

FINANCIAL STATEMENTS

**FRIENDS OF THE NATIONAL
WORLD WAR II MEMORIAL, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of the National World War II Memorial, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Friends of the National World War II Memorial, Inc. (Friends), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, 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 control 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 Friends as of December 31, 2019, and the change 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited Friends' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

May 11, 2020

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 97,679	\$ 540,393
Investments		1,532,009	1,541,676
Contributions receivable		8,158	100,000
Prepaid expenses		<u>16,810</u>	<u>21,040</u>
Total current assets		<u>1,654,656</u>	<u>2,203,109</u>
FIXED ASSETS			
Furniture and equipment		8,927	6,659
Memorial plaque		<u>102,588</u>	<u>102,588</u>
		111,515	109,247
Less: Accumulated depreciation		<u>(6,181)</u>	<u>(5,605)</u>
Net fixed assets		<u>105,334</u>	<u>103,642</u>
NONCURRENT ASSETS			
Investments held for endowment		1,302,057	1,200,000
Security deposits		<u>2,450</u>	<u>2,325</u>
Total noncurrent assets		<u>1,304,507</u>	<u>1,202,325</u>
TOTAL ASSETS		<u>\$ 3,064,497</u>	<u>\$ 3,509,076</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ <u>233,474</u>	\$ <u>172,099</u>
NET ASSETS			
Without donor restrictions:			
Undesignated		1,046,347	284,992
Board designated - Institutional Building Fund		<u>-</u>	<u>895,578</u>
Total without donor restrictions		1,046,347	1,180,570
With donor restrictions		<u>1,784,676</u>	<u>2,156,407</u>
Total net assets		<u>2,831,023</u>	<u>3,336,977</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 3,064,497</u>	<u>\$ 3,509,076</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 811,145	\$ 32,619	\$ 843,764	\$ 1,916,006
Investment income, net	70,692	102,057	172,749	6,153
Net assets released from donor restrictions	<u>506,407</u>	<u>(506,407)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,388,244</u>	<u>(371,731)</u>	<u>1,016,513</u>	<u>1,922,159</u>
EXPENSES				
Program Services:				
Education	622,250	-	622,250	596,095
Commemorative Events	317,133	-	317,133	232,490
Legacy Lecture	<u>17,928</u>	<u>-</u>	<u>17,928</u>	<u>28,875</u>
Total program services	<u>957,311</u>	<u>-</u>	<u>957,311</u>	<u>857,460</u>
Supporting Services:				
Management and General	117,774	-	117,774	60,264
Fundraising	<u>447,382</u>	<u>-</u>	<u>447,382</u>	<u>489,768</u>
Total supporting services	<u>565,156</u>	<u>-</u>	<u>565,156</u>	<u>550,032</u>
Total expenses	<u>1,522,467</u>	<u>-</u>	<u>1,522,467</u>	<u>1,407,492</u>
Change in net assets	(134,223)	(371,731)	(505,954)	514,667
Net assets at beginning of year	<u>1,180,570</u>	<u>2,156,407</u>	<u>3,336,977</u>	<u>2,822,310</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,046,347</u>	<u>\$ 1,784,676</u>	<u>\$ 2,831,023</u>	<u>\$ 3,336,977</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019							2018	
	Program Services			Supporting Services				Total Expenses	Total Expenses
	Education	Commemorative Events	Legacy Lecture	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 104,161	\$ 67,561	\$ 1,874	\$ 173,596	\$ 31,169	\$ 12,356	\$ 43,525	\$ 217,121	\$ 204,191
Health insurance	3,705	5,696	103	9,504	2,101	1,099	3,200	12,704	10,815
Retirement	1,696	2,702	75	4,473	1,033	494	1,527	6,000	5,500
Payroll taxes	8,549	5,457	111	14,117	2,373	1,014	3,387	17,504	15,090
Special program costs	122,812	158,196	10,786	291,794	38	32	70	291,864	162,966
Accounting and audit services	11,602	8,226	467	20,295	62,132	1,157	63,289	83,584	94,505
Consultant and professional services	144,612	35,693	387	180,692	7,100	50,249	57,349	238,041	180,726
Legal services	264	161	-	425	33	24	57	482	2,981
IT Web and internet expense	1,183	36	4	1,223	28	5,005	5,033	6,256	26,507
Postage and delivery	1,941	1,074	229	3,244	281	90	371	3,615	2,726
Telephone and telecommunications	999	654	20	1,673	310	120	430	2,103	2,820
Printing and copying	12,326	9,113	3,328	24,767	993	3,244	4,237	29,004	18,777
Direct mail expenses	175,601	-	-	175,601	-	359,792	359,792	535,393	609,291
Board and education meeting expenses	6,993	4,848	230	12,071	1,998	677	2,675	14,746	14,944
Media advertising	2,575	17	-	2,592	4	2	6	2,598	5,258
Local travel	1,407	2,852	23	4,282	94	25	119	4,401	2,773
Out of town travel	3,088	2,493	-	5,581	-	9,499	9,499	15,080	4,439
Conference, convention and meetings	711	902	-	1,613	51	639	690	2,303	4,407
Office supplies	1,047	702	34	1,783	454	174	628	2,411	1,503
Program supplies	2,874	1,611	-	4,485	-	-	-	4,485	2,780
Depreciation	275	179	5	459	84	33	117	576	694
Rent, parking and utilities	11,110	7,223	212	18,545	3,462	1,343	4,805	23,350	22,560
Bank fees	-	-	-	-	196	-	196	196	1,596
Payroll service fees	603	389	10	1,002	194	76	270	1,272	1,243
Business insurance	1,756	1,134	30	2,920	521	209	730	3,650	3,106
Business fees and charges	230	141	-	371	23	19	42	413	-
State registration	-	-	-	-	2,842	-	2,842	2,842	3,072
Miscellaneous	130	73	-	203	260	10	270	473	2,222
TOTAL	\$ 622,250	\$ 317,133	\$ 17,928	\$ 957,311	\$ 117,774	\$ 447,382	\$ 565,156	\$ 1,522,467	\$ 1,407,492

