

**FINANCIAL STATEMENTS**

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

**FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2019**

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

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Friends of the National World War II Memorial, Inc. (Friends), which comprise the statement of financial position as of December 31, 2020, 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, 2020, 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' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

June 11, 2021

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

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 48,093	\$ 97,679
Investments	2,983,736	1,532,009
Grants receivable	40,908	-
Contributions receivable	14,328	8,158
Prepaid expenses	<u>110,656</u>	<u>16,810</u>
Total current assets	<u>3,197,721</u>	<u>1,654,656</u>
<b>FIXED ASSETS</b>		
Furniture and equipment	8,927	8,927
Memorial plaque	<u>143,113</u>	<u>102,588</u>
	152,040	111,515
Less: Accumulated depreciation	<u>(7,161)</u>	<u>(6,181)</u>
Net fixed assets	<u>144,879</u>	<u>105,334</u>
<b>NONCURRENT ASSETS</b>		
Investments held for endowment	1,342,310	1,302,057
Security deposits	<u>2,450</u>	<u>2,450</u>
Total noncurrent assets	<u>1,344,760</u>	<u>1,304,507</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,687,360</u></b>	<b><u>\$ 3,064,497</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ <u>65,287</u>	\$ <u>233,474</u>
<b>NET ASSETS</b>		
Without donor restrictions	825,947	1,046,347
With donor restrictions	<u>3,796,126</u>	<u>1,784,676</u>
Total net assets	<u>4,622,073</u>	<u>2,831,023</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,687,360</u></b>	<b><u>\$ 3,064,497</u></b>

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

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 751,329	\$ 2,014,328	\$ 2,765,657	\$ 843,764
Investment income, net	112,260	84,842	197,102	172,749
Other revenue	35,268	-	35,268	-
Net assets released from donor restrictions	<u>87,720</u>	<u>(87,720)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>986,577</u>	<u>2,011,450</u>	<u>2,998,027</u>	<u>1,016,513</u>
<b>EXPENSES</b>				
Program Services:				
Education	495,711	-	495,711	622,250
Commemorative Events	240,536	-	240,536	317,133
Legacy Lecture	44,590	-	44,590	17,928
D-Day Prayer	<u>34,973</u>	<u>-</u>	<u>34,973</u>	<u>-</u>
Total program services	<u>815,810</u>	<u>-</u>	<u>815,810</u>	<u>957,311</u>
Supporting Services:				
Management and General	62,831	-	62,831	117,774
Fundraising	<u>328,336</u>	<u>-</u>	<u>328,336</u>	<u>447,382</u>
Total supporting services	<u>391,167</u>	<u>-</u>	<u>391,167</u>	<u>565,156</u>
Total expenses	<u>1,206,977</u>	<u>-</u>	<u>1,206,977</u>	<u>1,522,467</u>
Change in net assets	(220,400)	2,011,450	1,791,050	(505,954)
Net assets at beginning of year	<u>1,046,347</u>	<u>1,784,676</u>	<u>2,831,023</u>	<u>3,336,977</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 825,947</u></b>	<b><u>\$ 3,796,126</u></b>	<b><u>\$ 4,622,073</u></b>	<b><u>\$ 2,831,023</u></b>

