

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

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.

Opinion

We have audited the accompanying financial statements of the Friends of the National World War II Memorial, Inc. (Friends), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Friends' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 13, 2022

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 73,335	\$ 48,093
Investments	3,401,298	2,983,736
Grants receivable	450,000	40,908
Contributions receivable	-	14,328
Prepaid expenses	<u>38,919</u>	<u>110,656</u>
Total current assets	<u>3,963,552</u>	<u>3,197,721</u>
FIXED ASSETS		
Furniture and equipment	8,927	8,927
Memorial plaque	<u>337,771</u>	<u>143,113</u>
	346,698	152,040
Less: Accumulated depreciation	<u>(7,615)</u>	<u>(7,161)</u>
Net fixed assets	<u>339,083</u>	<u>144,879</u>
NONCURRENT ASSETS		
Investments held for endowment	1,457,309	1,342,310
Security deposits	<u>2,450</u>	<u>2,450</u>
Total noncurrent assets	<u>1,459,759</u>	<u>1,344,760</u>
TOTAL ASSETS	<u>\$ 5,762,394</u>	<u>\$ 4,687,360</u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable and accrued liabilities	\$ <u>169,044</u>	\$ <u>65,287</u>
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NET ASSETS

Without donor restrictions	1,357,057	825,947
With donor restrictions	<u>4,236,293</u>	<u>3,796,126</u>
Total net assets	<u>5,593,350</u>	<u>4,622,073</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,762,394</u>	<u>\$ 4,687,360</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 1,724,572	\$ 1,000,000	\$ 2,724,572	\$ 2,765,657
Investment income, net	596	127,169	127,765	197,102
Other revenue	-	-	-	35,268
Net assets released from donor restrictions	<u>687,002</u>	<u>(687,002)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,412,170</u>	<u>440,167</u>	<u>2,852,337</u>	<u>2,998,027</u>
EXPENSES				
Program Services:				
Education	1,077,191	-	1,077,191	495,711
Commemorative Events	72,421	-	72,421	240,536
Legacy Lecture	12,097	-	12,097	44,590
D-Day Prayer	<u>72,107</u>	<u>-</u>	<u>72,107</u>	<u>34,973</u>
Total program services	<u>1,233,816</u>	<u>-</u>	<u>1,233,816</u>	<u>815,810</u>
Supporting Services:				
Management and General	120,518	-	120,518	62,831
Fundraising	<u>526,726</u>	<u>-</u>	<u>526,726</u>	<u>328,336</u>
Total supporting services	<u>647,244</u>	<u>-</u>	<u>647,244</u>	<u>391,167</u>
Total expenses	<u>1,881,060</u>	<u>-</u>	<u>1,881,060</u>	<u>1,206,977</u>
Change in net assets	531,110	440,167	971,277	1,791,050
Net assets at beginning of year	<u>825,947</u>	<u>3,796,126</u>	<u>4,622,073</u>	<u>2,831,023</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,357,057</u>	<u>\$ 4,236,293</u>	<u>\$ 5,593,350</u>	<u>\$ 4,622,073</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021								2020	
	Program Services					Supporting Services				
		Commemorative	Legacy	D-Day	Total	Management		Total	Total	Total
	Education	Events	Lecture	Prayer	Program	and	Fundraising	Supporting	Expenses	Expenses
					Services	General		Services		
Salaries	\$ 197,241	\$ 20,188	\$ 3,836	\$ 45,830	\$ 267,095	\$ 18,913	\$ 2,563	\$ 21,476	\$ 288,571	\$ 286,488
Health insurance	8,386	1,547	289	3,324	13,546	562	193	755	14,301	14,813
Retirement	4,406	679	134	1,583	6,802	297	90	387	7,189	8,451
Payroll taxes	12,229	1,524	283	3,059	17,095	1,244	190	1,434	18,529	20,921
DC SUTA and employment tax	1,760	214	34	447	2,455	184	23	207	2,662	-
Special program costs	395,694	37,724	5,357	1,176	439,951	-	-	-	439,951	114,107
Accounting and audit services	-	-	-	-	-	90,339	-	90,339	90,339	100,708
Legal services	153	36	6	47	242	16	4	20	262	943
Consultants and professional services	128,660	3,883	693	8,437	141,673	3,462	45,965	49,427	191,100	188,462
Books, subscriptions, reference	1,162	-	-	-	1,162	-	-	-	1,162	-
IT web and internet expense	20,848	-	-	-	20,848	-	-	-	20,848	11,383
Postage and delivery	1,055	520	35	344	1,954	140	206	346	2,300	2,478
Telephone and telecommunications	1,334	140	26	314	1,814	129	17	146	1,960	2,567
Printing and copying	4,194	126	860	302	5,482	133	21	154	5,636	12,433
Direct mail expenses	265,985	-	-	-	265,985	-	477,101	477,101	743,086	390,582
Board meeting	376	-	-	57	433	26	-	26	459	-
Media advertising	3,346	-	-	-	3,346	-	-	-	3,346	5,634
Local travel	377	2,312	6	57	2,752	24	4	28	2,780	2,244
Out of town travel	1,274	901	4	1,230	3,409	9	3	12	3,421	2,024
Conference, convention, meeting	1,375	130	44	173	1,722	59	16	75	1,797	2,086
Office supplies	4,933	159	33	379	5,504	157	22	179	5,683	3,883
Program supplies	772	-	-	292	1,064	-	-	-	1,064	-
Depreciation	308	33	6	73	420	30	4	34	454	980
Rent, parking, and utilities	15,885	1,738	345	3,705	21,673	1,494	233	1,727	23,400	23,400
Bank fees	202	14	6	40	262	622	4	626	888	649
Payroll service fees	2,369	250	45	560	3,224	232	30	262	3,486	4,929
Business insurance	2,255	239	43	534	3,071	220	29	249	3,320	3,104
Workers compensation	612	64	12	144	832	59	8	67	899	-
State registration	-	-	-	-	-	2,155	-	2,155	2,155	2,100
Miscellaneous	-	-	-	-	-	12	-	12	12	1,608
TOTAL	\$ 1,077,191	\$ 72,421	\$ 12,097	\$ 72,107	\$ 1,233,816	\$ 120,518	\$ 526,726	\$ 647,244	\$ 1,881,060	\$ 1,206,977

