

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.  
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## INDEPENDENT AUDITORS' REPORT

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

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, 2018 and 2017, 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 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 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, 2018 and 2017, 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.

***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, management has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
June 14, 2019

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 3,032,315	\$ 2,729,641
Grant and Contributions Receivable	129,565	-
Other Accounts Receivable	6,657	29,614
Inventory	74,496	68,862
Prepaid Expenses	7,380	12,285
Total Current Assets	3,250,413	2,840,402
<b>INVESTMENTS</b>	1,612,612	95,909
<b>GRANT RECEIVABLE, NET OF CURRENT PORTION</b>	100,000	200,000
Less: Discount to Present Value	(7,098)	(24,149)
Net Grant Receivable, Net of Current Portion	92,902	175,851
<b>FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET</b>	411,629	409,988
<b>MEMORIAL, NET</b>	6,381,299	7,241,331
<b>OTHER ASSETS</b>	36,806	36,685
Total Assets	\$ 11,785,661	\$ 10,800,166
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 292,515	\$ 158,962
Refundable Advances	2,309,529	2,007,117
Capital Lease Obligation	13,386	13,386
Notes Payable	-	304,991
Total Current Liabilities	2,615,430	2,484,456
<b>NONCURRENT LIABILITIES</b>		
Capital Lease Obligation, Net of Current Portion	36,726	50,112
Deferred Lease Obligations	707,812	701,869
Total Noncurrent Liabilities	744,538	751,981
Total Liabilities	3,359,968	3,236,437
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions:		
Board Designated - Net Cost of Memorial	6,381,299	7,241,331
Undesignated	1,819,712	109,771
Total Net Assets Without Donor Restrictions	8,201,011	7,351,102
Net Assets With Donor Restrictions:		
Purpose and Time Restricted	194,682	182,627
Held in Perpetuity	30,000	30,000
Total Net Assets With Donor Restrictions	224,682	212,627
Total Net Assets	8,425,693	7,563,729
Total Liabilities and Net Assets	\$ 11,785,661	\$ 10,800,166

See accompanying Notes to Financial Statements.

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS</b>		
Grants and Contributions	\$ 3,007,369	\$ 1,702,041
Federal Award Revenue	1,763,588	642,883
Product Sales	155,283	143,570
Memorial Events	141,125	90,792
Donor-Recognition Program	-	7,500
Anniversary Celebration and Other	19,882	68,642
Investment Income	5,872	2,505
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	5,000	206,715
Total Unrestricted Revenue and Support	5,098,119	2,864,648
 <b>EXPENSES</b>		
Program Service:		
Education	3,212,302	2,726,400
Total Program Service	3,212,302	2,726,400
Supporting Services:		
Management and General	821,651	738,252
Fundraising	214,257	153,144
Total Supporting Services	1,035,908	891,396
 Total Expenses	4,248,210	3,617,796
 Change in Net Assets Without Donor Restrictions	849,909	(753,148)
 <b>REVENUE AND SUPPORT WITH DONOR RESTRICTIONS</b>		
Contributions	17,051	5,001
Investment Income	4	6
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	(5,000)	(206,715)
 Change in Net Assets With Donor Restrictions	12,055	(201,708)
 <b>CHANGE IN NET ASSETS</b>	861,964	(954,856)
 Net Assets - Beginning of Year	7,563,729	8,518,585
 <b>NET ASSETS - END OF YEAR</b>	\$ 8,425,693	\$ 7,563,729

See accompanying Notes to Financial Statements.

