

**WOMEN IN MILITARY SERVICE FOR
AMERICA MEMORIAL FOUNDATION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
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YEARS ENDED DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Women In Military Service for
America Memorial Foundation, Inc.
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Women In Military Service for America Memorial Foundation, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require 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 auditors' 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.

Board of Directors
Women In Military Service for
America Memorial Foundation, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Women In Military Service for America Memorial Foundation, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
July 12, 2018

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,729,641	\$ 346,798
Grant and Contributions Receivable	-	139,000
Other Accounts Receivable	29,614	27,915
Inventory	68,862	54,761
Prepaid Expenses	12,285	20,653
Total Current Assets	2,840,402	589,127
INVESTMENTS	95,909	93,432
GRANT RECEIVABLE, NET OF CURRENT PORTION	200,000	300,000
Less: Discount to Present Value	(24,149)	(34,862)
Net Grant Receivable, Net of Current Portion	175,851	265,138
FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET	409,988	337,255
MEMORIAL, NET	7,241,331	8,104,053
OTHER ASSETS	36,685	38,258
Total Assets	\$ 10,800,166	\$ 9,427,263
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 158,962	\$ 93,226
Refundable Advances	2,007,117	-
Capital Lease Obligation	13,386	-
Notes Payable	304,991	311,900
Total Current Liabilities	2,484,456	405,126
NONCURRENT LIABILITIES		
Capital Lease Obligation, Net of Current Portion	50,112	-
Deferred Lease Obligations	701,869	503,552
Total Liabilities	3,236,437	908,678
NET ASSETS		
Unrestricted:		
Board Designated - Net Cost of Memorial	7,241,331	8,104,053
Undesignated	109,771	197
Total Unrestricted	7,351,102	8,104,250
Temporarily Restricted	182,627	384,335
Permanently Restricted	30,000	30,000
Total Net Assets	7,563,729	8,518,585
Total Liabilities and Net Assets	\$ 10,800,166	\$ 9,427,263

See accompanying Notes to Financial Statements.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
UNRESTRICTED REVENUE AND SUPPORT		
Grants and Contributions	\$ 1,702,041	\$ 2,251,225
Federal Award Revenue	642,883	-
Product Sales	143,570	126,586
Memorial Events	90,792	120,368
Donor-Recognition Program	7,500	12
Anniversary Celebration and Other	68,642	27,248
Investment Income	2,505	2,418
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	206,715	5,200
Total Unrestricted Revenue and Support	2,864,648	2,533,057
EXPENSES		
Program Service:		
Education	2,726,400	2,353,742
Total Program Service	2,726,400	2,353,742
Supporting Services:		
Management and General	738,252	600,604
Fundraising	153,144	95,804
Total Supporting Services	891,396	696,408
Total Expenses	3,617,796	3,050,150
Change in Unrestricted Net Assets	(753,148)	(517,093)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	5,001	380,147
Investment Income	6	6
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	(206,715)	(5,200)
Total Change in Temporarily Restricted Net Assets	(201,708)	374,953
CHANGE IN NET ASSETS	(954,856)	(142,140)
Net Assets - Beginning of Year	8,518,585	8,660,725
NET ASSETS - END OF YEAR	\$ 7,563,729	\$ 8,518,585

See accompanying Notes to Financial Statements.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Education	Management and General	Fundraising	Total
Salaries and Wages	\$ 699,639	\$ 198,546	\$ 47,273	\$ 945,458
Depreciation and Amortization	685,347	194,490	46,307	926,144
Occupancy	225,206	63,910	15,217	304,333
Employee Benefits	89,770	25,475	6,066	121,311
Professional and Consulting Fees	384,159	189,373	-	573,532
Memorial Utilities	123,776	-	-	123,776
Interest and Bank Fees	53,616	15,215	3,623	72,454
Mailing List Expense	97,986	-	23,514	121,500
Cost of Products Sold or Given Away	36,797	-	-	36,797
Miscellaneous	12,772	8,374	863	22,009
Repairs and Maintenance	56,552	63	15	56,630
Insurance	29,196	8,285	1,973	39,454
Telephone	54,536	5,547	1,321	61,404
Taxes	4,950	906	181	6,037
Equipment Rental	2,584	733	175	3,492
Equipment Purchases	58,466	974	232	59,672
Office Supplies	15,638	1,692	403	17,733
Computer	12,928	3,669	874	17,471
Education, Publicity, and Travel	8,482	-	107	8,589
Bad Debt Expense	74,000	21,000	5,000	100,000
	<u>74,000</u>	<u>21,000</u>	<u>5,000</u>	<u>100,000</u>
Total Expenses	<u>\$ 2,726,400</u>	<u>\$ 738,252</u>	<u>\$ 153,144</u>	<u>\$ 3,617,796</u>