See accompanying notes to financial statements.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (505,954)	\$ 514,667
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	576	694
Unrealized and realized (gain) loss	(142,024)	18,938
Change in discount on noncurrent contributions receivable	-	(5,658)
Change in allowance for bad debt	-	4,000
Decrease (increase)		
Contributions receivable	91,842	49,780
Prepaid expenses	4,230	(9,903)
Security deposits	(125)	-
Increase in:		
Accounts payable and accrued liabilities	61,376	35,459
Net cash (used) provided by operating activities	<u>(490,079)</u>	<u>607,977</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,268)	-
Purchase of investments	(650,367)	(1,657,848)
Proceeds from sale of investments	700,000	600,000
Net cash provided (used) by investing activities	<u>47,365</u>	<u>(1,057,848)</u>
Net decrease in cash and cash equivalents	(442,714)	(449,871)
Cash and cash equivalents at beginning of year	540,393	990,264
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 97,679	\$ 540,393
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Securities	\$ 20,055	\$ 34,728

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization, nature of activities and program descriptions -

Founded in 2007, the Friends of the National World War II Memorial (Friends) is a 501(c)(3) organization dedicated to honoring and preserving the national memory of World War II and to creating the next “Greatest Generation” of tomorrow. To meet this mission, Friends sponsors an annual public lecture series featuring prominent historians; hosts an annual teachers conference in Washington, DC; and collects and archives video interviews of World War II veterans and other members of the Greatest Generation. Additionally, Friends has the lead responsibility in planning, staging, and funding five or more major national commemorative events annually and is currently sponsoring a national four-year World War II 75th anniversary commemoration. Friends relies on private support to breathe new life into the Memorial and to ensure that it continues to serve as a living lesson for all Americans.

Education

In 2019, Friends of the National World War II Memorial continued to provide educational programs and resources. To this end, Friends hosted its fourth annual Friends of the World War II Memorial Teachers Network and Conference at the Georgetown University Hotel and Conference Center. The five-day conference, held from July 16th- 20th and attended by 57 educators from 27 states and one Canadian province, focused on the theme: *“Industry and Innovation During World War II”* and featured presentations by fellow educators and other experts in the area of WWII history, discussions with WWII veterans, tours of sites of WWII significance, and a remembrance ceremony at the WWII Memorial. Each participant who participated in the full conference received a certificate for 26 continuing education hours. Participants were exposed to a broad spectrum of WWII history resources and tools aimed at educating current and future generations about the everyday men and women whose character, courage, creativity, determination, and innovation not only led to the winning of the war, but also reshaped America. At the heart of the Friends’ Teachers Conference program is the concept of community service. After the conference, participants return to their schools and communities with the ability and desire to empower America’s young people with a heightened sense of community, civic engagement, and personal responsibility to renew the spirit of unit and share purpose, which defined the character of the U.S. during the war years. Therefore, each participant is expected to enlist their students to fulfill a community service project within their communities in the year following the conference.

