

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Friends of the National World War II Memorial, Inc.
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Friends of the National World War II Memorial, Inc. (Friends), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends as of December 31, 2022, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Friends' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Friends' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



June 6, 2023

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS			
		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	961,291	\$ 73,335
Investments		1,879,023	3,401,298
Grants receivable		-	450,000
Prepaid expenses		<u>74,997</u>	<u>38,919</u>
Total current assets		<u>2,915,311</u>	<u>3,963,552</u>
FIXED ASSETS			
Furniture and equipment		8,927	8,927
Memorial plaque		<u>1,928,988</u>	<u>337,771</u>
		1,937,915	346,698
Less: Accumulated depreciation		<u>(8,069)</u>	<u>(7,615)</u>
Net fixed assets		<u>1,929,846</u>	<u>339,083</u>
NONCURRENT ASSETS			
Investments held for endowment		1,218,208	1,457,309
Security deposits		2,730	2,450
Right-of-use asset, net		<u>49,825</u>	<u>-</u>
Total noncurrent assets		<u>1,270,763</u>	<u>1,459,759</u>
TOTAL ASSETS	\$	<u>6,115,920</u>	<u>\$ 5,762,394</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	125,788	\$ 169,044
Operating lease liability		<u>24,721</u>	<u>-</u>
Total current liabilities		<u>150,509</u>	<u>169,044</u>
LONG-TERM LIABILITIES			
Operating lease liability, net of current		<u>23,839</u>	<u>-</u>
Total liabilities		<u>174,348</u>	<u>169,044</u>
NET ASSETS			
Without donor restrictions		1,842,608	1,357,056
With donor restrictions		<u>4,098,964</u>	<u>4,236,294</u>
Total net assets		<u>5,941,572</u>	<u>5,593,350</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>6,115,920</u>	<u>\$ 5,762,394</u>