See accompanying Notes to Financial Statements.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Education	Management and General	Fundraising	Total
Salaries and Wages	\$ 647,859	\$ 108,938	\$ 26,778	\$ 783,575
Depreciation and Amortization	735,627	134,566	26,913	897,106
Occupancy	294,223	53,822	10,764	358,809
Employee Benefits	91,899	16,675	3,884	112,458
Professional and Consulting Fees	124,521	227,446	-	351,967
Memorial Utilities	97,833	-	-	97,833
Interest and Bank Fees	60,033	29,137	2,196	91,366
Mailing List Expense	45,661	-	20,549	66,210
Cost of Products Sold or Given Away	66,126	-	-	66,126
Miscellaneous	22,226	10,812	813	33,851
Repairs and Maintenance	47,917	454	91	48,462
Insurance	18,468	3,378	676	22,522
Telephone	35,358	5,510	1,102	41,970
Taxes	15,642	2,862	572	19,076
Equipment Rental	21,894	4,005	801	26,700
Office Supplies	18,191	1,677	337	20,205
Computer	7,323	1,322	264	8,909
Education, Publicity, and Travel	2,941	-	64	3,005
	<u>\$ 2,353,742</u>	<u>\$ 600,604</u>	<u>\$ 95,804</u>	<u>\$ 3,050,150</u>
Total Expenses	<u>\$ 2,353,742</u>	<u>\$ 600,604</u>	<u>\$ 95,804</u>	<u>\$ 3,050,150</u>

See accompanying Notes to Financial Statements.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (954,856)	\$ (142,140)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	926,144	897,106
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	228,287	(398,023)
Other Accounts Receivable	(1,699)	(27,915)
Inventory	(14,101)	15,616
Prepaid Expenses and Other Assets	9,941	(6,187)
Accounts Payable and Accrued Expenses	65,736	(367,099)
Refundable Advances	2,007,117	-
Deferred Lease Obligations	198,317	176,636
Net Cash Provided by Operating Activities	2,464,886	147,994
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(2,477)	(2,387)
Purchases of Furniture and Equipment	(62,329)	(17,392)
Net Cash Used by Investing Activities	(64,806)	(19,779)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	(10,328)	-
Principal Repayments on Notes Payable	(6,909)	(43,954)
Net Cash Used by Financing Activities	(17,237)	(43,954)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,382,843	84,261
Cash and Cash Equivalents - Beginning of Year	346,798	262,537
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,729,641	\$ 346,798
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 5,220	\$ 12,302
Equipment Acquired by Capital Lease Obligation	\$ 73,826	\$ -
Leasehold Improvements Acquired through Deferred Lease Obligations	\$ -	\$ 326,916

See accompanying Notes to Financial Statements.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Women In Military Service for America Memorial Foundation, Inc. (the Foundation) is a nonprofit organization incorporated on September 6, 1985, under the provisions of the District of Columbia Nonprofit Corporation Act. The Foundation was authorized by Congress in Public Law 99-610 to construct a memorial on federal land in the District of Columbia and its environs (the Memorial) to help educate the general public regarding the contributions of women who serve or have served in the armed forces of the United States of America. These activities are funded primarily through contributions, product sales, and grants.

The Memorial is the only major national memorial that honors and pays tribute to all women who have been or are in America's armed forces; tells the story of their dedication, commitment and sacrifice; makes their historic contributions a visible part of America's national heritage; illustrates their partnership with men in defense of the nation; and inspires others to emulate, follow, and surpass them. The Memorial houses a Court of Valor and an Education Center, which includes a Hall of Honor, exhibit gallery, theater, and a computer database of the records of servicewomen called the Register. Through the Register, the general public may access photos, military histories, and the individual stories of servicewomen. The Memorial was dedicated and placed in service in October 1997.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when the obligations are incurred.

Use of Estimates

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

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers its checking and money market operating accounts, not held for investment, to be cash and cash equivalents.

Inventory

Inventory is recorded at the lower of cost or market value using the average cost method and consists of memorabilia relating to the Memorial and the Foundation's educational mission.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are composed of money market funds and U.S. Treasury securities. These investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Money market funds held by investment managers or for long-term purposes are considered investments.