Haydn Williams World War II Memorial Legacy Lecture Series

On November 13th, Friends held the seventh annual Haydn Williams World War II Memorial Legacy Lecture at the National Defense University’s Lincoln Hall Auditorium. Historian and University of Virginia William C. Corcoran Professor of History William Hitchcock presented the lecture titled, *“Eisenhower, World War II, and the Making of the Western Alliance.”* The Haydn Williams World War II Memorial Legacy Lecture is an annual public lecture series that features preeminent historians and others speaking on the lasting significance and impact of World War II on America and the world.

Commemorative Events

In cooperation with the National Park Service, Friends has the lead responsibility in planning, staging, and funding major national commemorative events at the Memorial on V-E Day, Memorial Day, V-J Day, Veterans Day, and Pearl Harbor Remembrance Day. The ceremonies are free and open to the public.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Organization, nature of activities and program descriptions (continued) -

Commemorative Events (continued)

The ceremonies include a formal Presentation of Wreaths at the Freedom Wall of Stars to honor the more than 400,000 Americans who died in WWII. Each commemorative ceremony begins with a presentation of patriotic music by various military bands, followed by the Presentation of the Colors by the Armed Forces Color Guard. The program features introductions of our World War II veterans and remarks by honored guests. All ceremonies end with the playing of Taps. Additionally, Friends is currently sponsoring a national four-year WWII 75th anniversary commemoration.

V-E Day Ceremony: In remembrance of the 74th Anniversary of the Allied Forces Victory in Europe during WWII, the May 8th V-E ceremony paid special recognition to all World War II veterans and especially those who fought in the European Theater during the war. As part of the commemoration, 11 WWII veterans presented wreaths at the Freedom Wall in remembrance of their fallen brothers and sisters. ABC7/WJLA Anchor Jonathan Elias served as the event's Master of Ceremonies. Friends Chairman, Josiah Bunting III, spoke on behalf of Friends, and Acting Superintendent of the National Mall and Memorial Parks, Jeffrey Reinbold, spoke on behalf of NPS. The Military District of Washington provided military support for the event.

Memorial Day Ceremony: The May 27th Memorial Day observance at the WWII Memorial paid special recognition to all those who made the ultimate sacrifice during WWII and marked the 15th anniversary of the dedication of the WWII Memorial. As part of the commemoration, 13 WWII veterans presented wreaths at the Freedom Wall in remembrance of their fallen brothers and sisters. The ceremony featured a keynote address by Representative Marcy Kaptur of Ohio. Rep. Kaptur was instrumental in the creation of the WWII Memorial. ABC7/WJLA Anchor Jonathan Elias served as the event's Master of Ceremonies. Friends' chairman Josiah Bunting III and Jeffrey Reinbold, acting superintendent of the National Mall and Memorial Parks, offered welcome remarks. The Military District of Washington provided military support for the event.

D-Day 75th Anniversary Commemoration: To commemorate the 75 years since 160,000 Allied troops landed along a 50-mile stretch of heavily-fortified French coastline to fight Nazi Germany on the beaches of Normandy, France, Friends hosted a series of commemorative and educational programming over two days. On Wednesday, June 5th, Friends hosted a special presentation by author Alex Kershaw on his new book *The First Wave: The D-Day Warriors Who Led the Way to Victory in World War II* at the Army and Navy Club at Farragut Square. Following his presentation, Kershaw moderated a panel discussion with WWII veterans who took part in Operation Overlord and Barbara George, daughter of Captain Malcolm L. George who died on June 7, 1944 after landing with the invasion force on D-Day. Also on June 5th, Friends hosted a Reading of the Names and Remembrance Ceremony at the WWII Memorial to honor all those who died during Operation Overlord (June 6 – August 30, 1944). Volunteers read the names of nearly 9,000 individuals buried at Normandy American Cemetery who perished during Operation Overlord over eight hours, until after midnight. On June 6th, Friends hosted the Operation Overlord (D-Day) 75th Anniversary Commemoration at the WWII Memorial.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Organization, nature of activities and program descriptions (continued) -

