

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

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, 2017, and the related statements of activities and change in net assets 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, 2017, 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's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 2, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



May 14, 2018

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,493,030	\$ 1,447,326
Contributions receivable, net of allowance for doubtful accounts of \$0 and \$4,000, at December 31, 2017 and 2016, respectively	78,780	378,022
Prepaid expenses	<u>11,137</u>	<u>9,426</u>
Total current assets	<u>1,582,947</u>	<u>1,834,774</u>
FIXED ASSETS		
Furniture and equipment	6,659	6,659
Memorial plaque	<u>102,588</u>	<u>47,515</u>
	109,247	54,174
Less: Accumulated depreciation	<u>(4,911)</u>	<u>(3,829)</u>
Net fixed assets	<u>104,336</u>	<u>50,345</u>
NONCURRENT ASSETS		
Cash and cash equivalents held for endowment	1,200,000	-
Security deposits	2,325	2,325
Contributions receivable restricted for endowment	-	1,000,000
Contributions receivable, net of current portion	<u>69,342</u>	<u>141,457</u>
Total noncurrent assets	<u>1,271,667</u>	<u>1,143,782</u>
TOTAL ASSETS	<u>\$ 2,958,950</u>	<u>\$ 3,028,901</u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ <u>136,640</u>	\$ <u>88,158</u>
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NET ASSETS

Unrestricted:		
Undesignated	339,290	271,775
Board designated - Institutional Building Fund	<u>669,191</u>	<u>587,714</u>
Total unrestricted	1,008,481	859,489
Temporarily restricted	613,829	1,081,254
Permanently restricted	<u>1,200,000</u>	<u>1,000,000</u>
Total net assets	<u>2,822,310</u>	<u>2,940,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,958,950</u>	<u>\$ 3,028,901</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>			<u>2016</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
SUPPORT AND REVENUE					
Contributions and grants	\$ 897,792	\$ 207,164	\$ 200,000	\$ 1,304,956	\$ 2,204,561
Investment income	3,866	-	-	3,866	1,247
Net assets released from donor restrictions	<u>674,589</u>	<u>(674,589)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,576,247</u>	<u>(467,425)</u>	<u>200,000</u>	<u>1,308,822</u>	<u>2,205,808</u>
EXPENSES					
Program Services:					
Education	669,762	-	-	669,762	386,710
Commemorative Events	187,389	-	-	187,389	196,066
Legacy Lecture	<u>45,738</u>	<u>-</u>	<u>-</u>	<u>45,738</u>	<u>22,672</u>
Total program services	<u>902,889</u>	<u>-</u>	<u>-</u>	<u>902,889</u>	<u>605,448</u>
Supporting Services:					
Management and General	63,521	-	-	63,521	79,859
Fundraising	<u>460,845</u>	<u>-</u>	<u>-</u>	<u>460,845</u>	<u>365,858</u>
Total supporting services	<u>524,366</u>	<u>-</u>	<u>-</u>	<u>524,366</u>	<u>445,717</u>
Total expenses	<u>1,427,255</u>	<u>-</u>	<u>-</u>	<u>1,427,255</u>	<u>1,051,165</u>
Change in net assets	148,992	(467,425)	200,000	(118,433)	1,154,643
Net assets at beginning of year	<u>859,489</u>	<u>1,081,254</u>	<u>1,000,000</u>	<u>2,940,743</u>	<u>1,786,100</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,008,481</u>	<u>\$ 613,829</u>	<u>\$ 1,200,000</u>	<u>\$ 2,822,310</u>	<u>\$ 2,940,743</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (118,433)	\$ 1,154,643
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,082	1,331
Realized loss	-	800
Permanently restricted contributions	(1,200,000)	-
Change in discount on noncurrent contributions receivable	(2,885)	7,581
Change in allowance for bad debt	(4,000)	-
Decrease (increase)		
Contributions receivable	378,242	(433,875)
Prepaid expenses	(1,711)	(492)
Contributions receivable restricted for endowment	1,000,000	(1,000,000)
Increase in:		
Accounts payable and accrued liabilities	<u>48,482</u>	<u>36,740</u>
Net cash provided (used) by operating activities	<u>100,777</u>	<u>(233,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(55,073)	(32,677)
Proceeds from sale of investments	-	24,243
Cash and cash equivalents held for endowment	<u>(1,200,000)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,255,073)</u>	<u>(8,434)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>1,200,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,200,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	45,704	(241,706)
Cash and cash equivalents at beginning of year	<u>1,447,326</u>	<u>1,689,032</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,493,030</u>	<u>\$ 1,447,326</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Securities	<u>\$ 25,098</u>	<u>\$ -</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization, nature of activities and program descriptions -

