

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

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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, 2018, 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, 2018, 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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Report on Summarized Comparative Information

We have previously audited Friends' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

May 14, 2019

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 540,393	\$ 990,264
Investments	1,541,676	502,766
Contributions receivable, net of allowance for doubtful accounts of \$0 at December 31, 2018	100,000	78,780
Prepaid expenses	<u>21,040</u>	<u>11,137</u>
Total current assets	<u>2,203,109</u>	<u>1,582,947</u>
FIXED ASSETS		
Furniture and equipment	6,659	6,659
Memorial plaque	<u>102,588</u>	<u>102,588</u>
	109,247	109,247
Less: Accumulated depreciation	<u>(5,605)</u>	<u>(4,911)</u>
Net fixed assets	<u>103,642</u>	<u>104,336</u>
NONCURRENT ASSETS		
Investments held for endowment	1,200,000	1,200,000
Security deposits	2,325	2,325
Contributions receivable, net of current portion	<u>-</u>	<u>69,342</u>
Total noncurrent assets	<u>1,202,325</u>	<u>1,271,667</u>
TOTAL ASSETS	<u>\$ 3,509,076</u>	<u>\$ 2,958,950</u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ <u>172,099</u>	\$ <u>136,640</u>
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NET ASSETS

Without Donor Restrictions:		
Undesignated	284,992	339,290
Board designated - Institutional Building Fund	<u>895,578</u>	<u>669,191</u>
Total without Donor Restrictions	1,180,570	1,008,481
With Donor Restrictions	<u>2,156,407</u>	<u>1,813,829</u>
Total net assets	<u>3,336,977</u>	<u>2,822,310</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,509,076</u>	<u>\$ 2,958,950</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 832,544	\$ 1,083,462	\$ 1,916,006	\$ 1,304,956
Investment income	6,153	-	6,153	3,866
Net assets released from donor restrictions	<u>740,884</u>	<u>(740,884)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,579,581</u>	<u>342,578</u>	<u>1,922,159</u>	<u>1,308,822</u>
EXPENSES				
Program Services:				
Education	596,095	-	596,095	669,762
Commemorative Events	232,490	-	232,490	187,389
Legacy Lecture	<u>28,875</u>	<u>-</u>	<u>28,875</u>	<u>45,738</u>
Total program services	<u>857,460</u>	<u>-</u>	<u>857,460</u>	<u>902,889</u>
Supporting Services:				
Management and General	60,264	-	60,264	63,521
Fundraising	<u>489,768</u>	<u>-</u>	<u>489,768</u>	<u>460,845</u>
Total supporting services	<u>550,032</u>	<u>-</u>	<u>550,032</u>	<u>524,366</u>
Total expenses	<u>1,407,492</u>	<u>-</u>	<u>1,407,492</u>	<u>1,427,255</u>
Change in net assets	172,089	342,578	514,667	(118,433)
Net assets at beginning of year	<u>1,008,481</u>	<u>1,813,829</u>	<u>2,822,310</u>	<u>2,940,743</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,180,570</u></u>	<u><u>\$ 2,156,407</u></u>	<u><u>\$ 3,336,977</u></u>	<u><u>\$ 2,822,310</u></u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018						2017		
	Program Services			Supporting Services			Total Expenses	Total Expenses	
Education	Commemorative Events	Legacy Lecture	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Salaries	\$ 107,758	\$ 54,146	\$ 7,022	\$ 168,926	\$ 22,995	\$ 12,270	\$ 35,265	\$ 204,191	\$ 203,589
Health insurance	4,637	3,988	546	9,171	697	947	1,644	10,815	8,702
Retirement	2,089	1,978	257	4,324	748	428	1,176	5,500	5,500
Payroll taxes	8,189	3,967	447	12,603	1,715	772	2,487	15,090	14,600
Special program costs	91,114	71,702	150	162,966	-	-	-	162,966	128,985
Accounting and audit services	50,369	27,101	2,821	80,291	9,305	4,909	14,214	94,505	87,697
Consultant & professional services	65,363	52,120	11,320	128,803	4,218	47,705	51,923	180,726	171,482
Legal services	1,500	869	119	2,488	290	203	493	2,981	6,018
IT Web and internet expense	24,762	955	19	25,736	544	227	771	26,507	21,598
Postage and delivery	1,188	646	499	2,333	247	146	393	2,726	2,626
Telephone and telecommunications	1,483	744	105	2,332	331	157	488	2,820	3,898
Printing and copying	14,992	1,046	1,865	17,903	638	236	874	18,777	23,718
Direct mail expenses	192,444	-	-	192,444	-	416,847	416,847	609,291	656,677
Board & education meeting expenses	3,539	2,293	570	6,402	7,532	1,010	8,542	14,944	13,572
Media advertising	3,963	687	131	4,781	403	74	477	5,258	1,196
Local travel	456	855	1,292	2,603	83	87	170	2,773	5,545
Out of town travel	1,849	173	526	2,548	105	1,786	1,891	4,439	26,344
Conference, convention and meetings	3,804	283	39	4,126	240	41	281	4,407	8,254
Office supplies	695	394	90	1,179	185	139	324	1,503	2,834
Program supplies	1,059	1,226	113	2,398	182	200	382	2,780	3,465
Depreciation	365	184	25	574	79	41	120	694	1,082
Rent, parking and utilities	11,491	5,728	740	17,959	3,370	1,231	4,601	22,560	21,955
Bank fees	429	143	1	573	988	35	1,023	1,596	149
Payroll service fees	657	333	45	1,035	143	65	208	1,243	1,325
Business insurance	1,635	809	108	2,552	355	199	554	3,106	2,851
State registration	265	120	25	410	2,649	13	2,662	3,072	3,593
Miscellaneous	-	-	-	-	2,222	-	2,222	2,222	-
TOTAL	\$ 596,095	\$ 232,490	\$ 28,875	\$ 857,460	\$ 60,264	\$ 489,768	\$ 550,032	\$ 1,407,492	\$ 1,427,255