Commemorative Events (continued)

D-Day 75th Anniversary Commemoration (continued): As part of the ceremony, nearly 40 WWII veterans – including several D-Day and Operation Overlord veterans – along with representatives from each of the Allied Nations that took part in the Normandy Campaign placed wreaths at the National WWII Memorial in honor of the more than two million Allied service members who took part in Operation Overlord and to remember the more than 225,000 Allies who were killed, wounded, or missing. Renowned author Alex Kershaw served as the event's master of ceremonies and expert historian. Friends Chairman Josiah Bunting III and Jeffrey Reinbold, Acting Superintendent of the National Mall and Memorial Parks, offered welcome remarks. Students from Salk STEM Middle School Magnet in Elk River, Minnesota, also participated in the ceremony. Musical tributes were performed by the United States Army Band (Pershing's Own). Military support was provided by the Military District of Washington.

V-J Day Ceremony: In remembrance of the 74th anniversary of the Allied Forces Victory in the Pacific and the end of WWII, the September 2nd V-J Day ceremony paid special recognition to all WWII veterans and especially those who fought in the Pacific Theater during the war. As part of the ceremony, 10 WWII veterans were introduced and recognized before placing wreaths at the Freedom Wall in remembrance of the more than 400,000 Americans who lost their lives during WWII. ABC7/WJLA Anchor Jonathan Elias served as the event's Master of Ceremonies. Friends Vice Chair, Jane Dropaa, spoke on behalf of Friends, and Superintendent of the National Mall and Memorial Parks, Jeffrey Reinbold, spoke on behalf of NPS. The Military District of Washington provided military support for the event.

Veterans Day Ceremony: The November 11th Veterans Day ceremony paid tribute to the more than 16 million men and women who served with the U.S. armed forces during WWII. As part of the ceremony, 14 WWII veterans placed wreaths at the Freedom Wall in remembrance of the more than 400,000 Americans who lost their lives in WWII. ABC7/WJLA-TV news anchor, Jonathan Elias, served as the event's Master of Ceremonies. Actress/Singer & Helen Hayes Award Nominee Mary Millben performed several musical tributes. Friends Chairman Josiah Bunting III and Jeffrey Reinbold, Superintendent of the National Mall and Memorial Parks, offered welcome remarks. The Military District of Washington provided military support for the event.

Pearl Harbor Remembrance Day Ceremony: In remembrance of the 78th anniversary of the December 7, 1941 attack on Pearl Harbor, the December 7th Pearl Harbor Remembrance Day ceremony remembered and honored all who served during WWII – both on the battlefield and the home front – and especially those who killed in the attack. As part of the ceremony, more than 16 WWII Veterans and Pearl Harbor Survivors, and other special guest, placed wreaths at the Freedom Wall in remembrance of the more than 400,000 Americans who lost their lives during WWII, including the more than 2,400 who lost their lives on December 7, 1941. ABC7/WJLA-TV news anchor, Jonathan Elias, served as the event's Master of Ceremonies. Pearl Harbor Survivor and WWII veteran The Reverend Richard Young provided a thoughtful and poignant invocation. Friends' chairman Josiah Bunting III and National Mall and Memorial Parks Chief of Public Affairs Mike Litterst offered welcome remarks and the Military District of Washington provided military support for the event.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Organization, nature of activities and program descriptions (continued) -

Commemorative Events (continued)

WWII 75th Anniversary Commemorations: In 2018, Friends hosted seven very special 75th anniversary events at the WWII Memorial as part of the Friends' four-year WWII 75th Anniversary Commemoration, from December 7, 2016 to September 2, 2020, which will feature more than 60 commemorations at the WWII Memorial. The Military District of Washington provided military support for each event. Each ceremony was concluded with the playing of Taps by a Military District of Washington bugler.