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, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 971,277	\$ 1,791,050
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	454	980
Unrealized and realized gain	(109,377)	(174,550)
(Increase) decrease		
Grants receivable	(409,092)	(40,908)
Contributions receivable	14,328	(6,170)
Prepaid expenses	71,737	(93,846)
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>103,757</u>	<u>(168,187)</u>
Net cash provided by operating activities	<u>643,084</u>	<u>1,308,369</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(194,658)	(40,525)
Purchase of investments	(1,132,304)	(2,022,522)
Proceeds from sale of investments	<u>709,120</u>	<u>705,092</u>
Net cash used by investing activities	<u>(617,842)</u>	<u>(1,357,955)</u>
Net increase (decrease) in cash and cash equivalents	25,242	(49,586)
Cash and cash equivalents at beginning of year	<u>48,093</u>	<u>97,679</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 73,335</u>	<u>\$ 48,093</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Securities	<u>\$ -</u>	<u>\$ 20,055</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization, nature of activities and program descriptions -

Friends of the National World War II Memorial (Friends), based in Washington, D.C., is a 501(c)(3) organization dedicated to teaching the lessons of yesterday to unite the generations of tomorrow. Founded in 2007 by the creators of the National World War II Memorial, Friends brings together individuals of all backgrounds and ages for national ceremonies and experiences at the Memorial and for educational programs centered around the themes of unity, shared values and ideals, and the spirit of community.