See accompanying notes to financial statements.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 1,053,747	\$ 1,010,000	\$ 2,063,747	\$ 2,724,572
Investment income (loss), net	4,705	(202,463)	(197,758)	127,765
Other revenue	163,800	-	163,800	-
Net assets released from donor restrictions	<u>944,867</u>	<u>(944,867)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,167,119</u>	<u>(137,330)</u>	<u>2,029,789</u>	<u>2,852,337</u>
EXPENSES				
Program Services:				
Education	804,665	-	804,665	1,077,191
Commemorative Events	91,635	-	91,635	72,421
Legacy Lecture	36,296	-	36,296	12,097
D-Day Prayer	<u>94,352</u>	<u>-</u>	<u>94,352</u>	<u>72,107</u>
Total program services	<u>1,026,948</u>	<u>-</u>	<u>1,026,948</u>	<u>1,233,816</u>
Supporting Services:				
Management and General	145,645	-	145,645	120,518
Fundraising	<u>508,974</u>	<u>-</u>	<u>508,974</u>	<u>526,726</u>
Total supporting services	<u>654,619</u>	<u>-</u>	<u>654,619</u>	<u>647,244</u>
Total expenses	<u>1,681,567</u>	<u>-</u>	<u>1,681,567</u>	<u>1,881,060</u>
Change in net assets	485,552	(137,330)	348,222	971,277
Net assets at beginning of year	<u>1,357,056</u>	<u>4,236,294</u>	<u>5,593,350</u>	<u>4,622,073</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,842,608</u>	<u>\$ 4,098,964</u>	<u>\$ 5,941,572</u>	<u>\$ 5,593,350</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022								2021	
	Program Services					Supporting Services				
	Education	Commemorative Events	Legacy Lecture	D-Day Prayer	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 147,380	\$ 27,691	\$ 13,594	\$ 56,004	\$ 244,669	\$ 50,031	\$ 15,953	\$ 65,984	\$ 310,653	\$ 288,571
Health insurance	6,016	1,714	833	3,616	12,179	2,297	1,061	3,358	15,537	14,301
Retirement	3,470	866	404	1,814	6,554	1,270	527	1,797	8,351	7,189
Payroll taxes	9,054	1,599	751	3,443	14,847	2,992	1,089	4,081	18,928	18,529
DC SUTA and employment tax	1,043	149	107	389	1,688	353	148	501	2,189	2,662
Special program costs	168,214	41,728	2,291	-	212,233	-	165	165	212,398	439,951
Accounting and audit services	19,246	4,116	992	6,154	30,508	66,088	2,529	68,617	99,125	90,339
Legal services	-	-	-	-	-	-	-	-	-	262
Consultants and professional services	152,813	5,433	12,566	10,872	181,684	9,594	45,120	54,714	236,398	191,100
Books, subscriptions, reference	-	-	-	-	-	-	-	-	-	1,162
IT web and internet expense	5,843	-	-	-	5,843	-	-	-	5,843	20,848
Postage and delivery	1,305	579	95	434	2,413	419	94	513	2,926	2,300
Telephone and telecommunications	987	185	101	362	1,635	322	109	431	2,066	1,960
Printing and copying	3,000	619	1,436	661	5,716	660	218	878	6,594	5,636
Direct mail expenses	241,576	-	-	-	241,576	-	435,407	435,407	676,983	743,086
Board meeting	2,997	645	321	964	4,927	758	294	1,052	5,979	459
Media advertising	1,526	-	-	-	1,526	-	-	-	1,526	3,346
Local travel	177	175	10	116	478	49	238	287	765	2,780
Out of town travel	12,385	1,425	370	-	14,180	-	3,380	3,380	17,560	3,421
Conference, convention, meeting	5,333	604	547	1,212	7,696	884	200	1,084	8,780	1,797
Office supplies	2,159	380	220	838	3,597	830	199	1,029	4,626	5,683
Program supplies	300	-	-	-	300	-	-	-	300	1,064
Depreciation	215	40	20	82	357	74	23	97	454	454
Rent, parking, and utilities	12,431	2,322	1,005	4,687	20,445	4,239	1,428	5,667	26,112	23,400
Bank fees	2,921	534	227	1,053	4,735	836	370	1,206	5,941	888
Payroll service fees	1,743	329	161	664	2,897	595	186	781	3,678	3,486
Business insurance	2,076	418	203	815	3,512	767	187	954	4,466	3,320
Workers compensation	453	84	42	172	751	154	49	203	954	899
State registration	-	-	-	-	-	2,387	-	2,387	2,387	2,155
Miscellaneous	2	-	-	-	2	46	-	46	48	12
TOTAL	\$ 804,665	\$ 91,635	\$ 36,296	\$ 94,352	\$ 1,026,948	\$ 145,645	\$ 508,974	\$ 654,619	\$ 1,681,567	\$ 1,881,060

See accompanying notes to financial statements.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 348,222	\$ 971,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	454	454
Unrealized and realized loss (gain)	231,223	(109,377)
Change in measurement of operating lease	(1,265)	-
Decrease (increase) in:		
Grants receivable	450,000	(409,092)
Contributions receivable	-	14,328
Prepaid expenses	(36,078)	71,737
Security deposits	(280)	-
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(43,256)</u>	<u>103,757</u>
Net cash provided by operating activities	<u>949,020</u>	<u>643,084</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,591,216)	(194,658)
Purchase of investments	(33,451)	(1,132,304)
Proceeds from sale of investments	<u>1,563,603</u>	<u>709,120</u>
Net cash used by investing activities	<u>(61,064)</u>	<u>(617,842)</u>
Net increase in cash and cash equivalents	887,956	25,242
Cash and cash equivalents at beginning of year	<u>73,335</u>	<u>48,093</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 961,291</u>	<u>\$ 73,335</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Donated Securities	<u>\$ 19,526</u>	<u>\$ 20,055</u>
Right of Use Asset - Operating	<u>\$ 72,827</u>	<u>\$ -</u>
Operating Lease Liability for Right of Use Asset	<u>\$ 72,827</u>	<u>\$ -</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization, nature of activities and program descriptions -

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

Education

In 2022, Friends continued to provide educational programs and resources. To this end, Friends hosted its seventh annual Friends of the World War II Memorial Teachers Network and Conference. Due to the continuing effect of the worldwide pandemic, the five day conference was held virtually from July 18-22, 2022 and was attended by an average of 150 online participants daily. The conference theme was "Untold Stories of World War II" and featured 15 expert presentations, a virtual tour of the World War II Memorial, and a remembrance ceremony.

