

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



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**WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENT OF FUNCTIONAL EXPENSES - 2019	5
STATEMENT OF FUNCTIONAL EXPENSES - 2018	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



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, 2019 and 2018, 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.

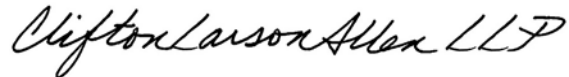
Board of Directors
Women In Military Service for America Memorial Foundation, Inc.

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, 2019 and 2018, 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, in 2019 the Women In Military Service for America Memorial Foundation, Inc. adopted Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Arlington, Virginia
July 20, 2020

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,257,372	\$ 3,032,315
Grant and Contributions Receivable	125,000	129,565
Other Accounts Receivable	108,698	6,657
Inventory	65,174	74,496
Prepaid Expenses	38,278	7,380
Total Current Assets	3,594,522	3,250,413
INVESTMENTS	2,562,983	1,612,612
GRANT RECEIVABLE, NET OF CURRENT PORTION	-	100,000
Less: Discount to Present Value	-	(7,098)
Net Grant Receivable, Net of Current Portion	-	92,902
PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS, NET	325,772	411,629
MEMORIAL, NET	7,993,857	6,381,299
OTHER ASSETS	36,614	36,806
Total Assets	\$ 14,513,748	\$ 11,785,661
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 664,111	\$ 292,515
Refundable Advances	2,256,452	2,309,529
Capital Lease Obligation	13,386	13,386
Total Current Liabilities	2,933,949	2,615,430
NONCURRENT LIABILITIES		
Capital Lease Obligation, Net of Current Portion	19,425	36,726
Deferred Lease Obligations	674,199	707,812
Total Noncurrent Liabilities	693,624	744,538
Total Liabilities	3,627,573	3,359,968
NET ASSETS		
Net Assets Without Donor Restrictions:		
Board Designated - Net Cost of Memorial	7,993,857	6,381,299
Undesignated	2,760,532	1,819,712
Total Net Assets Without Donor Restrictions	10,754,389	8,201,011
Net Assets With Donor Restrictions:		
Purpose and Time Restricted	101,786	194,682
Held in Perpetuity	30,000	30,000
Total Net Assets With Donor Restrictions	131,786	224,682
Total Net Assets	10,886,175	8,425,693
Total Liabilities and Net Assets	\$ 14,513,748	\$ 11,785,661

See accompanying Notes to Financial Statements.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Federal Grant Revenue	\$ 3,588,077	\$ 1,763,588
Grants and Contributions	3,227,977	3,007,369
Memorial Events	140,550	141,125
Product Sales	135,530	155,283
Investment Income	36,935	5,872
Anniversary Celebration and Other	6,815	19,882
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	100,000	5,000
Total Unrestricted Revenue and Support	7,235,884	5,098,119
EXPENSES		
Program Service:		
Education	3,443,331	3,212,302
Total Program Service	3,443,331	3,212,302
Supporting Services:		
Management and General	817,647	821,651
Fundraising	421,528	214,257
Total Supporting Services	1,239,175	1,035,908
 Total Expenses	 4,682,506	 4,248,210
 Change in Net Assets Without Donor Restrictions	 2,553,378	 849,909
REVENUE AND SUPPORT WITH DONOR RESTRICTIONS		
Contributions	7,098	17,051
Investment Income	6	4
Net Assets Released from Restrictions:		
Satisfaction of Program Restrictions	(100,000)	(5,000)
 Change in Net Assets With Donor Restrictions	 (92,896)	 12,055
CHANGE IN NET ASSETS	2,460,482	861,964
Net Assets - Beginning of Year	8,425,693	7,563,729
NET ASSETS - END OF YEAR	\$ 10,886,175	\$ 8,425,693