Education

In 2021, Friends continued to provide educational programs and resources. To this end, Friends hosted its sixth annual Friends of the World War II Memorial Teachers Network and Conference. Due to the continuing effect of the worldwide pandemic, the five day conference was held virtually from July 19-23, 2021 and was attended by an average of 150 online participants daily. The conference theme was "Coming Home" and featured 12 expert presentations and five virtual tours, including a tour of the World War II Memorial and a remembrance ceremony.

In 2021, Friends continued to host 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, published authors, and other experts on a range of topics, is held on the third Saturday of the month. Friends held eight monthly virtual education conferences in 2021 (January-April and September-December).

The Friends of the National World War II Memorial's education programs are generously supported by the Jack C. Taylor / Enterprise Rent-A-Car WWII Memorial Education Endowment. In 2021, additional support was provided by the U.S. Department of Defense.

On April 29, 2021, the 76th anniversary of the liberation of Dachau by American forces, Friends hosted a discussion with *New York Times* best-selling author Alex Kershaw at the Army and Navy Club at Farragut Square. The program, featuring Kershaw's book, *The Liberator: One World War II Soldier's 500-Day Odyssey from the Beaches of Sicily to the Gates of Dachau*, was also available virtually to the public. This special program was sponsored by the National Endowment for the Humanities.

In the fall of 2021, Friends had the opportunity to arrange for author Alex Kershaw to visit four local schools (Poquoson High School, Rochambeau French International School, Fork Union Military Academy, and St. Albans School) and present on his book, *The Liberator*. Kershaw spoke with more than 400 15–18-year-old students about the remarkable battlefield journey of U.S. Army officer Felix Sparks through the Allied liberation of Europe and the moral integrity and courage Sparks displayed at the darkest moment. These school visits were generously supported by the U.S. Department of Defense.

Haydn Williams World War II Memorial Legacy Lecture Series

On November 9th, Friends held the ninth annual Haydn Williams World War II Memorial Legacy Lecture at the National Defense University. *New York Times* best-selling author Alex Kershaw presented on his book, *The Liberator: One World War II Soldier's 500-Day Odyssey from the Beaches of Sicily to the Gates of Dachau*. 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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

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

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 World War II Memorial on VE Day, Memorial Day, VJ Day, Veterans Day, and Pearl Harbor Remembrance Day. In addition, Friends annually hosts a D-Day commemoration. The ceremonies are free and open to the public.

The December 7, 2021 Pearl Harbor ceremony commemorated the 80th anniversary of Imperial Japan's surprise military attack on the United States at the naval base at Pearl Harbor in Hawaii. In addition to the ceremony, Friends invited members of the public to read the names of the more than 2,400 Americans who were killed in the attack. The Pearl Harbor 80th Anniversary programs were generously supported by the U.S. Department of Defense.

Additionally, in 2021, Friends launched and presented the first annual Brigadier General Charles E. McGee UNITY Award to television broadcaster Robin Roberts. The annual award is named for Friends' good friend, retired Air Force Brigadier General Charles E. McGee, who just recently passed away but who embodied and lived by the highest American ideals during his 102-years. The UNITY award is a significant recognition of an individual or group actively working for the betterment of their community and beyond and for living up to the moral integrity espoused by General McGee and his fellow members of the "Greatest Generation".

Preservation

Friends is leading the effort to fulfill the congressional mandate to add President Franklin Roosevelt's DDay 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. The prayer addition to the Memorial is being generously sponsored by the Lilly Endowment Inc.

Additionally, Friends is working with Congresswoman Marcy Kaptur, the "Mother of the World War II Memorial", and Senator Mike Rounds to introduce bipartisan legislation in the House and Senate that will raise private funds to help provide maintenance support of the World War II Memorial.

In August 2021, Friends traveled to Ohio and Kansas to deliver the original WWII Memorial architectural models – which were set to be destroyed by the American Battle Monuments Commission – to their new homes. Thankfully, Friends was able to re-home these historic artifacts at the National Building Museum in Washington, D.C.; the Toledo History Museum and Jerusalem Historical Society in Ohio; and the Dole Institute of Politics in Lawrence, Kansas.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Basis of presentation (continued) -

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 or by functional expenses. 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, 2020, 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 \$2,497,441 as of December 31, 2021.