Founded in 2007, Friends of the National World War II Memorial, Inc. (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, D.C.; 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 2017, Friends continued to provide educational programs and resources. To this end, Friends hosted its second 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 25th - 29th and attended by 48 educators from all across the country, focused on the theme: "WWII: The Transformation of America" and featured presentations by fellow educators and other experts in the area of WWII history, a panel discussion 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 9th, Friends held the fifth annual Haydn Williams World War II Memorial Legacy Lecture at the National Defense University's Lincoln Hall Auditorium. Professor, author and historian Dr. David Kennedy of Stanford University presented the lecture titled, "A Tale of Three Cities: How the United States Won WWII", which explored the American "Grand Strategy" in World War II.

Commemorative Events

In cooperation with the National Park Service (NPS), 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 World War II 75th anniversary commemoration.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

**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 72nd Anniversary of the Allied Forces Victory in Europe during World War II, the May 8th V-E Day 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, 26 World War II veterans presented wreaths at the Freedom Wall in remembrance of their fallen brothers and sisters. WUSA9 Morning Anchor Mike Hydeck served as the event's Master of Ceremonies. Friends Chairman, Josiah Bunting III, spoke on behalf of Friends, and Superintendent of the National Mall and Memorial Parks, Gay Vietzke, spoke on behalf of NPS. The Military District of Washington provided military support for the event.

Memorial Day Ceremony: The May 29th Memorial Day observance at the WWII Memorial paid special recognition to all those who made the ultimate sacrifice during World War II. As part of the commemoration, 19 World War II veterans presented wreaths at the Freedom Wall in remembrance of their fallen brothers and sisters. During the ceremony, two World War II veterans - Lieutenant Jim Downing and Dave Yoho - offered personal remarks about their service during WWII. Lt. Downing was the second oldest known survivor of the December 7, 1941 surprise attack on Pearl Harbor by Imperial Japan that killed more than 2,400 Americans. At 16-years old, Mr. Yoho found himself serving as a U.S. Merchant Marine aboard a T/2 Tanker supporting combat ships in the South Pacific. The ceremony also featured musical performances by Grammy Award-nominated songwriter Bob Regan and country music artist Rockie Lynne. Mr. Regan performed his song "The Last Monday in May," a song about Memorial Day written in collaboration with veterans. Mr. Lynne, a U.S. Army veteran who served as a paratrooper with the 82nd Airborne Division, performed several patriotic songs during the ceremony. Award-winning journalist and WUSA9 Weekday Morning News anchor Mike Hydeck served as the event's Master of Ceremonies. Friends' chairman Josiah Bunting III and Gay Vietzke, superintendent of the National Mall and Memorial Parks, offered welcoming remarks. The Military District of Washington provided military support for the event.

D-Day 73rd Anniversary Commemoration: The June 6th ceremony commemorated the 73 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, seven WWII and D-Day veterans placed wreaths at the Atlantic Arch of the World War II Memorial in memory of the 9,000 Allied soldiers killed or wounded during the invasion. Lieutenant Gary H. Cheek, Director of the Army Staff, spoke and presented a wreath during the event. Friends chairman Josiah Bunting III also provided remarks and the Military District of Washington provided military support for the event. This ceremony was held in conjunction with a concert by the D-Day Memorial Wind Band presented by Music Celebrations International. The concert was conducted by the legendary WWII D-Day veteran Colonel Arnauld D. Gabriel and Colonel Dennis M. Layendecker. The D-Day Memorial Wind Band performed throughout the ceremony.