See accompanying Notes to Financial Statements.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 872,852	\$ 256,627	\$ 44,207	\$ 1,173,686
Depreciation and Amortization	712,139	209,245	36,045	957,429
Occupancy	244,744	71,957	12,395	329,096
Employee Benefits	76,893	22,607	3,894	103,394
Professional and Consulting Fees	776,444	203,908	180,000	1,160,352
Memorial Utilities	120,465	-	-	120,465
Interest and Bank Fees	66,246	19,477	3,355	89,078
Cost of Products Sold or Given Away	61,191	-	-	61,191
Mailing List Expense	22,424	-	136,372	158,796
Repairs and Maintenance	329,796	2,728	470	332,994
Telephone	36,666	3,414	588	40,668
Miscellaneous	41,131	17,391	2,083	60,605
Insurance	22,896	6,732	1,160	30,788
Equipment Rental	2,964	871	150	3,985
Taxes	10,425	1,907	381	12,713
Office Supplies	9,300	783	135	10,218
Education, Publicity, and Travel	36,755	-	293	37,048
	<hr/>			
Total Expenses	<u>\$ 3,443,331</u>	<u>\$ 817,647</u>	<u>\$ 421,528</u>	<u>\$ 4,682,506</u>

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
	<u>\$ 3,212,302</u>	<u>\$ 821,651</u>	<u>\$ 214,257</u>	<u>\$ 4,248,210</u>
Total Expenses				

See accompanying Notes to Financial Statements.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,460,482	\$ 861,964
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	957,429	942,978
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	97,467	(46,616)
Other Accounts Receivable	(102,041)	22,957
Inventory	9,322	(5,634)
Prepaid Expenses and Other Assets	(30,706)	4,784
Accounts Payable and Accrued Expenses	371,596	133,553
Refundable Advances	(53,077)	302,412
Deferred Lease Obligations	(33,613)	5,943
Net Cash Provided by Operating Activities	3,676,859	2,222,341
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(950,371)	(1,516,703)
Acquisition of Memorial Assets	(2,484,130)	(84,587)
Net Cash Used by Investing Activities	(3,434,501)	(1,601,290)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligation	(17,301)	(15,132)
Principal Repayments on Notes Payable	-	(303,245)
Net Cash Used by Financing Activities	(17,301)	(318,377)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	225,057	302,674
Cash and Cash Equivalents - Beginning of Year	3,032,315	2,729,641
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,257,372	\$ 3,032,315
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 1,342	\$ 1,746
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, 2019 AND 2018

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, 2019 AND 2018

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, 2019 and 2018, 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, 2019 AND 2018

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 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.

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. Structural repairs including the fountain craft work and HVAC system replacement and repairs are depreciated on a straight-line bases over estimated useful lives of 20 and 39 years, respectively. 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.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018.

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.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenue from the federal award is considered to be a conditional contribution, a non-reciprocal transaction. Accordingly, revenue is recognized as allowable direct costs are incurred. Amounts received from the awarding agency in excess of amounts recognized are recorded as refundable advances in the statements of financial position.

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.

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 educational activities and management and general in the accompanying statements of activities. The Foundation recognized donated services in the amount of \$198,468 and \$69,484 during the years ended December 31, 2019 and 2018, respectively, which are included in the grants and contributions revenue in the accompanying statements of activities. In-kind contributed services of \$120,000 and \$78,468 are included in educational activities and management and general, respectively, for the year ended December 31, 2019. In-kind contributed services of \$69,484 are included in management and general for the year ended December 31, 2018.

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.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June of 2018 the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU is intended to assist entities in evaluating whether transactions should be accounted for and reported as contributions or as exchange transactions (subject to ASU 2014-09, *Revenue from Contracts with Customers*), and in determining whether a contribution is conditional or unconditional.

The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient. In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided. Exchange transactions include instances where a transfer of assets represents a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and an identified customer receiving the benefit. However, where the benefit or potential benefit is received by the public or segments thereof, and the resource provider (such as a foundation, government agency, corporation or other entity) only receives indirect or incidental benefit that is not of commensurate value, the transaction is considered a contribution for accounting purposes.