Concentration of Credit Risk

Financial instruments that subject the Foundation to a concentration of credit risk consist of demand deposits placed with financial institutions which may, at times, exceed the Federal Deposit Insurance Corporation limits.

Income Tax Status

The Foundation is exempt from federal income tax on its exempt activities under Section 501(c)(3) of the Internal Revenue. No provision for taxes was required for the years ended December 31, 2017 and 2016, as the Foundation had no net unrelated business income.

The Foundation follows the accounting standard regarding the recognition and measurement of uncertain tax positions. The Foundation evaluated its tax positions and determined that its tax positions are more likely than not to be sustained on examination.

Fair Value of Financial Instruments

Fair Value Measurements

The Foundation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The Foundation accounts for certain financial assets and liabilities at fair value under various accounting literature, and also accounts for certain assets at fair value under applicable industry guidance.

Fair Value Hierarchy

The Foundation 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 the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Foundation has the ability to access.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Fair Value Hierarchy (Continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include, among others, quoted prices for similar assets or liabilities in active market or non-active market.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Furniture, Equipment, and Leasehold Improvements

Furniture and equipment are stated at cost and are depreciated on a straight-line method over estimated useful lives of three years. Leasehold improvements are amortized using the straight-line method over the term of the lease. Acquisitions of furniture and equipment with a life of greater than one year and a cost greater than \$1,000 are capitalized at cost and depreciated or amortized over the estimated useful lives of the assets. Beginning in December 2017, the capitalization threshold increased from \$1,000 to \$5,000.

Memorial Construction and Related Costs

Direct costs of designing and constructing the Memorial were capitalized as incurred and are depreciated on a straight-line basis over an estimated useful life of approximately 30 years. Data Register development costs, which are included in capitalized Memorial costs, represent the costs, including direct labor of the Foundation's staff, associated with establishing the National Data Registry to honor women veterans. The Data Register is depreciated on a straight-line basis over an estimated useful life of approximately 30 years. Education Center development costs, which are included in capitalized Memorial costs, represent the costs, including direct labor of the Foundation's staff through the dedication date of the Memorial, associated with creating and compiling the exhibits to honor women veterans and educate visitors at the Memorial. The Education Center is also depreciated on a straight-line basis over an estimated useful life of approximately 30 years.

Collections

The Foundation receives items of historical significance donated for exhibition at the Memorial. These items include military uniforms and other gear from all military service branches; private diaries and letters from women in the military; and photos, posters, newspapers, and other published materials relating to women who have served or are serving in the military. It is not the Foundation's policy to capitalize these items. The Foundation maintains detailed records of all donations, has policies and procedures addressing the upkeep and preservation of these items, and displays a selection of the collection items at the Memorial. The Foundation had no significant deaccessions or disposals of collections during the years ended December 31, 2017 and 2016.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets

The net assets of the Foundation are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Foundation's operations. Included in unrestricted net assets are board-designated net assets that include net costs capitalized as Memorial assets that will be transferred to the U.S. Department of the Interior upon acceptance of the structure.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors for various programs or future periods.
- Permanently restricted net assets represent amounts that include donor-imposed restrictions that stipulate that the principal be maintained in perpetuity and that only the earnings be used by the Foundation for scholarships.

Revenue Recognition

The Foundation reports gifts and grants of cash and other assets as unrestricted support available for general operations, unless specifically restricted by the donor. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Revenue recognized on nonfederal grants and contributions that have been committed to the Foundation but have not been received is reflected as grants and contributions receivable in the accompanying statements of financial position.

Revenue from the federal award is considered to be an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred.

Revenue from sales of products primarily relates to the Foundation's gift shops and mail order services and is recognized as the goods are sold.

The Foundation recognizes bequests in the year in which the promise to give becomes unconditional, which is at the time the probate court declares the will valid, and the proceeds are measurable in amount.

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributed Services

The Foundation receives in-kind contributed services in the form of free or reduced legal, strategic consulting and advocacy services. These contributions are recognized at their estimated fair value as unrestricted revenue and support and expenses in the year the services are rendered and are included in management and general in the accompanying statements of activities. The Foundation recognized donated services in the amount of \$323,375 and \$224,342 during the years ended December 31, 2017 and 2016, respectively, which are included in the grants and contributions revenue in the accompanying statements of activities. In-kind contributed services of \$267,955 and \$55,420 are included in educational activities and management and general, respectively, for the year ended December 31, 2017.