V-J Day Ceremony: In remembrance of the 72nd anniversary of the Allied Forces Victory in the Pacific and the end of World War II, the September 2nd V-J Day ceremony paid special recognition to all World War II veterans and especially those who fought in the Pacific Theater during the war.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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

Commemorative Events (continued)

V-J Day Ceremony (continued): WWII veteran and Pro Football Hall of Fame Coach Marv Levy gave the ceremony's keynote address and shared his poem, "I'll Remember Those Days" which he dedicated to his fellow veterans. Coach Levy served in the U.S. Army Air Forces during the war. Friends' chairman Josiah Bunting III and Brian D. Joyner, Chief of Staff, National Mall and Memorial Parks, offered welcoming remarks. As part of the ceremony, Coach Levy and a dozen other World War II veterans were joined by Pro Football Hall of Fame defensive end Bruce Smith and other dignitaries in placing wreaths at the Freedom Wall in remembrance of the more than 400,000 Americans who lost their lives during WWII. 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 World War II. During the event, United States Department of the Interior Secretary Ryan Zinke and WWII veteran Colonel Charles McGee provided keynote addresses. Secretary Zinke was sworn in as the 52nd Secretary of the Interior on March 1, 2017. An Iraq veteran, he is the first U.S. Navy SEAL to serve as a cabinet secretary. Colonel McGee served as one of the Tuskegee Airmen and was a career officer in the United States Air Force for 30 years. He holds a U.S. Air Force record of 409 fighter combat missions flown in World War II, Korea, and Vietnam. As part of the ceremony, Secretary Zinke, Colonel McGee, and nearly twenty other World War II 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 Cassius Cash, 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 76th 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 World War II - both on the battlefield and the home front - and especially those killed in the attack. President of the National Football League's Washington Redskins, Mr. Bruce Allen, delivered the ceremony's keynote address. Under Mr. Allen's leadership, the Washington Redskins have maintained strong support for our nation's military and veterans communities, even launching "Redskins Salute" a free military appreciation community. Mr. Allen also serves as a member of Friends' WWII 75th Anniversary Honorary Committee alongside Presidents George H.W. Bush and Jimmy Carter, Senator Bob Dole, Tom Hanks, Frederick W. Smith, and others. As part of the ceremony, Mr. Allen and more than a dozen World War II Veterans and Pearl Harbor Survivors placed wreaths at the Freedom Wall in remembrance of the more than 400,000 Americans who lost their lives during World War II, 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 Cassius Cash, 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 2017, Friends hosted eight 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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

**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 (continued): Each ceremony was concluded with the playing of Taps by a Military District of Washington bugler.