The Foundation adopted the principles of the ASU effective January 1, 2019, on a modified prospective basis. Management made a determination that the Foundation's existing accounting policies and methods substantially comply with the ASU. Therefore, there were no changes to the Foundation's accounting methods in 2019 and the adoption of ASU 2018-08 had no effect on the Foundation's financial statements as of and for the year ended December 31, 2019.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through July 20, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared the spread of the coronavirus disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Foundation, COVID-19 may impact various parts of its 2020 operations and financial results, including, but not limited to, additional costs for emergency preparedness, loss of contributions and other reductions in certain revenue streams. As of July 20, 2020, the amount and likelihood of loss relating to these events is not determined and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (Continued)

Management believes it is taking appropriate actions to mitigate the negative impact of the COVID-19 pandemic, including pursuing financial relief from the federal government. On May 8, 2020, the Foundation obtained a 2-year Coronavirus Aid, Relief, and Economic Security Act (CARES Act) term loan of \$229,600 from a financial institution. The loan requires monthly payments of principal and interest at 1.00% starting December 2020 and is due May 2022. The CARES Act loan includes a feature that allows for forgiveness of the loan if the funds are used to cover payroll and certain operating expense items.

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:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 3,257,372	\$ 3,032,315
Grants and Contributions Receivable	125,000	129,565
Other Accounts Receivable	108,698	6,657
	<u>3,491,070</u>	<u>3,168,537</u>
Less: Refundable Advances	<u>(2,256,452)</u>	<u>(2,309,529)</u>
Total Available	<u>\$ 1,234,618</u>	<u>\$ 859,008</u>

The Foundation also holds investments for long-term purposes of \$2,562,983 and \$1,612,612 as of December 31, 2019 and 2018, respectively, which include 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 \$131,786 and \$224,682 as of December 31, 2019 and 2018, respectively.

NOTE 3 GRANT AND CONTRIBUTIONS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Bequests	\$ 25,000	\$ 29,565
Grants and Contributions	100,000	192,902
Total Grants and Contributions Receivable	<u>\$ 125,000</u>	<u>\$ 222,467</u>

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 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, 2019 and 2018, at the net present value is as follows:

	2019	2018
Receivables Due in One Year	<u>\$ 100,000</u>	<u>\$ 129,565</u>
Receivable Due in Two to Five Years	\$ -	\$ 100,000
Less: Discount to Reduce to Present Value	-	(7,098)
Net Present Value of Receivable	<u>\$ -</u>	<u>\$ 92,902</u>

All receivables are considered fully collectible.

NOTE 4 INVESTMENTS AND FAIR VALUE

Investments consisted of the following at December 31:

	2019	2018
U.S. Treasury Securities	<u>\$ 68,915</u>	<u>\$ 66,247</u>
Money Market Funds	<u>2,494,068</u>	<u>1,546,365</u>
Total Investments (at Fair Value)	<u>\$ 2,562,983</u>	<u>\$ 1,612,612</u>

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

	2019			
	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$ 68,915	\$ -	\$ -	\$ 68,915
Money Market Funds	2,494,068	-	-	2,494,068
Total	<u>\$ 2,562,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,562,983</u>

	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>

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 INVESTMENTS AND FAIR VALUE (CONTINUED)

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 \$36,941 and \$5,876 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	2019	2018
Furniture and Office Equipment	\$ 494,945	\$ 494,945
Computer Equipment	141,787	141,787
Leasehold Improvements	326,916	326,916
Total Furniture, Equipment, and Leasehold Improvements	963,648	963,648
Less: Accumulated Depreciation	(637,876)	(552,019)
Total Furniture, Equipment, and Leasehold Improvements	<u>\$ 325,772</u>	<u>\$ 411,629</u>

For the years ended December 31, 2019 and 2018, depreciation and amortization expense for furniture, equipment, and leasehold improvements totaled \$85,857 and \$71,406, respectively.