In-kind contributed services of \$120,000 and \$104,342 are included in educational activities and management and general, respectively, for the year ended December 31, 2016.

The Foundation's educational activities are also furthered by the contribution of time by volunteers. The value of these contributions is not recognized in the accompanying financial statements, as they do not meet the necessary criteria for recording contributed services under generally accepted accounting principles (GAAP).

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on management's estimate of salaries incurred for each program or supporting service.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 12, 2018, the date the financial statements were available to be issued.

NOTE 2 GRANT AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consisted of the following as of December 31:

	2017	2016
Bequests	\$ -	\$ 39,000
Grants and Contributions	175,851	365,138
Total Grants and Contributions Receivable	<u>\$ 175,851</u>	<u>\$ 404,138</u>

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 2 GRANT AND CONTRIBUTIONS RECEIVABLE (CONTINUED)

Receivables expected to be collected in more than one year are reflected at fair value. The fair value is estimated by calculating the present value of estimated future cash flows. The discount rate applied of 3.75% is a risk-free interest rate determined by management. The amount of the discounted receivable at December 31, 2017 and 2016, at the net present value is as follows:

	2017	2016
Receivables Due in One Year	\$ -	\$ 139,000
Receivable Due in Two to Five Years	\$ 200,000	\$ 300,000
Less: Discount to Reduce to Present Value	(24,149)	(34,862)
Net Present Value of Receivable	<u>\$ 175,851</u>	<u>\$ 265,138</u>

All receivables are considered fully collectible.

NOTE 3 INVESTMENTS AND FAIR VALUE

Investments consisted of the following at December 31:

	2017	2016
U.S. Treasury Securities	\$ 64,134	\$ 61,664
Money Market Funds	31,775	31,768
Total Investments (at Fair Value)	<u>\$ 95,909</u>	<u>\$ 93,432</u>

The following tables present investments by type and classification in the fair value hierarchy as of December 31:

	2017			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 64,134	\$ -	\$ -	\$ 64,134
Money Market Funds	31,775	-	-	31,775
Total	<u>\$ 95,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,909</u>

	2016			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 61,664	\$ -	\$ -	\$ 61,664
Money Market Funds	31,768	-	-	31,768
Total	<u>\$ 93,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,432</u>

The Foundation used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Money Market Funds: Net asset value of funds held at year-end.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 3 INVESTMENTS AND FAIR VALUE (CONTINUED)

U.S. Treasury Securities: Value based on yields currently available for comparable securities of issuers with similar credit ratings.

Investment income was comprised of interest of \$2,511 and \$2,424 for the years ended December 31, 2017 and 2016, respectively.

NOTE 4 FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

The Foundation held the following furniture, equipment and leasehold improvements as of December 31:

	2017	2016
Furniture and Office Equipment	\$ 421,900	\$ 392,023
Computer Equipment	141,787	52,351
Leasehold Improvements	326,916	326,916
Total Furniture, Equipment, and Leasehold Improvements	890,603	771,290
Less: Accumulated Depreciation	(480,615)	(434,035)
Total Furniture, Equipment, and Leasehold Improvements	\$ 409,988	\$ 337,255

For the years ended December 31, 2017 and 2016, depreciation and amortization expense for furniture, equipment, and leasehold improvements totaled \$54,738 and \$26,404, respectively.

NOTE 5 MEMORIAL

Capitalized Memorial costs consisted of the following as of December 31:

	2017	2016
Construction Costs	\$ 19,170,676	\$ 19,170,676
Memorial Development	2,224,336	2,215,652
Data Register Development	2,014,200	2,014,200
Education Center Development	1,384,958	1,384,958
Total Memorial	24,794,170	24,785,486
Less: Accumulated Depreciation	(17,552,839)	(16,681,433)
Net Memorial	\$ 7,241,331	\$ 8,104,053

The Foundation anticipates the Memorial will be conveyed to the federal government upon acceptance of the structure by the federal government and agreement upon the terms and conditions of conveyance with the Foundation. Accordingly, a majority of costs capitalized as Memorial assets would, at that time, be transferred to the U.S. Department of the Interior and be recorded as contribution expense and a reduction of board-designated unrestricted net assets.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 MEMORIAL (CONTINUED)

For the years ended December 31, 2017 and 2016, depreciation expense on the Memorial totaled \$871,406 and \$870,702, respectively.