- Sat., Jan. 7 - Battle of Bataan 75th Anniversary Commemoration: On a cold and snowy Saturday morning, Friends hosted a very poignant and inspiring Battle of Bataan 75th Anniversary Commemoration at the World War II Memorial. Remarks were provided by General Eric Calip of the Embassy of the Philippines and retired U.S. Army General Antonio (Tony) Taguba, whose father served during the Battle of Bataan and survived the Bataan Death March. Following the formal remarks and wreath presentation, families of those who served during the Battle of Bataan offered their own personal reflections about their loved ones' service and sacrifices.
- Fri., Jan. 13 - Battle of the Atlantic 75th Anniversary Commemoration: Friends hosted a very special Battle of the Atlantic 75th Anniversary Commemoration at the World War II Memorial with remarks provided by Friends chairman Si Bunting and David Alberg, superintendent of the Monitor National Marine Sanctuary, part of the National Oceanic and Atmospheric Administration (NOAA). Following the remarks, representatives of Allied Nations that took part in the battle presented wreaths at the Atlantic Arch in remembrance of the 36,200 Allied sailors and the 36,000 Allied merchant seamen killed during the Battle of the Atlantic and in honor of all who served: Ambassador Dirk Wouters, Embassy of the Kingdom of Belgium; Felipe G Bandeira de Mello, Counselor, Embassy of Brazil; Ms. Sheila Riordon, Political Minister, and Commander Ian Wood, Assistant Naval Attaché, Canadian Embassy; Lieutenant-Colonel Eric Jan Looman, Assistant Marine Attaché, Embassy of the Kingdom of the Netherlands; Captain Erik Bøe, Assistant Defense and Naval Attaché, Royal Norwegian Embassy; Colonel Michal Sprengel, Acting Defense Attaché, Embassy of Poland; and Commodore Martin Connell Royal Navy, Naval Attaché, Embassy of the United Kingdom.
- Tues., Apr. 18 - Doolittle Raid 75th Anniversary Commemoration: Friends hosted a ceremony at the WWII Memorial marking the 75th Anniversary of the Doolittle Raid, the United States' first air strike against the main island of Japan during WWII. For the commemoration, Friends hosted a brief ceremony and wreath presentation at the WWII Memorial's Pacific Arch where WWII veterans and others presented wreaths in recognition of all those who took part in this daring and historic military action. Friends chairman Josiah Bunting III offered remarks and the Honor Flight Tri-State took part in the event.
- Thurs., May 4 - Battle of the Coral Sea 75th Anniversary Commemoration: Several hundred folks were on hand for the poignant Battle of the Coral Sea 75th Anniversary Commemoration at the WWII Memorial. Participating in the May 4th ceremony were WWII veterans from Kansas Honor Flight and Wing Commander Michael Que Hee, Assistant Air Attaché, Australian Defence Force from the Embassy of Australia. Representative Roger Marshall (R-KS-01) and representatives of the Embassy of Canada also took part in the ceremony. The May 4-8, 1942 Battle of the Coral Sea, between the Imperial Japanese Navy and the naval and air forces from the United States and Australia, was the world's first all-carrier battle and the first sea battle in which neither side could see the other.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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

Commemorative Events (continued)

- Sat., June 3 - Battle of Midway 75th Anniversary Commemoration: Friends hosted a brief ceremony and wreath presentation at the World War II Memorial's Pacific Arch to mark the 75th anniversary of the Battle of Midway. Often called "the turning point in the Pacific," the Battle of Midway victory allowed the United States and its allies to move into an offensive position in the Pacific campaign. During the ceremony, more than a dozen World War II veterans, including six survivors of the battle, presented wreaths at the Pacific Arch of the Memorial in remembrance of the more than 300 Americans killed during the Battle of Midway. Friends chairman Josiah Bunting III provided remarks.
- Mon., Aug. 7 - Battle of Guadalcanal 75th Anniversary Commemoration: Friends hosted a very special - and very wet - event at the WWII Memorial marking the 75th anniversary of the Battle of Guadalcanal. During the ceremony, wreaths were presented at the Pacific Arch of the Memorial in honor of the 60,000 Allies who served and in remembrance of the more than 7,000 killed during the campaign. The ceremony was attended by several foreign dignitaries, representing the Allies that took part in this important battle: H.E. Mr. Mahe Tupouniua, Ambassador and Permanent Representative of the Permanent Mission of the Kingdom of Tonga to the United Nations; Lieutenant Colonel Benjamin Pitt, Military Attaché, Embassy of New Zealand; Air Vice Marshall Alan Clements, Head of Australian Defence Staff Defense Attaché, Embassy of Australia; and Major Andrew Uprichard Royal Marines, British Naval Staff, British Embassy. During the ceremony, remarks were provided by Ambassador Tupouniua and retired Marine Lt. Col. Ron Campbell whose father served in the Battle of Guadalcanal. The ceremony was carried "live" on Facebook and received nearly 9,000 views.
- Wed., Oct. 25 - Battle of the Santa Cruz Islands 75th Anniversary Commemoration: Friends hosted a brief ceremony and wreath presentation at the World War II Memorial's Pacific Arch to mark the 75th anniversary of the Battle of the Santa Cruz Islands, a major naval engagement fought between the United States Navy and the Imperial Japanese Navy during the lengthy and strategically important Guadalcanal campaign in the Pacific Theater of World War II. Friends chairman Josiah Bunting III provided remarks and was joined by WWII veterans in presenting wreaths in honor of the U.S. Navy service members who served and in remembrance of the nearly 300 killed during the Battle of the Santa Cruz Islands.
- Wed., Nov. 8 - Operation Torch 75th Anniversary Commemoration: Friends commemorated the 75th anniversary of Operation Torch, the Allied invasion of French North Africa, at the WWII Memorial. During the November 8th ceremony at the World War II Memorial, 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 more than 100,000 Allies who served and in remembrance of the more than 1,000 killed during Operation Torch. Friends chairman Josiah Bunting III delivered stirring remarks and was joined in presenting wreaths by representatives of Australia, Canada, France, the Netherlands, and the United Kingdom as well as 98-years-young WWII veteran, Norman Duncan, and the descendants of an Algerian family who experienced Torch first-hand.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