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020					2019				
	Program Services				Total Program Services	Supporting Services			Total Expenses	Total Expenses
Education	Commemorative Events	Legacy Lecture	D-Day Prayer	Management and General		Fundraising	Total Supporting Services	Total Expenses		
Direct mail expenses	\$ 115,136	\$ -	\$ -	\$ -	\$ 115,136	\$ -	\$ 275,446	\$ 275,446	\$ 390,582	\$ 535,393
Salaries	126,782	86,244	14,907	18,469	246,402	31,950	8,136	40,086	286,488	217,121
Consultant and professional services	100,955	21,990	19,094	4,684	146,723	8,301	33,438	41,739	188,462	238,041
Special program costs	50,500	62,857	200	550	114,107	-	-	-	114,107	291,864
Accounting and audit services	44,881	31,798	5,311	5,430	87,420	10,348	2,940	13,288	100,708	83,584
Rent, parking and utilities	10,365	6,579	1,160	1,641	19,745	2,708	947	3,655	23,400	23,350
Payroll taxes	9,368	6,926	929	967	18,190	2,079	652	2,731	20,921	17,504
Health insurance	4,658	6,678	978	913	13,227	930	656	1,586	14,813	12,704
Printing and copying	7,012	4,497	259	126	11,894	411	128	539	12,433	29,004
IT Web and internet expense	6,233	78	-	16	6,327	40	5,016	5,056	11,383	6,256
Retirement	3,406	2,924	522	643	7,495	671	285	956	8,451	6,000
Media advertising	5,324	142	40	46	5,552	68	14	82	5,634	2,598
Payroll service fees	2,178	1,441	275	336	4,230	561	138	699	4,929	1,272
Office supplies	1,697	898	199	361	3,155	563	165	728	3,883	2,411
Business insurance	1,370	911	170	212	2,663	354	87	441	3,104	3,650
Telephone and telecommunications	1,135	791	130	160	2,216	280	71	351	2,567	2,103
Postage and delivery	1,095	605	181	207	2,088	316	74	390	2,478	3,615
Local travel	366	1,684	62	35	2,147	72	25	97	2,244	4,401
State registration	110	86	15	5	216	1,877	7	1,884	2,100	2,842
Conference, convention and meetings	369	1,572	29	25	1,995	67	24	91	2,086	2,303
Out of town travel	1,324	700	-	-	2,024	-	-	-	2,024	15,080
Depreciation	433	289	54	66	842	111	27	138	980	576
Legal services	421	427	17	6	871	52	20	72	943	482
Business fees and charges	418	287	49	58	812	103	27	130	942	413
Miscellaneous	20	11	2	1	34	631	1	632	666	473
Bank fees	155	121	7	16	299	338	12	350	649	196
Board and education meeting expenses	-	-	-	-	-	-	-	-	-	14,746
Program supplies	-	-	-	-	-	-	-	-	-	4,485
<b>TOTAL</b>	<b>\$ 495,711</b>	<b>\$ 240,536</b>	<b>\$ 44,590</b>	<b>\$ 34,973</b>	<b>\$ 815,810</b>	<b>\$ 62,831</b>	<b>\$ 328,336</b>	<b>\$ 391,167</b>	<b>\$ 1,206,977</b>	<b>\$ 1,522,467</b>

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, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,791,050	\$ (505,954)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	980	576
Unrealized and realized gain	(174,550)	(142,024)
(Increase) decrease		
Grants receivable	(40,908)	-
Contributions receivable	(6,170)	91,842
Prepaid expenses	(93,846)	4,229
Security deposits	-	(125)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(168,187)</u>	<u>61,377</u>
Net cash provided (used) by operating activities	<u>1,308,369</u>	<u>(490,079)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(40,525)	(2,268)
Purchase of investments	(2,022,522)	(650,367)
Proceeds from sale of investments	<u>705,092</u>	<u>700,000</u>
Net cash (used) provided by investing activities	<u>(1,357,955)</u>	<u>47,365</u>
Net decrease in cash and cash equivalents	(49,586)	(442,714)
Cash and cash equivalents at beginning of year	<u>97,679</u>	<u>540,393</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u><u>\$ 48,093</u></u></b>	<b><u><u>\$ 97,679</u></u></b>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:</b>		
Donated Securities	<u><u>\$ -</u></u>	<u><u>\$ 20,055</u></u>



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

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

### 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 2020, Friends of the National World War II Memorial, Inc. continued to provide educational programs and resources. To this end, Friends hosted its fifth annual Friends of the World War II Memorial Teachers Network and Conference. Due to the worldwide pandemic, the five day conference was held virtually from July 21<sup>st</sup> 25<sup>th</sup> and was attended by an average of 80-90 online participants daily from 33 states and three countries outside the U.S. The conference theme was “World War II 75<sup>th</sup> Anniversary: The Lasting Significance and Impact of World War II on America and the World” and featured presentations by fellow educators and other experts in the area of WWII history, discussions with WWII veterans, virtual tours of sites of WWII significance, and a virtual remembrance ceremony at the WWII Memorial. The focus on the 75<sup>th</sup> Anniversary of WWII allowed educators to see the myriad of different ways that World War II transformed American society and culture in ways that we still see today. Additionally, the theme covered a broad swath of WWII experiences, which will be accessible and interesting to a wide variety of students – whether they are interested in military history, economics, minority groups during the war, and many other topics.