NOTE 6 FEDERAL AWARD

In August 2017, the Foundation received a federal award that is not to exceed \$5 million from the U.S. Department of Defense for the repair, maintenance, and operations of the Memorial. The award accounted for 24% of overall revenue for the year ended December 31, 2017. The activity for the years ended December 31 was as follows:

	2017	2016
Refundable Advance, Beginning of Year	\$ -	\$ -
Add: Award Receipts	2,650,000	-
Less: Award Expenditures	(642,883)	-
Refundable Advance, End of Year	\$ 2,007,117	\$ -

NOTE 7 NOTES PAYABLE AND RELATED PARTY TRANSACTION

As of January 1, 2016, the Foundation owed its former President \$100,506 on a noninterest bearing personal loan, \$221,348 for funds borrowed by the former President on the Foundation's behalf from SunTrust Bank and \$30,000 for line of credit borrowed by the former President on the Foundation's behalf from Bank of America. The Foundation repaid \$15,620 on the funds borrowed by the former President on behalf of the Foundation from SunTrust Bank and \$24,334 on the funds borrowed by the former President on behalf of the Foundation from Bank of America during 2016. As of December 31, 2016, a total balance of \$311,900 was due to the former President on all loans.

The Foundation repaid \$6,909 on the funds borrowed by the former President on behalf of the Foundation from SunTrust Bank during 2017. During 2017, Sun Trust Loan and Bank of America lines of credit were paid off by a transfer of balances to the personal noninterest loan due to the former President. As of December 31, 2017, a total balance of \$304,991 was due to the former President on all loans.

The Foundation is required to pay directly to SunTrust Bank and Bank of America monthly interest payments on the loans that were made by the former President through the bank. As SunTrust Bank balances and Bank of American balances paid off by the former President during 2017, the Foundation no longer makes payments to these financial institutions. The loan with SunTrust Bank bears interest at a rate which is *The Wall Street Journal's* Prime Rate plus a margin, which was determined by SunTrust Bank to be 3.50% as of December 31, 2017 and 2016. The line of credit with Bank of America bears interest at a rate of 12.97%. The personal loan made by the former President to the Foundation is noninterest bearing. No interest amount was imputed on the personal loan, as it was not significant to the financial statements taken as a whole. Interest paid totaled \$4,199 and \$12,302 during the years ended December 31, 2017 and 2016, respectively.

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NOTE 8 COMMITMENTS AND RISKS

Office Lease

The Foundation entered into a 10-year noncancelable operating lease for office space, which expired on September 30, 2015. In August 2015, the Foundation entered into an amendment to extend the lease through June 30, 2016. As of June 1, 2016, the Foundation entered into a second amendment to extend the lease through June 30, 2027. Annual rent increases and lease incentives are being amortized over the life of the lease. As a result, the Foundation is recognizing rent expense on the straight-line basis over the lease term. The unamortized portion resulting from the difference between the amounts paid and expensed comprise the deferred rent obligation in the statements of financial position.

The following is a schedule of future minimum lease payments required under the office space, for the years ending December 31.

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 296,940
2019	336,502
2020	345,766
2021	355,294
2022	365,041
Thereafter	<u>2,157,464</u>
Total Minimum Lease Payments	<u><u>\$ 3,857,007</u></u>

Rent expense totaled \$280,051 and \$358,809 for the years ended December 31, 2017 and 2016, respectively.

Capital Lease Obligation

During 2017, the Foundation began leasing a mail machine under the terms of a non-cancellable capital lease that expires in May 2022. The asset has an estimated fair value of \$73,826 and is included in equipment in the accompanying statements of financial position at December 31, 2017. Depreciation expense recognized on this asset totaled \$9,375 for the year ended December 31, 2017. The following is a schedule by years of future minimum payments required under the leases, together with their present value:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 15,132
2019	15,132
2020	15,132
2021	15,132
2022	<u>7,566</u>
Total	68,094
Less: Amount Representing Interest	<u>(4,596)</u>
Present Value of Future Minimum Lease Payments	63,498
Less: Current Portion of Capital Lease Obligation	<u>(13,386)</u>
Long Term Portion of Capital Lease Obligation	<u><u>\$ 50,112</u></u>

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NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

As of December 31, temporarily restricted net assets were restricted for the following purposes:

	2017	2016
AUSA - Time Restricted	\$ 175,851	\$ 365,138
Development	5,000	-
IT Computer Upgrades	-	15,000
New Communication Suite	-	2,000
Scholarship Fund	1,010	1,009
Memorial Events and Other Contributions	-	428
	181,861	383,575
Endowment Funds:		
Sarah Marjorie Kelley Scholarship Fund	673	668
LTC Margaret L. Ellerman, USA, Ret., Scholarship Fund	93	92
	766	760
Total Temporarily Restricted Net Assets	\$ 182,627	\$ 384,335

