

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2015**

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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 the Friends of the National World War II Memorial, Inc. (Friends), which comprise the statement of financial position as of December 31, 2016, 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, 2016, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Friends's 2015 financial statements, which were audited by other auditors and in their report dated May 6, 2016, they expressed an unmodified opinion on those statements.

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 16 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.

Gelman Rosenberg & Freedman

June 2, 2017

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,447,326	\$ 1,689,032
Investments	-	25,043
Contributions receivable, net of allowance for doubtful accounts of \$4,000	1,378,022	69,146
Prepaid expenses	<u>9,426</u>	<u>8,934</u>
Total current assets	<u>2,834,774</u>	<u>1,792,155</u>
FIXED ASSETS		
Furniture and equipment	6,659	4,023
Memorial plaque	<u>47,515</u>	<u>17,474</u>
	54,174	21,497
Less: Accumulated depreciation	<u>(3,829)</u>	<u>(2,498)</u>
Net fixed assets	<u>50,345</u>	<u>18,999</u>
NONCURRENT ASSETS		
Security deposits	2,325	2,325
Contributions receivable, net of current portion	<u>141,457</u>	<u>24,038</u>
Total noncurrent assets	<u>143,782</u>	<u>26,363</u>
TOTAL ASSETS	<u>\$ 3,028,901</u>	<u>\$ 1,837,517</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ <u>88,158</u>	\$ <u>51,417</u>
NET ASSETS		
Unrestricted:		
Undesignated	271,775	256,299
Board designated - Institutional Building Fund	<u>587,714</u>	<u>537,811</u>
Total unrestricted	859,489	794,110
Temporarily restricted	1,081,254	991,990
Permanently restricted	<u>1,000,000</u>	<u>-</u>
Total net assets	<u>2,940,743</u>	<u>1,786,100</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,028,901</u>	<u>\$ 1,837,517</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Contributions	\$ 568,914	\$ 635,647	\$ 1,000,000	\$ 2,204,561	\$ 1,249,963
Investment income	1,247	-	-	1,247	1,985
In-kind contributions	-	-	-	-	1,365
Net assets released from donor restrictions	<u>546,383</u>	<u>(546,383)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,116,544</u>	<u>89,264</u>	<u>1,000,000</u>	<u>2,205,808</u>	<u>1,253,313</u>
EXPENSES					
Program Services:					
Education	386,710	-	-	386,710	194,928
Commemorative events	196,066	-	-	196,066	237,060
Legacy lecture	22,672	-	-	22,672	21,430
Memorial maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,116</u>
Total program services	<u>605,448</u>	<u>-</u>	<u>-</u>	<u>605,448</u>	<u>456,534</u>
Supporting Services:					
Management and general	79,859	-	-	79,859	61,760
Fundraising	<u>365,858</u>	<u>-</u>	<u>-</u>	<u>365,858</u>	<u>163,372</u>
Total supporting services	<u>445,717</u>	<u>-</u>	<u>-</u>	<u>445,717</u>	<u>225,132</u>
Total expenses	<u>1,051,165</u>	<u>-</u>	<u>-</u>	<u>1,051,165</u>	<u>681,666</u>
Change in net assets	65,379	89,264	1,000,000	1,154,643	571,647
Net assets at beginning of year	<u>794,110</u>	<u>991,990</u>	<u>-</u>	<u>1,786,100</u>	<u>1,214,453</u>
NET ASSETS AT END 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>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,154,643	\$ 571,647
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	1,331	805
Realized loss	800	-
Permanently restricted contributions	(1,000,000)	-
Change in discount on noncurrent contributions receivable	7,581	-
Donated securities	-	(25,043)
(Increase) decrease in:		
Contributions receivable	(1,433,876)	297,372
Prepaid expenses	(492)	3,505
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>36,741</u>	<u>20,165</u>
Net cash (used) provided by operating activities	<u>(1,233,272)</u>	<u>868,451</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(32,677)	(17,594)
Proceeds from sale of investments	<u>24,243</u>	<u>-</u>
Net cash used by investing activities	<u>(8,434)</u>	<u>(17,594)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>1,000,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,000,000</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(241,706)	850,857
Cash and cash equivalents at beginning of year	<u>1,689,032</u>	<u>838,175</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,447,326</u>	<u>\$ 1,689,032</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization, nature of activities and program descriptions -