- Thursday, January 17 — Battle of Monte Cassino 75th Anniversary Commemoration
- Tuesday, January 22 — Battle of Anzio 75th Anniversary Commemoration
- Thursday, January 31 — Battle of Kwajalein 75th Anniversary Commemoration
- Saturday, June 15 — Battle of Saipan 75th Anniversary Commemoration
- Sunday, July 7 — Battle of Saint-Lô 75th Anniversary Commemoration
- Sunday, July 21 — Battle of Guam 75th Anniversary Commemoration
- Wednesday, August 7 — Battle for Brest 75th Anniversary Commemoration
- Wednesday, August 15 — Operation Dragoon 75th Anniversary Commemoration
- Thursday, August 29 — Liberation of Paris 75th Anniversary Commemoration
- Thursday, September 5 — Battle of Nancy 75th Anniversary Commemoration
- Sunday, September 15 — Battle of Peleliu 75th Anniversary Commemoration
- Tuesday, September 17 — Operation Market Garden 75th Anniversary Commemoration
- Tuesday, September 17 — Battle of Angaur 75th Anniversary Commemoration
- Thursday, September 19 — Battle of Hürtgen Forest 75th Anniversary Commemoration
- Friday, September 27 — Battle of Metz 75th Anniversary Commemoration
- Wednesday, October 2 — Battle of Aachen 75th Anniversary Commemoration
- Wednesday, October 23 — Battle of Leyte Gulf 75th Anniversary Commemoration
- Wednesday, October 23 — Battle of Leyte 75th Anniversary Commemoration
- Sunday, December 15 — Battle of the Bulge 75th Anniversary Opening Ceremony and Reading of the Names
- Monday, December 16 — Battle of the Bulge 75th Anniversary Commemoration
- Monday, December 16 — “The Longest Winter: The Battle of the Bulge and the Epic Story of World War II’s Most Decorated Platoon” by Alex Kershaw with WWII Veterans

Christmas Caroling: On December 14th, Friends hosted caroling at the WWII Memorial with the 42nd Street Singers, Victorian-styled costumed performers singing a cappella Christmas and holiday songs in celebration of the season.

Preservation – FDR D-Day Prayer Addition: Friends is leading the effort to fulfill the congressional mandate to add President Franklin Roosevelt’s D-Day Prayer, of the largest mass prayers in history, to the WWII Memorial and to provide a contemplative space to remember the more than 400,000 American souls lost during WWII.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Friends' and/or the passage of time or net assets subject to donor-imposed stipulations that they be maintained in perpetuity by Friends.

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 Friends' financial statements for the year ended December 31, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

Also during 2019, Friends adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. Friends adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

Friends considers all cash and cash equivalents with initial maturities of three months or less to be cash equivalents. This excludes cash and cash equivalents held in the investment portfolio totaling \$39,911 as of December 31, 2019. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Friends maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income net of investment expenses provided by external investment advisors in the Statement of Activities and Change in Net Assets.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Investments (continued) -

Investments acquired by gift are recorded at their fair value at the date of the gift. Friends' policy is to liquidate all gifts of investments as soon as possible after the gift.

Contributions receivable -

Contributions receivable approximate fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2019 totaled \$576.

Fixed assets include \$102,587 towards a Memorial plaque in progress. During 2015, Friends started the site analysis phase of a project to construct a Memorial plaque to remember President Franklin Delano Roosevelt. The plaque will be granted to the NPS once it is completed and placed in service. Therefore, no depreciation has been recorded.

Income taxes -

Friends is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Friends is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, Friends has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contributions and grants -

Gifts, including unconditional pledges, grants and contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions are recorded by Friends upon notification of the contribution and grant award and satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributions and grants (continued) -

Contributions received and satisfied in the same reporting period are included in without donor restrictions.

Use of estimates -

The preparation of the 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Friends are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

Risks and uncertainties -

Friends invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

Friends adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Friends accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

Friends plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, Friends has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Friends has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and no transfers between levels during 2019.