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	<u>Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 878,331	\$ 281,697	\$ 47,703	\$ 1,207,731
Depreciation and Amortization	685,787	219,944	37,247	942,978
Occupancy	230,163	73,817	12,500	316,480
Employee Benefits	85,865	27,538	4,663	118,066
Professional and Consulting Fees	579,738	176,349	100,000	856,087
Memorial Utilities	154,870	-	-	154,870
Interest and Bank Fees	45,045	14,447	2,446	61,938
Cost of Products Sold or Given Away	78,140	-	-	78,140
Mailing List Expense	25,654	-	4,723	30,377
Repairs and Maintenance	312,523	1,857	314	314,694
Telephone	36,011	3,815	646	40,472
Miscellaneous	21,082	11,626	1,145	33,853
Insurance	21,555	6,913	1,171	29,639
Equipment Rental	3,324	1,066	181	4,571
Equipment Purchases	1,532	-	-	1,532
Taxes	7,313	1,338	268	8,919
Office Supplies	11,807	1,244	210	13,261
Education, Publicity, and Travel	33,562	-	1,040	34,602
	<hr/>			
Total Expenses	<u>\$ 3,212,302</u>	<u>\$ 821,651</u>	<u>\$ 214,257</u>	<u>\$ 4,248,210</u>

See accompanying Notes to Financial Statements.

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

	<u>Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
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.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 861,964	\$ (954,856)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	942,978	926,144
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	(46,616)	228,287
Other Accounts Receivable	22,957	(1,699)
Inventory	(5,634)	(14,101)
Prepaid Expenses and Other Assets	4,784	9,941
Accounts Payable and Accrued Expenses	133,553	65,736
Refundable Advances	302,412	2,007,117
Deferred Lease Obligations	5,943	198,317
Net Cash Provided by Operating Activities	2,222,341	2,464,886
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(1,516,703)	(2,477)
Purchase of Furniture and Equipment	(84,587)	(62,329)
Net Cash Used by Investing Activities	(1,601,290)	(64,806)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Capital Lease Obligation	(15,132)	(10,328)
Principal Repayments on Notes Payable	(303,245)	(6,909)
Net Cash Used by Financing Activities	(318,377)	(17,237)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	302,674	2,382,843
Cash and Cash Equivalents - Beginning of Year	2,729,641	346,798
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,032,315	\$ 2,729,641
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 1,746	\$ 5,220
Equipment Acquired by Capital Lease Obligation	\$ -	\$ 73,826

See accompanying Notes to Financial Statements.

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**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 net realizable 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, 2018 AND 2017**

**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, 2018 and 2017, 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, 2018 AND 2017**

**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 \$5,000 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, 2018 and 2017.

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Classification of Net Assets**

The Foundation reports information regarding its financial position and activities according to two classes of net assets, based on the presence or absence of donor-imposed restrictions, as follows:

*Net Assets Without Donor Restrictions* – Net assets that include revenue and contributions received without donor-imposed restrictions or whose restrictions have lapsed due to the passage of time or whose purpose has been met. These net assets are available for the operation of the Foundation and include both internally designated and undesignated resources.

*Net Assets With Donor Restrictions* – Net assets that include revenue and contributions subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature, where by the principal is invested in perpetuity and only the income is 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 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, net assets with donor restrictions are reclassified to net assets without restrictions 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 net assets without donor restrictions 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, 2018 AND 2017**

**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 \$69,484 and \$323,375 during the years ended December 31, 2018 and 2017, respectively, which are included in the grants and contributions revenue in the accompanying statements of activities. In-kind contributed services of \$69,484 is included in management and general for the year ended December 31, 2018.

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.

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**

Costs of providing programs and supporting services have been summarized in the accompanying statements of activities. Accordingly, certain categories of expenses are attributed to more than one program or supporting function and therefore require allocation. Personnel costs, depreciation, rent, office, insurance and other costs are allocated among the programs and supporting services benefited based on salaries and wages.

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in no change to the total previously reported net assets.

**Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 14, 2019, the date the financial statements were available to be issued.

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

	2018	2017
Cash and Cash Equivalents	\$ 3,032,315	\$ 2,729,641
Grants and Contributions Receivable	129,565	-
Other Accounts Receivable	6,657	29,614
	<u>3,168,537</u>	<u>2,759,255</u>
Less: Refundable Advances	<u>(2,309,529)</u>	<u>(2,007,117)</u>
Total Available	<u>\$ 859,008</u>	<u>\$ 752,138</u>

The Foundation also holds investments for long-term purposes of \$1,612,612 and \$95,909 as of December 31, 2018 and 2017, respectively, which includes donor restricted assets. Although the Foundation does not intend to spend from investments other than the amount budgeted during its annual budget approval and appropriation, amounts from its investments could be made available, if necessary.