Founded in 2007, the Friends of the National World War II Memorial (Friends) is a 501(c)(3) organization dedicated to honoring and preserving the national memory of World War II. To meet this mission, Friends sponsors an annual public lecture series featuring prominent historians; hosts an annual teachers conference in Washington, DC; and collects and archives video interviews of World War II veterans and other members of the Greatest Generation. Additionally, Friends has the lead responsibility in planning and staging five or more major national commemorative events annually and each summer sponsors a dozen free public performances of military bands at the Memorial. 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 2016, Friends of the National World War II Memorial continued to provide educational programs and resources. To this end, Friends hosted its first annual Friends of the World War II Memorial Teachers Network and Conference at the Women In Military Service for America Memorial, the Ceremonial Entrance to Arlington National Cemetery in Arlington, VA. The three-day conference, held from July 20th- 22nd and attended by 28 educators from DC/MD/VA area, featured seven presentations by fellow educators and other experts in the area of WWII history, three tours of sites of WWII significance, and a remembrance ceremony at the WWII Memorial. Each participant that took part in the full conference received a certificate for 24 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.

Commemorative Events

In cooperation with the National Park Service, Friends has the lead responsibility in planning and staging major national commemorative events at the Memorial on V-E Day, Memorial Day, V-J Day, Veterans Day, and Pearl Harbor Remembrance Day and sponsors free public performances of military bands at the Memorial. The ceremonies and concerts 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.

Memorial Day Ceremony

The May 30 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, a dozen World War II veterans presented wreaths at the Freedom Wall in remembrance of their fallen brothers and sisters. The ceremony featured musical performances by Grammy Award-nominated songwriter Bob Regan and country music artist Rockie Lynne. Students visiting from Collège Elie Faure in Ste Foy la Grande, Southwestern France, who are part of a remembrance school program meant to honor the American veterans who fought in France during WWII, read personal and poignant tributes to American World War II veterans.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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

Commemorative Events (continued)

Memorial Day Ceremony (continued)

WUSA9 weekday morning news anchor Mr. Mike Hydeck served as the event's Master of Ceremonies. Friends' chairman Josiah Bunting III and Karen Cucurullo, deputy superintendent of the National Mall and Memorial Parks, offered welcome remarks. The Military District of Washington provided military support for the event.

Pearl Harbor 75th Anniversary Commemoration

The Friends of the National World War II Memorial host a two-day Pearl Harbor 75th Anniversary Commemoration on December 6 and 7, 2016 at the World War II Memorial to remember and honor those killed and wounded in the December 7, 1941 attacks and pay tribute to our "Greatest Generation."

On the evening of December 6th, the Friends hosted a very special candlelight vigil at the WWII Memorial in honor of the 2,403 men and women killed on Oahu, Hawaii 75 years earlier. The event began with a brief opening ceremony featuring remarks by Friends chairman Josiah Bunting III and a prayer delivered by Pearl Harbor Survivor and WWII veteran The Reverend Richard Young. Over the course of three hours, the names of those who lost their lives on that fateful day were read and remembered at the WWII Memorial.

The December 7th ceremony remembered and honored all those who died in the December 7, 1941 attack on Pearl Harbor. As part of the commemoration, Vice President-elect Mike Pence along with thirty Pearl Harbor Survivors and World War II veterans and other dignitaries presented 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 in the attack 75 years ago. Senator John McCain, the senior United States Senator from Arizona, provided the event's keynote address. Senator McCain's father and grandfather, the first father-son pair ever to achieve four-star admiral rank in the U.S. Navy, both served in the Pacific Theater of Operations during WWII. Elliott (Toby) Roosevelt III, the great-grandson of Franklin and Eleanor Roosevelt, read President Roosevelt's December 8, 1941 "Infamy Speech" and offered personal remarks on behalf of the Roosevelt family. WUSA9 Morning Anchor Mike Hydeck served as the event's Master of Ceremonies. Additionally, Friends chairman Josiah Bunting III spoke on behalf of Friends and Gay Vietzke, superintendent of the National Mall and Memorial Parks, spoke on behalf of NPS. The Military District of Washington provided military support for the event.

V-E Day Ceremony

In remembrance of the 71st Anniversary of the Allied Forces Victory in Europe during World War II, the May 8 V-E Day (and Mother's 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, a dozen World War II veterans presented wreaths at the Freedom Wall in remembrance of their fallen brothers and sisters. Norman Burkey, President of the American World War II Orphans Network, gave the event's keynote address, providing personal remarks about his family's service during the war.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 (continued)

Mr. Burkey was just five years old when his father, Army PFC Norman L. Burkey, was killed on March 12, 1945 while serving with the 10th Mountain Division in Italy. His mother, Anna Burkey, never remarried and raised all three of the children on her own. Award winning journalist and news anchor for ABC7 and NewsChannel 8 – WJLA-TV, Leon Harris, 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.