Mutual funds and exchange-traded funds - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, Friends's investments as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual fund	\$ 1,496,196	\$ -	\$ -	\$ 1,496,196
Exchange-traded funds	<u>1,297,959</u>	<u>-</u>	<u>-</u>	<u>1,297,959</u>
TOTAL	<u>\$ 2,794,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,794,155</u>

At December 31, 2019, \$39,911 of cash was held as investments.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

2. INVESTMENTS (Continued)

Included in investment income are the following:

Interest and dividends	\$ 37,540
Unrealized and realized gain	142,024
Management fees	<u>(6,815)</u>
TOTAL INVESTMENT INCOME	\$ <u>172,749</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019:

Subject to expenditure for specified purpose:	
Education	\$ 24,461
Legacy Lecture (accumulated endowment earnings)	102,057
History and Legacy Fund	450,000
Subject to passage of time	8,158
Endowments to be invested in perpetuity:	
Haydn Williams Legacy Lectures Program	<u>1,200,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ <u>1,784,676</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Education	\$ 406,407
Passage of time	<u>100,000</u>
TOTAL	\$ <u>506,407</u>

4. FUNCTIONAL ALLOCATION OF EXPENSES AND JOINT COSTS

The costs of providing the programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs associated with the periodic mailings that meet the requirements for treatment as joint costs are allocated between program services and fund-raising. The costs are allocated based on management's analysis of the nature of the mailings. During the year ended December 31, 2019, Friends conducted direct mail activity that included requests for contributions as well as a program component.

The cost of conducting this activity included joint costs, which are not specifically attributable to particular components of the direct mail activity. These joint costs were allocated as follows for the year ended December 31, 2019:

Fundraising	\$ 301,797
Education	<u>125,156</u>
TOTAL	\$ <u>426,953</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. LEASE COMMITMENTS

Friends leases office space under an operating lease agreement that expired in November 2019. The agreement was extended for a two year period through November 2020 with rent starting at \$1,950 per month and increasing to \$2,025 in the second year.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2020	\$	23,475
2021		<u>22,275</u>
	\$	<u><u>45,750</u></u>

Rent expense, including parking and utilities, for the year ended December 31, 2019 was \$23,350.

6. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following:

Cash and cash equivalents	\$	97,679
Investments		1,532,009
Contributions receivable		8,158
Less: Non-endowment donor restricted funds		<u>(474,461)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR**

\$ 1,163,385

Friends is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Friends must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Contributions receivable are expected to be collected within one year and, as such, are considered available for expenditure. Friends has a policy to structure its financial assets to be available and liquid as its obligations become due.

7. COMMITMENTS

Friends has a two-year employment contract with the Executive Director and the Public Education Officer, both which terminate on December 31, 2021. The agreement provides for various severance benefits upon termination of the agreement with 30-days written notice.

8. ENDOWMENT

During 2016, Friends received a pledge of \$1,000,000 to establish an endowment fund, from which the income shall be used to support the annual Haydn Williams Legacy Lectures Program. During the year ended December 31, 2017, an additional \$200,000 was added to the endowment under the same terms as previously noted.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. ENDOWMENT (Continued)

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing Friends to appropriate for expenditures or accumulate so much of an endowment fund as Friends determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Friends considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Friends has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. In accordance with UPMIFA, Friends considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of Friends and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 1,200,000	\$ 1,200,000
Accumulated Earnings	-	102,057	102,057
TOTAL FUNDS	\$ -	\$ 1,302,057	\$ 1,302,057

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,200,000	\$ 1,200,000
Investment return	-	105,687	105,687
Appropriation of endowment assets for expenditure	-	(3,630)	(3,630)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 1,302,057	\$ 1,302,057

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

8. ENDOWMENT (Continued)

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019.

Return Objectives and Risk Parameters -

Friends has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Friends must hold in perpetuity or for a donor-specified period(s).

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to emphasize aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objectives in the investment management of the endowment shall be long-term growth of capital, maximizing cash flow from invested assets, and achieving returns commensurate with the fund benchmark.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, Friends relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Friends targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Friends has a policy that, at the discretion of the Chairman of the Board or the Board of Directors, up to 100% of the yearly total return may be utilized for expenses of the annual Legacy Lecture. In establishing this policy, Friends considered the long-term expected return on its endowment. Accordingly, over the long-term, Friends expects the current spending policy to allow the Endowment Fund assets to realize a total return at or in excess of the Fund's designated market index. This is consistent with Friends's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

9. SUBSEQUENT EVENTS

In preparing these financial statements, Friends has evaluated events and transactions for potential recognition or disclosure through May 11, 2020, the date the financial statements were issued.

Subsequent to year-end, the global financial markets have declined due to the worldwide Coronavirus Disease 2019 (COVID-19) pandemic. Management believes this decline to be temporary in nature.