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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 514,667	\$ (118,433)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	694	1,082
Unrealized and realized loss	18,938	-
Contributions restricted for endowment	-	(1,200,000)
Change in discount on noncurrent contributions receivable	(5,658)	(2,885)
Change in allowance for bad debt	4,000	(4,000)
Decrease (increase)		
Contributions receivable	49,780	378,242
Prepaid expenses	(9,903)	(1,711)
Contributions receivable restricted for endowment	-	1,000,000
Increase in:		
Accounts payable and accrued liabilities	<u>35,459</u>	<u>48,482</u>
Net cash provided by operating activities	<u>607,977</u>	<u>100,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(55,073)
Purchase of investments	(1,657,848)	-
Proceeds from sale of investments	600,000	169,473
Cash and cash equivalents held for endowment	<u>-</u>	<u>(1,200,000)</u>
Net cash used by investing activities	<u>(1,057,848)</u>	<u>(1,085,600)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	<u>-</u>	<u>1,200,000</u>
Net cash provided by financing activities	<u>-</u>	<u>1,200,000</u>
Net (decrease) increase in cash and cash equivalents	(449,871)	215,177
Cash and cash equivalents at beginning of year	<u>990,264</u>	<u>775,087</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 540,393</u>	<u>\$ 990,264</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Securities	<u>\$ 34,728</u>	<u>\$ 25,098</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 WWII 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 WWII 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 WWII 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 2018, Friends continued to provide educational programs and resources. To this end, Friends hosted its third 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 24th- 28th and attended by 43 educators from all across the country, focused on the theme: "*The Struggle for Unity in 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.

Haydn Williams World War II Memorial Legacy Lecture Series

On November 14th, Friends held the sixth annual Haydn Williams World War II Memorial Legacy Lecture at the National Defense University's Lincoln Hall Auditorium. Military historian Victor Davis Hanson presented the lecture titled, "*Why the Axis Powers Lost World War II*," which explored how the Axis triad, by invading Russia, bombing Pearl harbor, and declaring war on the United States, ensured a new hostile alliance of the British Empire, the United States, and the Soviet Union that they could never defeat.

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. 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 remarks by honored guests and a keynote speaker. All ceremonies end with the playing of Taps. Additionally, Friends is currently sponsoring a national four-year WWII 75th anniversary commemoration.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

Commemorative Events (continued)

V-E Day Ceremony: In remembrance of the 73rd Anniversary of the Allied Forces Victory in Europe during WWII, the May 8th V-E ceremony paid special recognition to all WWII veterans and especially those who fought in the European Theater during the war. As part of the commemoration, 45 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 Deputy Superintendent of the National Mall and Memorial Parks, Robin Nixon, spoke on behalf of NPS. WWII veteran Harry Miller provided the keynote address. The Military District of Washington provided military support for the event.

Memorial Day Ceremony: The May 28th Memorial Day observance at the WWII Memorial paid special recognition to all those who made the ultimate sacrifice during WWII. As part of the commemoration, 19 WWII veterans presented wreaths at the Freedom Wall in remembrance of their fallen brothers and sisters. The ceremony featured a keynote address by Arthur Chotin, whose father Army SSgt. Max Chotin died in Belgium on November 3, 1945 at the age of 30. During the ceremony, Grammy Award-nominated songwriter Bob Regan performed his song "The Last Monday in May," a song about Memorial Day written in collaboration with veterans. ABC7/WJLA Anchor Jonathan Elias served as the event's Master of Ceremonies. Friends' chairman Josiah Bunting III and Patricia Trap, acting superintendent of the National Mall and Memorial Parks, offered welcoming remarks. The Military District of Washington provided military support for the event.