Commemorative Events (continued)

Christmas Caroling: On December 16th, 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. In 2017, Friends continued to engage Oehme van Sweden & Associates (OvS), the original landscape architects for the WWII Memorial, and continued to work with the NPS on the concept design phase for the addition and to solicit approval for the concept design from the necessary federal agencies.

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) ASC 958, *Not-for-Profit Entities*.

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with Friends' financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and cash equivalents -

Friends considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. 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.

Contributions receivable -

Contributions receivable are reported at their net present realizable value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the customer.

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, 2017 totaled \$1,082.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Fixed assets (continued) -

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, 2017, 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 -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Friends. Included in unrestricted net assets are Board designated net assets for the Institutional Building Fund (IBF). The Board of Directors established the 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 \$81,477 to the IBF in the year ended December 31, 2017. Funds can be used through Board of Director review and approval. There were no funds used for the year ended December 31, 2017.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Friends and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by Friends. There are certain restrictions placed on the use of investment earnings from these endowment funds.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

Contributions and grants (continued) -

Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements. Temporarily restricted contributions received and satisfied in the same reporting period are recorded as unrestricted revenue.

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.

Donated securities -

It is Friends' policy to sell donated investments immediately upon receipt of the donation.

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.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as Board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Friends' financial statements, it is not expected to alter Friends' reported financial position.

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 (U.S. GAAP) 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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

New accounting pronouncements (not yet adopted) (continued -

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. **CONTRIBUTIONS RECEIVABLE**

As of December 31, 2017, contributors to Friends have made written promises to give totaling \$153,780. Contributions due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 4%.

Contributions are due as follows at December 31, 2017:

Less than one year	\$ 78,780
One to five years	<u>75,000</u>
Total	153,780
Less: Allowance to discount balance to present value	<u>(5,658)</u>
NET CONTRIBUTIONS RECEIVABLE	<u>\$ 148,122</u>

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2017:

Commemorative Events	\$ 15,207
History and Legacy Fund	450,500
Time Restricted	<u>148,122</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 613,829</u>

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

Education	\$ 490,244
Legacy Lecture	40,323
Passage of Time	<u>144,022</u>
	<u>\$ 674,589</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, 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, 2017:

Fundraising	\$ 432,435
Education	<u>320,999</u>
TOTAL	<u>\$ 753,434</u>

5. LEASE COMMITMENTS

Friends leased office space under a two-year agreement, which originated on November 1, 2015 and expired October 31, 2017. Base rent was \$1,825 per month, plus a proportionate share of expenses. During the year ended December 31, 2017, Friends entered into a new lease. The lease commenced on December 1, 2017 and will expire on November 30, 2019. Base monthly rent is \$1,880, increasing to \$1,940 in year two of the lease.

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

<u>Year Ending December 31</u>	
2018	\$ 22,620
2019	<u>21,340</u>
	<u>\$ 43,960</u>

Rent expense, including parking and utilities, for the year ended December 31, 2017 was \$21,955.

6. COMMITMENTS

Friends has a three-year employment contract with the Executive Director and a two-year employment contract with the Public Education Officer, which terminate on December 31, 2019 and December 31, 2018, respectively. The agreement provides for various severance benefits upon termination of the agreement with 30-days written notice.