In 2022, Friends continued to host a monthly virtual education conference series to teach the lessons of yesterday to unite the generations of tomorrow. The series, featuring discussions with World War II veterans, educators, published authors, and other experts on a range of topics, is held on the third Saturday of the month. Friends held six monthly virtual education conferences in 2022 (January-March and October-December).

Friends continued to coordinate in-person high school presentations by author, historian, and storyteller Alex Kershaw sharing heart-stopping stories about those who served in World War II and challenging students to ask themselves the same hard questions that confronted their forebears.

The education programs are generously supported by the Jack C. Taylor / Enterprise Rent-A-Car WWII Memorial Education Endowment.

Haydn Williams World War II Memorial Legacy Lecture Series

On November 9th, Friends held the tenth annual Haydn Williams World War II Memorial Legacy Lecture at the National Defense University. Award-winning author Ian Toll lecture titled, Pacific D-Days, discussed how amphibious warfare in the Pacific required sustained and intricate cooperation between the U.S. military services and the lessons they learned which remain vital to meet the challenges we face in the twenty-first century. The Haydn Williams World War II Memorial Legacy Lecture is an annual public lecture series that features preeminent historians and other experts speaking on the lasting significance and impact of World War II on America and the world.

Commemorative Events

In cooperation with the National Park Service, Friends has the lead responsibility in planning, staging, and funding five major national commemorative events at the World War II Memorial on VE Day, Memorial Day, VJ Day, Veterans Day, and Pearl Harbor Remembrance Day. In addition, Friends annually hosts a D-Day commemoration. The ceremonies are free and open to the public.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

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

Commemorative Events (continued)

Friends presented the 2022 Brigadier General Charles E. McGee UNITY Award to former Secretary of Commerce and Transportation The Honorable Norman Y. Mineta for Mineta's lifelong public service as a military veteran, Congressman, Cabinet member, and advocate for noble causes in the pursuit of educating our youth about democracy and what it means to be an American citizen. The annual award is named for the late retired Air Force Brigadier General Charles E. McGee, who embodied and lived by the highest American ideals during his 102-years. The UNITY award is a significant recognition of an individual or group actively working for the betterment of their community and beyond and for living up to the moral integrity espoused by General McGee and his fellow members of the "Greatest Generation".

Preservation

Friends continued to lead the effort to add President Franklin D. Roosevelt's "D-Day Prayer", one of the largest mass prayers in history, to the WWII Memorial and to restore the "Circle of Remembrance" – the area where the prayer will be placed. Senator Robert Portman (R-OH) introduced the bipartisan legislation, the World War II Memorial Prayer Act, which directed the Secretary of the Interior to install a plaque at or near the World War II Memorial in Washington, D.C. inscribed with the words of the prayer that President Roosevelt shared with the nation on D-Day, June 6, 1944. The legislation stipulated that no Federal funds could be used to implement this directive. Therefore, Friends took on the responsibility of designing and funding the project. The project's design, by landscape architecture firm Oehme, van Sweden & Associates (OvS), received its final approval from the Commission of Fine Arts in January 2022. Thanks to the generous support of Lilly Endowment, Inc., construction began on-site July 2022. A formal dedication ceremony will be on June 6, 2023. This is an important and meaningful addition that will complete the Memorial, which is visited by nearly five million people each year, providing a contemplative space to reflect on and remember the more than 400,000 American souls lost during WWII.

Friends worked with Congresswoman Marcy Kaptur (D-OH), the "Mother of the World War II Memorial", and Congressman Adam Kinzinger (R-IL) in the U.S. House of Representatives and Senators Mike Rounds (R-SD) and Jeanne Shaheen (D-NH) in the U.S. Senate to pass bipartisan legislation in the House and Senate that will raise private funds to help provide maintenance support for the World War II Memorial. President Biden signed the bill into law on August 3, 2022. The Greatest Generation Commemorative Coin Act authorizes the U.S. Treasury to mint coins in 2024 in commemoration of the 20th anniversary of the dedication of the National World War II Memorial in Washington, D.C. Proceeds from the sale of the commemorative coins will be used to maintain and repair the Memorial, as well as for robust educational and commemorative programming.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Basis of presentation (continued) -

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Friends' and/or the passage of time or net assets subject to donor-imposed stipulations that they be maintained in perpetuity by Friends.