D-Day 74th Anniversary Commemoration: The June 6th ceremony commemorated the 74 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. As part of the ceremony, eight WWII and D-Day veterans placed wreaths at the Atlantic Arch of the WWII Memorial in memory of the 9,000 Allied soldiers killed or wounded during the invasion. The veterans were joined by representatives of the British and Canadian Embassies and the Maritime Administration. During the ceremony, Megan Rosener performed the song "Heroes," which was written by her father Marty Rosener in tribute to WWII veterans. Additionally, Friends chairman Josiah Bunting III provided remarks and the Military District of Washington provided military support for the event. Following the ceremony, the WWII veterans were transported to Nationals Stadium where they were honored in a pre-game tribute by the Washington Nationals major league baseball team prior to their game against the Tampa Bay Devil Rays.

V-J Day Ceremony: In remembrance of the 73rd 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, 12 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. Acting Deputy Superintendent of the National Mall and Memorial Parks Patricia Trap spoke on behalf of NPS. 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, 2018

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

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

Commemorative Events (continued)

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. WWII veteran Mr. Ewing H. Miller delivered the ceremony's keynote address. Mr. Miller served in the U.S. Army Air Forces from 1942 to 1945 as a B-24 heavy bomber pilot assigned to the 15th Air Force, 449th Bomb Group, 719 Squadron (The Flying Horsemen) which flew from a base in Italy. Nicknamed "Wing" by his fellow flyers, Mr. Miller flew over 20 missions. In February 1945, his plane was downed by a direct flack bust in the bomb bay. Mr. Miller was the sole survivor. He spent the rest of the war as a prisoner of war. As part of the ceremony, Mr. Miller and fourteen other WWII veterans placed wreaths at the Freedom Wall in remembrance of the more than 400,000 Americans who lost their lives during WWII. ABC7/WJLA-TV news anchor, Jonathan Elias, served as the event's Master of Ceremonies. Friends' chairman Josiah Bunting III and Patricia Trap, acting superintendent of the National Mall and Memorial Parks, each offered welcoming remarks. The Military District of Washington provided military support for the event.

Pearl Harbor Remembrance Day Ceremony: In remembrance of the 77th 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, 18 WWII Veterans and Pearl Harbor Survivors, were joined by students, embassy representatives, Washington Redskins President, and others, in placing 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. Friends' chairman Josiah Bunting III and Patricia Trap, acting superintendent of the National Mall and Memorial Parks, offered welcoming remarks and the Military District of Washington provided military support for the event.

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.

- Mon., Feb. 19 – **Battle of Kasserine Pass 75th Anniversary Commemoration:** During the ceremony, WWII veterans and representatives of the Allied Nations that took part in the campaign presented wreaths at the Atlantic Arch of the Memorial in honor of the 30,000 Allies who served and in remembrance of the 10,000 Allies killed, wounded, and missing during the Battle of Kasserine Pass.
- Fri., Mar. 23 – **Battle of El Guettar 75th Anniversary Commemoration:** During the ceremony, WWII veterans presented wreaths at the Atlantic Arch of the Memorial in remembrance of the approximately 5,000 Americans killed and wounded and in honor of all who served during the Battle of El Guettar.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

Commemorative Events (continued)

- Fri., May 11 – **Battle of Attu 75th Anniversary Commemoration:** During the ceremony, WWII veterans, representatives of the Canadian Embassy, and others presented wreaths at the Pacific Arch of the Memorial in honor of all who served and in remembrance of the more than 3,500 Americans killed, wounded, or injured due to the Arctic conditions during the Battle of Attu.
- Wed., Jun. 20 – **Battle of the Skies (Air War) 75th Anniversary Commemoration:** Friends Chairman Josiah Bunting III offered remarks and was joined by many honored guests, including: veterans of the U.S. Eight Air Force, known as the “Mighty Eighth,” Washington Nationals pitcher Sean Doolittle who is the 7th cousin of General Jimmy Doolittle who led the daring Doolittle Raid over Tokyo in April 1942, and representatives from the Allied Nations of Australia, the United Kingdom, Canada, France, and New Zealand. ABC7/WJLA-TV anchor Jonathan Elias served as the Master of Ceremonies. During the ceremony, WWII veterans, representatives of our Allied Nations, and Sean Doolittle presented wreaths at the Atlantic and Pacific Arches of the Memorial in honor of all who served and in remembrance of the more than 88,000 American airmen killed and the hundreds of thousands of Allied airmen killed in the Battle for the Skies throughout the course of WWII.
- Mon., Jul. 9 – **Battle of Sicily 75th Anniversary Commemoration:** During the ceremony, WWII veterans and representatives of Allied nations presented wreaths at the Atlantic Arch of the Memorial in honor of all who served and in remembrance of the nearly 10,000 Americans killed, wounded, or captured and the nearly 13,000 British and Canadians killed, wounded, or captured during the Invasion of Sicily.
- Sun., Sep. 9 – **Operation Avalanche (Salerno) 75th Anniversary Commemoration:** During the ceremony, Friends Chairman Josiah Bunting III offered remarks. WWII veterans and representatives of the Allied Nations that took part in the campaign presented wreaths at the Atlantic Arch of the Memorial in honor of the 190,000 Allies who served and in remembrance of the more than 13,000 Allies killed, wounded, and missing during Operation Avalanche.
- Tues., Nov. 20 – **Battle of Tarawa 75th Anniversary Commemoration:** During the ceremony, Board member Rear Admiral John Bitoff, USN (Ret.) offered remarks and joined WWII veterans in presenting wreaths at the Pacific Arch of the Memorial in honor of the 35,000 Americans who served and in remembrance of the nearly 1,700 Americans killed and more than 2,000 wounded during the Battle of Tarawa.