Donor restricted funds consist of \$124,682 and \$212,627 as of December 31, 2018 and 2017, respectively.

**NOTE 3 GRANT AND CONTRIBUTIONS RECEIVABLE**

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

	2018	2017
Bequests	\$ 29,565	\$ -
Grants and Contributions	192,902	175,851
Total Grants and Contributions Receivable	<u>\$ 222,467</u>	<u>\$ 175,851</u>

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, 2018 and 2017, at the net present value is as follows:

	2018	2017
Receivables Due in One Year	<u>\$ 129,565</u>	<u>\$ -</u>
Receivable Due in Two to Five Years	\$ 100,000	\$ 200,000
Less: Discount to Reduce to Present Value	<u>(7,098)</u>	<u>(24,149)</u>
Net Present Value of Receivable	<u>\$ 92,902</u>	<u>\$ 175,851</u>

All receivables are considered fully collectible.

**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 4 INVESTMENTS AND FAIR VALUE**

Investments consisted of the following at December 31:

	2018	2017
U.S. Treasury Securities	\$ 66,247	\$ 64,134
Money Market Funds	1,546,365	31,775
Total Investments (at Fair Value)	<u>\$ 1,612,612</u>	<u>\$ 95,909</u>

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

	2018			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 66,247	\$ -	\$ -	\$ 66,247
Money Market Funds	1,546,365	-	-	1,546,365
Total	<u>\$ 1,612,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,612,612</u>

  

	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>

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.

*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 \$5,876 and \$2,511 for the years ended December 31, 2018 and 2017, respectively.



**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS**

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

	2018	2017
Furniture and Office Equipment	\$ 494,945	\$ 421,900
Computer Equipment	141,787	141,787
Leasehold Improvements	326,916	326,916
Total Furniture, Equipment, and Leasehold Improvements	963,648	890,603
Less: Accumulated Depreciation	(552,019)	(480,615)
Total Furniture, Equipment, and Leasehold Improvements	<u>\$ 411,629</u>	<u>\$ 409,988</u>

For the years ended December 31, 2018 and 2017, depreciation and amortization expense for furniture, equipment, and leasehold improvements totaled \$71,406 and \$54,738, respectively.

**NOTE 6 MEMORIAL**

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

	2018	2017
Construction Costs	\$ 19,170,676	\$ 19,170,676
Memorial Development	2,235,876	2,224,336
Data Register Development	2,014,200	2,014,200
Education Center Development	1,384,958	1,384,958
Total Memorial	24,805,710	24,794,170
Less: Accumulated Depreciation	(18,424,411)	(17,552,839)
Net Memorial	<u>\$ 6,381,299</u>	<u>\$ 7,241,331</u>

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.

For the years ended December 31, 2018 and 2017, depreciation expense on the Memorial totaled \$871,572 and \$871,406, respectively.

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**NOTE 7 FEDERAL AWARD**

As of December 31, 2018, the Foundation received a federal award that is not to exceed \$10 million from the U.S. Department of Defense for the repair, maintenance, and operations of the Memorial. The award accounted for 35% and 24% of overall revenue for the years ended December 31, 2018 and 2017, respectively. The activity for the years ended December 31 was as follows:

	2018	2017
Refundable Advance, Beginning of Year	\$ 2,007,117	\$ -
Add: Award Receipts	2,066,000	2,650,000
Less: Award Expenditures	(1,763,588)	(642,883)
Refundable Advance, End of Year	\$ 2,309,529	\$ 2,007,117

**NOTE 8 NOTES PAYABLE AND RELATED PARTY TRANSACTION**

As of January 1, 2017, the Foundation owed its former President \$103,819 on a noninterest bearing personal loan, \$204,460 for funds borrowed by the former President on the Foundation's behalf from SunTrust Bank and \$3,621 for line of credit borrowed by the former President on the Foundation's behalf from Bank of America. The Foundation repaid \$6,909 on the funds borrowed by the former President on behalf of the Foundation from SunTrust Bank during 2017. The SunTrust Loan and Bank of America lines of credit were also 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.