V-J Day Ceremony

In remembrance of the 71st anniversary of the Allied Forces Victory in the Pacific and the end of World War II, the September 2 V-J Day ceremony celebrated the spirit of unity of the American people during this pivotal moment in our nation's history and gave recognition to all World War II veterans, especially those who fought in the Pacific Theater during the war, as well as all those who served on the home front. Retired U.S. Army Colonel James L. Riffe gave the event's keynote speaker, offering personal remarks about his own service during WWII. Colonel Riffe served in the Pacific Theater of Operations from October 1944 through the end of the war. In April 1945, he commanded a unit that took part in the invasion of Okinawa. 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.

Veterans Day Ceremony

The November 11 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, author and veteran Mr. Allan Howerton offered personal remarks about his own service during WWII. Mr. Howerton served as a rifleman, messenger, and company communications sergeant with the 84th Infantry Division during the Rhineland, Ardennes (Battle of the Bulge), and Central Europe campaigns. As part of the ceremony, Mr. Howerton and nearly twenty other World War II veterans will place wreaths at the Freedom Wall in remembrance of the more than 400,000 Americans who lost their lives during WWII. WUSA9 Morning 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, each offered welcome remarks. The Military District of Washington provided military support for the event.

D-Day 72nd Anniversary Commemoration

The June 6 ceremony commemorated the 72 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. Honor Flight Bay Area (California), with over two dozen WWII and D-Day veterans, took part in this special commemoration.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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

Commemorative Events (continued)

D-Day 72nd Anniversary Commemoration (continued)

As part of the ceremony, several 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. European Union Ambassador to the United States David O'Sullivan spoke and presented a wreath during the event. Friends chairman Josiah Bunting III also provided remarks. The Military District of Washington provided military support for the event.

Haydn Williams World War II Memorial Legacy Lecture Series

On December 6, 2016, Friends held the fourth annual Haydn Williams World War II Memorial Legacy Lecture at the National Defense University's Lincoln Hall Auditorium. During a lecture titled "Infamy: The Japanese Attack on Pearl Harbor," author and historian Dr. Craig Symonds spoke on the lasting significance and impact of the war on America and the world.

Summer Concert Series

The Friends Summer Concert Series at the WWII Memorial is a program that is free and open to the public and offers performances by United States military bands presenting a variety of music from WWII songs to show tunes to patriotic music. Due to weather conditions and military band budget cuts, only two concerts were presented in 2016. The U.S. Army Blues performed at the Memorial on May 17th and August 25th.

Memorial Maintenance

The Organization partners with the NPS to fund maintenance projects of the Memorial.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with 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 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, 2015, 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.

Contributions receivable -

Contributions receivable are reported at 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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 totaled \$1,332.

Fixed assets include \$47,515 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, 2016, 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 for the Institutional Building Fund (IBF). The board of directors established the IBF on May 8, 2013, to commit to and invest in the Friends future by supporting the Friends infrastructure and to provide for its long-term sustainability. Friends added \$49,903, to the IBF in the year ended December 31, 2016. Funds can be used through board of director review and approval. There were no funds used for the year ended December 31, 2016.
- **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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Contributions and grants (continued)-

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncement -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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's financial statements, it is not expected to alter Friends's reported financial position.

2. **CONTRIBUTIONS RECEIVABLE**

As of December 31, 2016, contributors to Friends have made written promises to give totaling \$1,532,022. 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, 2016:

Less than one year	\$ 1,382,022
One to five years	<u>150,000</u>
Total	1,532,022
Less: Allowance to discount balance to present value	(8,543)
Less: Current reserve for uncollectable contributions	<u>(4,000)</u>
NET CONTRIBUTIONS RECEIVABLE	<u>\$ 1,519,479</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016:

Education	\$ 490,245
Commemorative Events	15,207
Legacy Lecture	40,323
Time Restricted	<u>535,479</u>
	<u>\$ 1,081,254</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	\$ 386,710
Commemorative Events	22,528
Passage of Time	<u>137,145</u>
	<u>\$ 546,383</u>

4. FUNCTIONAL ALLOCATION OF EXPENSES AND JOINT COSTS

The costs of providing the programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs associated with the periodic mailings that meet the requirements for treatment as joint costs are allocated between program services and fund-raising. The costs are allocated based on management's analysis of the nature of the mailings.