Christmas Caroling: On December 15th, 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, one 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, 2018**

**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 for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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, 2017, from which the summarized information was derived.

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 \$2,124,070 as of December 31, 2018. 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.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Friends's 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, 2018 totaled \$694.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Income taxes -

Friends is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 is immaterial. 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, 2018, 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.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) 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. The Board of Directors established the Institutional Building Fund (IBF) on May 8, 2013, to commit to and invest in Friends' future by supporting Friends' infrastructure and to provide for its long-term sustainability. Friends added \$226,387 to the IBF in the year ended December 31, 2018. Funds can be used through Board of Director review and approval. There were no funds used for the year ended December 31, 2018.
- **Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations that are more restrictive than Friends' mission and purpose. 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. Donor imposed restrictions are released when the 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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions and grants -

Contributions and grants received without donor restrictions and with donor restrictions are recorded as revenue in the year notification is received from the donor. 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 restriction in the accompanying financial statements. Restricted contributions received and satisfied in the same reporting period are recorded as revenue without donor restrictions.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$1,008,481 are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of \$613,829 and \$1,200,000, respectively, are now classified as net assets with donor restrictions.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Friends has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *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 private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Friends plans to adopt the new ASUs at the respective required implementation dates.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

2. INVESTMENTS (Continued)

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 as of December 31, 2018.

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, 2018:

	Level 1	Level 2	Level 3	Total December 31, 2018
Asset Class:				
Mutual fund	\$ 2,124,070	\$ -	\$ -	\$ 2,124,070
Exchange-traded funds	579,546	-	-	579,546
TOTAL	\$ 2,703,616	\$ -	\$ -	\$ 2,703,616

At December 31, 2018, \$38,060 of cash was held as investments.

Included in investment income are the following:

Interest and dividends	\$ 25,782
Unrealized and realized loss	(18,938)
Management fees	(691)
TOTAL INVESTMENT INCOME	\$ 6,153

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

Subject to expenditure for specified purpose:	
Education	\$ 406,407
History and Legacy Fund	450,000
Subject to passage of time	100,000
Endowments to be invested in perpetuity:	
Haydn Williams Legacy Lectures Program	1,200,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 2,156,407

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	\$ 596,093
FDR D-Day Prayer	66,011
Passage of time	78,780
TOTAL	\$ 740,884

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, 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, 2018:

Fundraising	\$ 416,847
Education	<u>192,444</u>
TOTAL	<u>\$ 609,291</u>

5. LEASE COMMITMENTS

Friends leases office space under an operating lease agreement expiring in November 2019.

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

Year Ending December 31, 2019	<u>\$ 21,340</u>
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Rent expense, including parking and utilities, for the year ended December 31, 2018 was \$22,560.

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	\$ 540,393
Investments	1,541,676
Contributions receivable	100,000
Less:	
Non-endowment donor restricted funds	(856,407)
Board-designated institutional building fund	<u>(895,578)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 430,084</u>

Friends is substantially supported by contributions. Because a donor's restrictions 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. As of December 31, 2018, Friends has financial assets equal to approximately 10 months of average annual expenses.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

7. COMMITMENTS

Friends has a three-year employment contract with the Executive Director and a two-year employment contract with the Public Education Officer, both which terminate on December 31, 2019. 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.

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, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ <u> -</u>	\$ <u>1,200,000</u>	\$ <u>1,200,000</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,200,000	\$ 1,200,000
Investment return	-	12,388	12,388
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(12,388)</u>	<u>(12,388)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

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, 2018.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. SUBSEQUENT EVENTS

In preparing these financial statements, Friends has evaluated events and transactions for potential recognition or disclosure through May 14, 2019, the date the financial statements were issued.