During 2018 Foundation repaid the entire balance of \$304,991 to the former President.

The Foundation was 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 and Bank of America balances were paid off by the former President during 2017, the Foundation no longer made payments to these financial institutions. The loan with SunTrust Bank charged 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. The line of credit with Bank of America charged interest at a rate of 12.97%. The personal loan made by the former President to the Foundation was 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 \$1,746 and \$4,199 during the years ended December 31, 2018 and 2017, respectively.

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**NOTE 9 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>
2019	\$ 336,502
2020	345,766
2021	355,294
2022	365,041
2023	375,070
Thereafter	1,782,394
Total Minimum Lease Payments	<u>\$ 3,560,067</u>

Rent expense totaled \$290,143 and \$280,051 for the years ended December 31, 2018 and 2017, respectively.

**Capital Lease Obligation**

During 2017, the Foundation began leasing a mail machine under the terms of a non-cancellable lease that expires in May 2022. The value of the mail machine has been capitalized and is included as part of equipment in the accompanying statements of financial position at December 31, 2018. At December 31, 2018 and 2017, the cost of the capitalized equipment totaled \$73,826 for both years and the related accumulated amortization totaled \$23,437 and \$9,375, respectively. Depreciation expense recognized totaled \$14,062 and \$9,375 for the years ended December 31, 2018 and 2017, respectively. 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>
2019	\$ 15,132
2020	15,132
2021	15,132
2022	7,566
Total	<u>52,962</u>
Less: Amount Representing Interest	<u>(2,850)</u>
Present Value of Future Minimum Lease Payments	50,112
Less: Current Portion of Capital Lease Obligation	<u>(13,386)</u>
Long Term Portion of Capital Lease Obligation	<u>\$ 36,726</u>

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**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, net assets with donor restrictions were as follows:

	2018	2017
Purpose and Time Restricted:		
AUSA - Time Restricted	\$ 192,902	\$ 175,851
Development	-	5,000
Scholarship Fund	1,010	1,010
	193,912	181,861
Subject to Appropriation and Expenditure:		
Sarah Marjorie Kelley Scholarship Fund	677	673
LTC Margaret L. Ellerman, USA, Ret., Scholarship Fund	93	93
	770	766
Total Purpose and Time Restricted	194,682	182,627
Held in Perpetuity	30,000	30,000
Total Net Assets With Donor Restrictions	\$ 224,682	\$ 212,627

**NOTE 11 ENDOWMENTS**

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.

As of December 31, endowments consisted of the following:

	2018	2017
Sarah Marjorie Kelley Scholarship Fund	\$ 25,000	\$ 25,000
LTC Margaret L. Ellerman, USA, Ret., Scholarship Fund	5,000	5,000
Total Endowments	\$ 30,000	\$ 30,000

**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.

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**NOTE 11 ENDOWMENTS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

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 endowment funds, totaling \$30,000 as of December 31, 2018 and 2017, are classified as donor-restricted endowment funds.

Changes in endowment net assets were as follows for the years ended December 31, 2018 and 2017:

	With Donor Restrictions
Net Assets - January 1, 2017	\$ 30,760
Investment Income	6
Endowment Net Assets - December 31, 2017	30,766
Investment Income	4
Endowment Net Assets - December 31, 2018	\$ 30,770

**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, 2018 and 2017.

**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.

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**NOTE 12 ALLOCATION OF JOINT COSTS**

In fiscal years 2018 and 2017, the Foundation conducted direct mail campaigns that included requests for contributions, as well as program components. These joint costs were allocated as follows:

	<u>2018</u>	<u>2017</u>
Education	\$ 25,654	\$ 97,986
Fundraising	4,723	23,514
Total Joint Costs	<u>\$ 30,377</u>	<u>\$ 121,500</u>

**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 the years ended December 31, 2018 and 2017, no discretionary matches have been made to the Plan.