During the years ended December 31, 2016, 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, 2016:

Fundraising	\$ 317,574
Education	<u>171,139</u>
TOTAL	<u>\$ 488,713</u>

5. LEASE COMMITMENTS

Friends leases office space under a two-year agreement, which originated on November 1, 2015 and is set to expire October 31, 2017. Base rent is \$1,825 per month, plus a proportionate share of expenses

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

Year Ending December 31, 2017	<u>\$ 12,775</u>
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Rent expense for the year ended December 31, 2016 was \$21,905.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, 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 requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

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 endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Friends in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 Friends.

Endowment net asset composition by type of fund as of December 31, 2016:

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

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 fund of perpetual duration. There were no such deficiencies as of December 31, 2016.

As of December 31, 2016, the \$1,000,000 had not been collected and is included as part of contributions receivable on the accompanying Statement of Financial Position.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

8. SUBSEQUENT EVENTS

In preparing these financial statements, Friends has evaluated events and transactions for potential recognition or disclosure through June 2, 2017, 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, 2016**

	Program Services			Supporting Services				
	Education	Commemorative Events	Legacy Lecture	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 79,997	\$ 41,691	\$ 9,606	\$ 131,294	\$ 29,233	\$ 17,696	\$ 46,929	\$ 178,223
Health insurance	3,311	1,340	190	4,841	1,231	1,019	2,250	7,091
Retirement	2,526	1,027	146	3,699	990	811	1,801	5,500
FICA and medicare	5,777	2,254	278	8,309	2,282	1,943	4,225	12,534
Unemployment	180	65	3	248	90	82	172	420
Special program costs	21,644	78,545	512	100,701	115	107	222	100,923
Accounting and audit	32,258	13,336	2,055	47,649	11,706	9,446	21,152	68,801
IT consultants	3,567	1,411	256	5,234	1,234	935	2,169	7,403
Other consultants	42,000	37,430	5,000	84,430	-	42,000	42,000	126,430
Professional fees	553	102	-	655	161	153	314	969
Books, subscriptions and reference	19	-	-	19	-	-	-	19
Web and internet	12,423	586	79	13,088	684	559	1,243	14,331
Postage and delivery	738	312	301	1,351	264	269	533	1,884
Telecommunications	1,267	523	79	1,869	492	396	888	2,757
Printing and copying	3,037	2,465	2,526	8,028	850	682	1,532	9,560
Direct Mail - postage	44,712	-	-	44,712	-	80,717	80,717	125,429
Direct Mail - promotional items	25,500	-	-	25,500	-	47,357	47,357	72,857
Direct Mail - computing services	6,210	-	-	6,210	-	11,534	11,534	17,744
Direct Mail - list rental	11,193	-	-	11,193	-	20,758	20,758	31,951
Direct Mail - mail shop	19,026	-	-	19,026	-	35,333	35,333	54,359
Direct Mail - consulting fees	25,666	-	-	25,666	-	47,664	47,664	73,330
Direct Mail - bank fees and charges	1,379	-	-	1,379	-	4,372	4,372	5,751
Direct Mail - printing	17,394	-	-	17,394	-	34,623	34,623	52,017
Board meetings	2,071	1,080	249	3,400	12,047	458	12,505	15,905
Education committee	108	4	-	112	3	3	6	118
Event committee	-	47	-	47	-	-	-	47
Media advertising	3,802	1,494	307	5,603	1,179	815	1,994	7,597
Local travel	2,409	1,177	156	3,742	799	661	1,460	5,202
Out of town travel	2,054	3,595	80	5,729	568	496	1,064	6,793
Conference, convention and meetings	564	61	7	632	68	59	127	759
Office supplies	639	268	40	947	687	193	880	1,827
Program supplies	-	1,391	-	1,391	-	-	-	1,391
Depreciation	612	248	35	895	240	196	436	1,331
Rent, parking and utilities	10,061	4,092	581	14,734	3,940	3,231	7,171	21,905
Bank fees	4	2	1	7	2	1	3	10
Payroll service fees	888	352	47	1,287	328	278	606	1,893
Insurance - other	149	61	9	219	58	48	106	325
Business and liability	1,780	648	78	2,506	645	561	1,206	3,712
Workers compensation	666	264	32	962	274	232	506	1,468
Business fees and charges	499	105	19	623	167	156	323	946
State registration	27	90	-	117	3,522	14	3,536	3,653
Bad debt	-	-	-	-	6,000	-	6,000	6,000
TOTAL	\$ 386,710	\$ 196,066	\$ 22,672	\$ 605,448	\$ 79,859	\$ 365,858	\$ 445,717	\$ 1,051,165