NOTE 10 PERMANENTLY RESTRICTED NET ASSETS

As of December 31, permanently restricted net assets consisted of the following:

	2017	2016
Sarah Marjorie Kelley Scholarship Fund	\$ 25,000	\$ 25,000
LTC Margaret L. Ellerman, USA, Ret., Scholarship Fund	5,000	5,000
Total Permanently Restricted Net Assets	\$ 30,000	\$ 30,000

NOTE 11 ALLOCATION OF JOINT COSTS

In fiscal years 2017 and 2016, the Foundation conducted direct mail campaigns that included requests for contributions, as well as program components. These joint costs were allocated as follows:

	2017	2016
Education	\$ 97,986	\$ 45,661
Fundraising	23,514	20,549
Total Joint Costs	\$ 121,500	\$ 66,210

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NOTE 12 ENDOWMENT FUNDS

The Foundation has donor-restricted endowment funds established for the purpose of generating earnings to provide scholarships to women who have been accepted for enrollment in an accredited institution of higher learning. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Virginia 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, the Foundation 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 the Foundation, in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

Only the Foundation's permanently restricted funds, totaling \$30,000 as of December 31, 2017 and 2016, are classified as donor-restricted endowment funds.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
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NOTE 12 ENDOWMENT FUNDS (CONTINUED)

Changes in endowment net assets were as follows for the years ended December 31, 2017 and 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - January 1, 2016	\$ -	\$ 754	\$ 30,000	\$ 30,754
Investment Income	-	6	-	6
Endowment Net Assets - December 31, 2016	-	760	30,000	30,760
Investment Income	-	6	-	6
Endowment Net Assets - December 31, 2017	<u>\$ -</u>	<u>\$ 766</u>	<u>\$ 30,000</u>	<u>\$ 30,766</u>

All temporarily restricted net assets that are part of the endowment are subject to purpose restrictions.

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2017 and 2016.

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy that attempts to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in funds to generate the maximum yield. The investments should have at least an A-rating and, where possible, be federally guaranteed.

NOTE 13 RETIREMENT PLAN

The Foundation sponsors a profit-sharing plan (the Plan) under Section 401(k) of the Internal Revenue Code. To participate in the Plan, an employee must have worked at least 1,000 hours and have been employed for at least one year. The Plan allows for employee contributions and an employer discretionary match. For fiscal years ending December 31, 2017 and 2016, no discretionary matches have been made to the Plan.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
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NOTE 14 MANAGEMENT'S PLAN

Management of the Foundation has established and continues to implement aggressive actions to assure the viability and progress of the organization. These actions include:

- Implementation of a strategic plan in coordination with the board of directors. The plan primarily focuses on fundraising and infrastructure enhancements over a five-year period. Booz Allen Hamilton, a management-consulting firm, has performed a pro bono analysis of Foundation operations that included specific recommendations for branding, communications, strategic partnerships, business process engineering, and information technology improvements. With their recommendations, the board of directors and staff is moving forward with its strategic plan.
- Addition of new staff and consultants to enhance the communications, social media, development, Memorial operations, and Foundation programs.
- Financial planning that includes anticipated retirement of outstanding loan amounts by the end of 2018.
- Creation of an investment plan and policies that include the creation of capital replacement and operating reserve funds.
- Continuation of plan implementation for critical repair and renovation of the Memorial's aging infrastructure with a \$5,000,000 FY 2017 award from the Department of Defense (DoD). The Foundation has received an additional \$5,000,000 FY 2018 DoD award.
- Pursuit of an aggressive program for obtaining individual and corporate donations and grants to support existing and new programs.
- Intensification of communication with military and veterans' organizations requesting that they provide financial and in-kind support to the Memorial and publicize the existence of the Memorial as an opportunity for women veterans and service members to register.
- Furtherance of the Ambassador Program to ensure that Ambassadors in each of the 50 states have the tools and information reach to inform servicewomen, veterans' organizations, state legislators, and the general public about the Memorial and its programs.
- Expansion of the Volunteer Program in partnership with the National Park Service. The expansion has been designed to support implementation of specific elements of management's plan.

Management believes the action plan outlined above will ensure the ongoing viability of the Women's Memorial Foundation and improve the current financial position of the organization.