and has adjusted, if applicable, the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Fund has implemented ASU 2018-08, applicable to both contributions received and to contributions made in these financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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 2023.

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.

Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through March 8, 2021, the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that are likely to impact the Fund. The extent of the impact of COVID-19 on the Fund's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and its direct impact on the Fund, all of which are uncertain and cannot be predicted at this time. The Fund has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended September 30, 2020 have not been adjusted to reflect their impact.

3. 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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

3. Liquidity and Availability (continued)

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:

	2020	2019
Cash and cash equivalents	\$ 1,529,366	\$ 676,056
Investments	6,793,211	10,583,044
Contributions receivable	15,100	5,000
Total financial assets	8,337,677	11,264,100
Less: net assets with donor restrictions	(2,318,653)	(2,679,840)
Total available for general expenditures	\$ 6,019,024	\$ 8,584,260

4. Concentration of Credit Risk

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

5. Investments and 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.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

5. Investments and Fair Value Measurements (continued)

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

	Level 1	Level 2	Level 3	Total
<u>2020:</u>				
Money market funds	\$ 711,440	\$ -	\$ -	\$ 711,440
Mutual funds – fixed income	3,190,666	-	-	3,190,666
Mutual funds – equities	2,891,105	-	-	2,891,105
Total investments	\$ 6,793,211	\$ -	\$ -	\$ 6,793,211
<u>2019:</u>				
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

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

	2020	2019
Interest and dividends	\$ 179,120	\$ 281,250
Realized and unrealized (loss) gain	(554,971)	58,050
Less: investment management fees	(47,630)	(47,821)
Investment return, net	\$ (423,481)	\$ 291,479

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

6. Property and Equipment

Property and equipment consists of the following at September 30:

	<u>2020</u>	<u>2019</u>
Education Center design and content	\$ 6,174,997	\$ 6,174,997
Traveling wall	629,243	606,526
Website and application	287,108	271,508
Furniture and equipment	86,475	88,607
Trailer exhibit	<u>25,557</u>	<u>25,557</u>
Total property and equipment	7,203,380	7,167,195
Less: accumulated depreciation and amortization	<u>(4,109,554)</u>	<u>(3,349,213)</u>
Property and equipment, net	<u><u>\$ 3,093,826</u></u>	<u><u>\$ 3,817,982</u></u>

7. Paycheck Protection Program

The Fund applied for (and received) a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which the Fund qualified. After the loans are granted, the Small Business Administration (SBA) can forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

The loan was granted to the Fund on May 4, 2020 in the amount of \$250,767. Management of the Fund decided to only spend proceeds of the loan on eligible payroll costs, which totaled \$212,162, and opted to not use the funds toward office rent and related expenses. As a result, management designated \$38,605 of unused funds to be returned to the SBA.

Subsequent to year end, on November 10, 2020, the Fund received forgiveness from the SBA per the PPP guidelines. As a result, the Fund concluded that the PPP loan represented, in substance, a grant that was forgiven, and accounted for the PPP loan in accordance with FASB ASC 958-605 *Not-for-Profit Entities* as a conditional grant. This conditional grant is not recognized until the conditions are substantially met or explicitly waived, which was met as of the end of the fiscal year under audit.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

7. Paycheck Protection Program (continued)

For the year ended September 30, 2020, the Fund recognized \$212,162 as grant revenue, which is included in the accompanying statement of activities. Lastly, the remaining \$38,605 that the Fund designated to be returned to the SBA is included in accounts payable and accrued expenses in the accompanying statement of financial position and was returned in full subsequent to year end.

8. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Memorial maintenance and additional names	<u>\$ 2,318,653</u>	<u>\$ 2,679,840</u>
Total net assets with donor restrictions	<u><u>\$ 2,318,653</u></u>	<u><u>\$ 2,679,840</u></u>

9. 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 services during the years ended September 30:

	<u>2020</u>	<u>2019</u>
Memorial legacy	\$ 3,596,539	\$ 3,963,720
Online Visitor Center and Museum	105,112	104,465
Transportation	<u>5,250</u>	<u>31,500</u>
Total donated goods and services	<u><u>\$ 3,706,901</u></u>	<u><u>\$ 4,099,685</u></u>

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

10. 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.

11. Commitments and Contingencies

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.

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 \$178,533 and \$176,752 for the years ended September 30, 2020 and 2019, respectively.

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

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

11. Commitments and Contingencies (continued)

Operating Leases (continued)

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

2021	\$	195,147
2022		199,385
2023		201,511
2024		206,549
2025		211,712
Thereafter		<u>235,541</u>
Total future minimum lease payments	\$	<u>1,249,845</u>

12. 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, 2020 and 2019, were \$31,937 and \$31,594, respectively. The Fund did not have any discretionary profit sharing contributions to the 401(k) Plan during the years ended September 30, 2020 and 2019.

13. Allocation of Joint Costs

The Fund conducts activities that include a request for contributions, as well as a program component, such as information promoting the legacy of the Wall, recognizing and honoring those who served and died, gathering photos and stories to preserve their legacy, and bringing healing to their loved ones, or educating the public about the need to build the Education Center.

Vietnam Veterans Memorial Fund, Inc.

Notes to Financial Statements
September 30, 2020 and 2019

13. Allocation of Joint Costs (continued)

During the years ended September 30, 2020 and 2019, these activities included a direct mail and a digital media campaign. For the years ended September 30, 2020 and 2019, the costs of conducting those campaigns include a total of \$2,726,430 and \$2,910,095, respectively, of joint costs that are not directly attributable to either the program or fundraising component of the activities. Those costs are included in 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:

	<u>2020</u>	<u>2019</u>
Memorial legacy	\$ 1,725,669	\$ 2,123,557
Fundraising	<u>1,000,761</u>	<u>786,538</u>
Total joint costs	<u><u>\$ 2,726,430</u></u>	<u><u>\$ 2,910,095</u></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, 2020 and 2019. 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.