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.

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, 2021 totaled \$454.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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

Fixed assets (continued) -

Fixed assets include \$337,771 toward 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, 2021, 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 stipulated barriers are 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/or 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.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Functional allocation of expenses (continued) -

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. Direct mail expenses are allocated using a direct line count method of allocating joint costs.

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.

New accounting pronouncements not yet adopted -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

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

2. INVESTMENTS

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

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

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

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

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

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 during 2021.

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual Funds	\$ 910,030	\$ -	\$ -	\$ 910,030
Exchange-traded Funds	<u>1,451,136</u>	<u>-</u>	<u>-</u>	<u>1,451,136</u>
TOTAL	<u>\$ 2,361,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,361,166</u>

At December 31, 2021, \$2,497,441 of cash equivalents was held as investments.

Included in investment income are the following:

Interest and dividends	\$ 28,365
Unrealized and realized gain	109,377
Management fees	<u>(9,977)</u>
TOTAL INVESTMENT INCOME	<u>\$ 127,765</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to expenditure for specified purpose:	
Education	\$ 427,481
D-Day Prayer	1,901,503
Legacy Lecture (accumulated endowment earnings)	257,309
History and Legacy Fund	450,000
Endowments to be invested in perpetuity:	
Haydn Williams Legacy Lectures Program	<u>1,200,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 4,236,293</u>

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

Education	\$ 587,519
D-Day Prayer	72,985
Legacy Lecture	12,170
Passage of time	<u>14,328</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 687,002</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. FUNCTIONAL ALLOCATION OF EXPENSES AND JOINT COSTS

During the year ended December 31, 2021, Friends conducted direct mail activity that included requests for contributions as well as a program component. Costs associated with the periodic mailings that meet the requirements for treatment as joint costs are allocated between program services and fund-raising.

These joint costs were allocated as follows for the year ended December 31, 2021:

Fundraising	\$ 477,101
Education	<u>265,985</u>
TOTAL	<u>\$ 743,086</u>

5. LEASE COMMITMENTS

Friends leased office space under an operating lease agreement that expired in November 2021. The agreement was extended for a period through December 2024 with rent at \$2,225 per month for entire term of agreement.

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

Year Ending December 31

2022	\$ 26,700
2023	26,700
2024	<u>26,700</u>
	<u>\$ 80,100</u>

Rent expense for the year ended December 31, 2021 totaled \$23,400.

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	\$ 73,335
Investments	3,401,298
Grants receivable	450,000
Less: Non-endowment donor restricted funds	<u>(2,778,984)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,145,649</u>
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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. Friends has a policy to structure its financial assets to be available and liquid as its obligations become due.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

7. COMMITMENTS

Friends has a two-year employment contract with the Executive Director and the Public Education Officer, which terminate on December 31, 2023 and December 31, 2022, respectively. The agreements provide 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,200,000	\$ 1,200,000
Accumulated earnings	<u>-</u>	<u>257,309</u>	<u>257,309</u>
TOTAL FUNDS	<u>\$ -</u>	<u>\$ 1,457,309</u>	<u>\$ 1,457,309</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

8. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,342,310	\$ 1,342,310
Investment return, net	-	127,169	127,169
Appropriation of endowment assets for expenditure	-	(12,170)	(12,170)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 1,457,309	\$ 1,457,309

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, 2021.

Return Objectives and Risk Parameters -

Friends has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Friends must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to emphasize aggregate return from capital appreciation and dividend and interest income. Specifically, the primary objectives in the investment management of the endowment shall be long-term growth of capital, maximizing cash flow from invested assets, and achieving returns commensurate with the fund benchmark.

Strategies Employed for Achieving Objectives -

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

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

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

9. SUBSEQUENT EVENTS

In preparing these financial statements, Friends has evaluated events and transactions for potential recognition or disclosure through May 13, 2022, the date the financial statements were issued.