7. 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 organization's 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, 2017**

7. ENDOWMENT (Continued)

As required by GAAP, 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, Friends classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization 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 the organization 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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,200,000</u>	\$ <u>1,200,000</u>

Changes in endowment net assets for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Investment return:				
Investment income	-	1,307	-	1,307
Contributions	-	-	200,000	200,000
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(1,307)</u>	<u>-</u>	<u>(1,307)</u>
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>-</u>	\$ <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, 2017**

7. ENDOWMENT (Continued)

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 the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. 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.

The endowment is sitting in "Cash and cash equivalents held for endowment" and "Contributions receivable restricted for endowment" as of December 31, 2017 and 2016, respectively.

8. SUBSEQUENT EVENTS

In preparing these financial statements, Friends has evaluated events and transactions for potential recognition or disclosure through May 14, 2018, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Supporting Services			Total Expenses	
	Education	Commemorative Events	Legacy Lecture	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries	\$ 105,597	\$ 40,650	\$ 14,532	\$ 160,779	\$ 25,224	\$ 17,586	\$ 42,810	\$ 203,589
Health insurance	3,313	2,104	839	6,256	1,422	1,024	2,446	8,702
Retirement	2,162	1,362	500	4,024	868	608	1,476	5,500
Employer FICA and Medicare	7,408	2,941	962	11,311	1,721	1,160	2,881	14,192
DC SUTA and employee tax	233	124	6	363	38	7	45	408
Special program costs	69,046	59,439	200	128,685	300	-	300	128,985
Accounting and audit services	45,150	17,650	6,438	69,238	10,773	7,686	18,459	87,697
Consultant fees	118,991	43,804	13,386	176,181	3,226	119,344	122,570	298,751
Professional services	528	3,766	24	4,318	98	32	130	4,448
Legal services	3,072	817	580	4,469	838	711	1,549	6,018
IT Consultants	3,807	-	-	3,807	-	-	-	3,807
Web and internet expense	17,765	8	4	17,777	8	6	14	17,791
Postage and delivery	58,491	422	479	59,392	284	76,096	76,380	135,772
Telephone and telecommunications	2,263	691	239	3,193	418	287	705	3,898
Printing and copying	55,817	1,384	2,215	59,416	520	49,077	49,597	109,013
Computing services	9,264	-	-	9,264	-	12,280	12,280	21,544
List rental	8,249	-	-	8,249	-	10,936	10,936	19,185
Mail shop	82,715	-	-	82,715	-	109,645	109,645	192,360
Promotional item	28,118	-	-	28,118	-	37,272	37,272	65,390
Board meeting expenses	3,074	890	617	4,581	8,070	755	8,825	13,406
Education committee	125	11	8	144	12	10	22	166
Media advertising	1,196	-	-	1,196	-	-	-	1,196
Local travel	2,179	900	1,361	4,440	535	570	1,105	5,545
Out of town travel	14,688	2,405	848	17,941	1,333	7,070	8,403	26,344
Conference, convention and meetings	7,146	953	21	8,120	35	99	134	8,254
Office supplies	1,077	578	186	1,841	793	200	993	2,834
Program supplies	2,634	649	-	3,283	-	182	182	3,465
Depreciation	550	211	85	846	135	101	236	1,082
Rent, parking and utilities	11,392	4,400	1,559	17,351	2,717	1,887	4,604	21,955
Bank fees	1,322	377	267	1,966	466	5,757	6,223	8,189
Payroll service fees	685	274	93	1,052	162	111	273	1,325
Insurance - Other	82	40	10	132	18	12	30	162
Business and liability	1,224	390	204	1,818	312	247	559	2,377
Workers compensation	145	25	43	213	48	51	99	312
State registration	254	124	32	410	3,147	36	3,183	3,593
TOTAL	\$ 669,762	\$ 187,389	\$ 45,738	\$ 902,889	\$ 63,521	\$ 460,845	\$ 524,366	\$ 1,427,255