NOTE 6 MEMORIAL

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

	2019	2018
Construction Costs	\$ 19,170,676	\$ 19,170,676
Memorial Development	3,260,207	2,235,876
Data Register Development	2,014,200	2,014,200
Education Center Development	1,384,958	1,384,958
Work in Progress	1,459,799	-
Total Memorial	27,289,840	24,805,710
Less: Accumulated Depreciation	(19,295,983)	(18,424,411)
Net Memorial	<u>\$ 7,993,857</u>	<u>\$ 6,381,299</u>

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 MEMORIAL (CONTINUED)

Work in progress includes costs associated with the modernization of the Memorial database and structural work of the building.

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 each of the years ended December 31, 2019 and 2018, depreciation expense on the Memorial totaled \$871,572.

NOTE 7 FEDERAL AWARD

As of December 31, 2019, 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 50% and 35% of overall revenue for the years ended December 31, 2019 and 2018, respectively. The activity for the years ended December 31 was as follows:

	2019	2018
Refundable Advance, Beginning of Year	\$ 2,309,529	\$ 2,007,117
Add: Award Receipts	3,535,000	2,066,000
Less: Award Expenditures	(3,588,077)	(1,763,588)
Refundable Advance, End of Year	\$ 2,256,452	\$ 2,309,529

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.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8 COMMITMENTS AND RISKS (CONTINUED)

Office Lease (Continued)

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>
2020	\$ 345,766
2021	355,294
2022	365,041
2023	375,070
2024	385,363
Thereafter	1,397,031
Total Minimum Lease Payments	<u>\$ 3,223,565</u>

Rent expense totaled \$302,440 and \$290,143 for the years ended December 31, 2019 and 2018, 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, 2019. At December 31, 2019 and 2018, the cost of the capitalized equipment totaled \$73,826 for both years and the related accumulated amortization totaled \$37,501 and \$23,437, respectively. Depreciation expense recognized totaled \$14,062 for each of the years ended December 31, 2019 and 2018.

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>
2020	\$ 15,132
2021	15,132
2022	7,566
Total	<u>37,830</u>
Less: Amount Representing Interest	(5,019)
Present Value of Future Minimum Lease Payments	<u>32,811</u>
Less: Current Portion of Capital Lease Obligation	(13,386)
Long Term Portion of Capital Lease Obligation	<u>\$ 19,425</u>

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Purpose and Time Restricted:		
AUSA - Time Restricted	\$ 100,000	\$ 192,902
Scholarship Fund	1,011	1,010
	101,011	193,912
Subject to Appropriation and Expenditure:		
Sarah Marjorie Kelley Scholarship Fund	680	677
LTC Margaret L. Ellerman, USA, Ret., Scholarship Fund	95	93
	775	770
Total Purpose and Time Restricted	101,786	194,682
Held in Perpetuity	30,000	30,000
Total Net Assets With Donor Restrictions	\$ 131,786	\$ 224,682

NOTE 10 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:

	2019	2018
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 net assets restricted into perpetuity (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 net assets restricted into perpetuity is classified as net assets restricted for time or purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 10 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, 2019 and 2018, are classified as donor-restricted endowment funds.

Changes in endowment net assets were as follows for the years ended December 31, 2019 and 2018:

	With Donor Restrictions
Net Assets - January 1, 2018	\$ 30,766
Investment Income	4
Endowment Net Assets - December 31, 2018	30,770
Investment Income	6
Endowment Net Assets - December 31, 2019	\$ 30,776

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, 2019 and 2018.

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.

WOMEN IN MILITARY SERVICE FOR AMERICA MEMORIAL FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 ALLOCATION OF JOINT COSTS

In fiscal years 2019 and 2018, the Foundation conducted direct mail campaigns that included requests for contributions, as well as program components. These joint costs were allocated as follows:

	<u>2019</u>	<u>2018</u>
Education	\$ 22,424	\$ 25,654
Fundraising	136,372	4,723
Total Joint Costs	<u>\$ 158,796</u>	<u>\$ 30,377</u>

NOTE 12 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, 2019 and 2018, no discretionary matches have been made to the Plan.