In October 2020, Friends launched a monthly virtual education conference series to teach the lessons of yesterday to unite the generations of tomorrow. The series, featuring discussions with World War II veterans, educators, and published authors on a range of topics, is held on the third Saturday of each month.

#### **Haydn Williams World War II Memorial Legacy Lecture Series**

On November 18<sup>th</sup>, Friends held the eighth annual Haydn Williams World War II Memorial Legacy Lecture via the National Defense University’s online portal. Author, historian, and visiting professor of War Studies at King’s College, London Dr. Andrew Roberts presented the lecture titled, “*Anglo-American Cooperation in World War Two: The Highs and Lows.*” The Haydn Williams World War II Memorial Legacy Lecture is an annual public lecture series that features preeminent historians and other experts speaking on the lasting significance and impact of World War II on America and the world.

#### **Commemorative Events**

In cooperation with the National Park Service, Friends has the lead responsibility in planning, staging, and funding five major national commemorative events at the Memorial on VE Day, Memorial Day, VJ Day, Veterans Day, and Pearl Harbor Remembrance Day. In addition, Friends annually hosts a D-Day commemoration and holiday caroling at the Memorial. The ceremonies and caroling are free and open to the public.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

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

**Commemorative Events (continued)**

Due to the continuing concerns surrounding the global pandemic, each of these 2020 annual events were held virtually. We ended 2020 having hosted 16 commemorative events and programs during this final year of our four-year 75th anniversary commemoration. The first five, between January 1 and February 19, were held as planned at the WWII Memorial. The next two were filmed, as brief wreath presentations, at the Iwo Jima Memorial. For the final nine commemorations, we transitioned into a new era of storytelling with virtual ceremonies. Each virtual commemoration included a pre-recorded online video tribute and was accompanied by a private wreath presentation live streamed at the World War II Memorial.

**WWII 75<sup>th</sup> Anniversary Commemorations:** In 2020, Friends hosted twelve 75<sup>th</sup> 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 featured 85 commemorations. The Military District of Washington provided military, virtual, and in-person support for each event.

- **Wed., Jan. 1** — Operation Nordwind 75th Anniversary Commemoration at the WWII Memorial
- **Thurs., Jan. 9** — Battle of Luzon 75th Anniversary Commemoration at the WWII Memorial
- **Mon., Jan. 20** — Colmar Pocket 75th Anniversary Commemoration at the WWII Memorial
- **Mon., Feb. 3** — Battle of Manila 75th Anniversary Commemoration at the WWII Memorial
- **Wed., Feb. 19** — Battle of Iwo Jima 75th Anniversary Commemoration at the WWII Memorial
- **Tues., March 24** — Operation Varsity 75th Anniversary Commemoration at the U.S. Marine Corps War Memorial
- **Wed., April 1** — Battle of Okinawa 75th Anniversary Commemoration
- **Mon., April 6** — Operation Grapeshot (Spring Offensive) 75th Anniversary Commemoration
- **Sat., April 18** — Ruhr Pocket 75th Anniversary Commemoration
- **Wed., April 29** — Liberation of the Concentration Camps 75th Anniversary Commemoration
- **Thurs., Aug. 6** — 75th Anniversary of the Bombings of Hiroshima and Nagasaki
- **Wed., Sept. 2** — V-J Day 75th Anniversary Commemoration at the WWII Memorial

Additionally, Friends worked with the National Football League and WWII veteran Pro Football Hall of Fame Coach Marv Levy to bring in Miami to take part in the official coin toss ceremony as part of Friends' four-year WWII 75th Anniversary Commemoration.

**Preservation**

Friends is leading the effort to fulfill the congressional mandate to add President Franklin Roosevelt's 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. Additionally, Friends is working with Congresswoman Marcy Kaptur, the "mother" of the World War II Memorial, to support the National World War II Memorial Commemorative Coin Act legislation that will raise private funds to help provide maintenance support of the World War II Memorial.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

Basis of presentation -

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

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

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Friends' financial statements for the year ended December 31, 2019, 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 \$2,027,168 as of December 31, 2020.

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. Friends' policy is to liquidate all gifts of investments as soon as possible after the gift.

Grants and contributions receivable -

Grants and 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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

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, 2020 totaled \$980.

Fixed assets include \$143,113 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, 2020, Friends has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contributions and grants -

Gifts, including unconditional pledges, grants and contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions are recorded by Friends upon notification of the contribution and grant award and satisfaction of all conditions, if applicable.

Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions received and satisfied in the same reporting period are included in without donor restrictions.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact Friends' operations. The overall potential impact is unknown at this time.

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.

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

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

**2. INVESTMENTS (Continued)**

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

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

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

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

The table below summarizes, by level within the fair value hierarchy, Friends's investments as of December 31, 2020:

<b>Asset Class:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual fund	\$ 909,790	\$ -	\$ -	\$ 909,790
Exchange-traded funds	1,389,088	-	-	1,389,088
<b>TOTAL</b>	<b>\$ 2,298,878</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,298,878</b>

At December 31, 2020, \$2,027,168 of cash equivalents was held as investments.

Included in investment income are the following:

Interest and dividends	\$ 31,396
Unrealized and realized gain	174,550
Management fees	(8,844)
<b>TOTAL INVESTMENT INCOME</b>	<b>\$ 197,102</b>

**3. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at December 31, 2020:

Subject to expenditure for specified purpose:	
Education	\$ 15,000
D-Day Prayer	1,974,488
Legacy Lecture (accumulated endowment earnings)	142,310
History and Legacy Fund	450,000
Subject to passage of time	14,328
Endowments to be invested in perpetuity:	
Haydn Williams Legacy Lectures Program	1,200,000
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ 3,796,126</b>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

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**3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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	\$ 79,562
Passage of time	<u>8,158</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 87,720</u></b>

**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, 2020, 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, 2020:

Fundraising	\$ 284,184
Education	<u>104,879</u>
<b>TOTAL</b>	<b><u>\$ 389,063</u></b>

**5. LEASE COMMITMENTS**

Friends leases office space under an operating lease agreement that expired in November 2019. The agreement was extended for a two year period through November 2021 with rent starting at \$1,950 per month and increasing to \$2,025 in the second year.

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

<b>Year Ending December 31, 2021</b>	<b><u>\$ 22,275</u></b>
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Rent expense for the year ended December 31, 2020 totaled \$23,400.

**6. FUNDING FROM THE PAYCHECK PROTECTION PROGRAM**

On April 20, 2020, Friends received loan proceeds in the amount of \$34,817 under the Paycheck Protection Program. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration. During the year ended December 31, 2020, Friends expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and believes they have met all conditions set forth for full forgiveness.

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

**NOTES TO FINANCIAL STATEMENTS  
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**6. FUNDING FROM THE PAYCHECK PROTECTION PROGRAM (Continued)**

Accordingly, under guidance found in FASB ASC 958-605, Friends has recognized the PPP funding as a conditional grant by which all conditions have been met and is included in Other revenue on the accompanying Statement of Activities and Change in Net Assets. Subsequent to December 31, 2020, Friends received full forgiveness by the SBA.

**7. 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	\$ 48,093
Investments	2,983,736
Contributions receivable	14,328
Grants receivable	40,908
Less: Non-endowment donor restricted funds	<u>(2,439,488)</u>

<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 647,577</u></b>
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Friends is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Friends must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Contributions receivable are expected to be collected within one year and, as such, are considered available for expenditure. Friends has a policy to structure its financial assets to be available and liquid as its obligations become due.

**8. COMMITMENTS**

Friends has a two-year employment contract with the Executive Director and the Public Education Officer, which terminate on December 31, 2021 and December 31, 2022, respectively. The agreements provide for various severance benefits upon termination of the agreement with 30-days written notice.

**9. 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.



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

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**9. ENDOWMENT (Continued)**

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, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,200,000	\$ 1,200,000
Accumulated earnings	-	142,310	142,310
<b>TOTAL FUNDS</b>	<b>\$ -</b>	<b>\$ 1,342,310</b>	<b>\$ 1,342,310</b>

Changes in endowment net assets for the year ended December 31, 2020:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ -	\$ 1,302,057	\$ 1,302,057
Investment return, net	-	84,842	84,842
Appropriation of endowment assets for expenditure	-	(44,589)	(44,589)
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 1,342,310</b>	<b>\$ 1,342,310</b>

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, 2020.

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

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**9. 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 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.

**10. SUBSEQUENT EVENTS**

In preparing these financial statements, Friends has evaluated events and transactions for potential recognition or disclosure through June 11, 2021, the date the financial statements were issued.