The financial statements include certain prior year summarized comparative information in total but not by net asset class or by functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Friends' financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2022, Friends adopted Accounting Standards Update (ASU) 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. Friends applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 5 for further details.

Cash and cash equivalents -

Friends considers all cash and cash equivalents with initial maturities of three months or less to be cash equivalents. This excludes cash and cash equivalents held in the investment portfolio totaling \$930,163 as of December 31, 2022. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Friends maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income (loss) net of investment expenses provided by external investment advisors in the Statement of Activities and Change in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. Friends' policy is to liquidate all gifts of investments as soon as possible after the gift.

Grants and contributions receivable -

Management considers all amounts to be fully collectible within one year.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Grants and contributions receivable (continued) -

Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2022 totaled \$454. Fixed assets include \$1,928,988 toward a Memorial plaque in progress. During 2015, Friends started the site analysis phase of a project to construct a Memorial plaque to remember President Franklin Delano Roosevelt. The plaque will be granted to the NPS once it is completed and placed in service. Therefore, no depreciation has been recorded.

Income taxes -

Friends is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Friends is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2022, Friends has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contributions and grants -

Gifts, including unconditional pledges, grants and contributions are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Conditional promises to give are not recognized until the stipulated barriers are met. Contributions and grants qualifying as contributions are recorded by Friends upon notification of the contribution and grant award and satisfaction of all conditions, if applicable.

Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and/or satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions received and satisfied in the same reporting period are included in without donor restrictions.

Other income consists of travel and registration fees for educational trips related to Friends mission. Friends recognizes this revenue when the related event or trip has occurred. The transaction price is determined based on sales price.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Use of estimates -

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Friends are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort. Direct mail expenses are allocated using a direct line count method of allocating joint costs.

Risks and uncertainties -

Friends invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

New accounting pronouncement not yet adopted -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for Friends' for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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

2. INVESTMENTS

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

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

2. INVESTMENTS (Continued)

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

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and no transfers between levels during 2022.

Mutual Funds and Exchange-traded Funds - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, Friends' investments as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual Funds	\$ 924,129	\$ -	\$ -	\$ 924,129
Exchange-traded Funds	<u>1,242,939</u>	<u>-</u>	<u>-</u>	<u>1,242,939</u>
TOTAL	<u>\$ 2,167,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,167,068</u>

At December 31, 2022, \$930,163 of cash equivalents was held as investments.

Included in investment loss are the following:

Interest and dividends	\$ 42,406
Unrealized and realized loss	(231,223)
Management fees	<u>(8,941)</u>
TOTAL INVESTMENT LOSS	<u>\$ (197,758)</u>

3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to expenditure for specified purpose:	
Education	\$ 625,193
D-Day Prayer	1,805,563
Legacy Lecture (accumulated endowment earnings)	18,208
History and Legacy Fund	450,000
Endowments to be invested in perpetuity:	
Haydn Williams Legacy Lectures Program	<u>1,200,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 4,098,964</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

Education	\$ 812,289
D-Day Prayer	95,940
Legacy Lecture	<u>36,638</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>944,867</u>

4. FUNCTIONAL ALLOCATION OF EXPENSES AND JOINT COSTS

During the year ended December 31, 2022, Friends conducted direct mail activity that included requests for contributions as well as a program component. Costs associated with the periodic mailings that meet the requirements for treatment as joint costs are allocated between program services and fund-raising. These joint costs were allocated as follows for the year ended December 31, 2022:

Fundraising	\$ 464,709
Education	<u>212,274</u>
TOTAL	\$ <u>676,983</u>

5. LEASE COMMITMENTS

Friends leases office space under an operating lease agreement that expires in December 2023 with rent at \$2,225 per month for entire term of agreement. ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2022, Friends adopted the ASU and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. Friends also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. Friends adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, Friends recorded a right-of-use asset and operating lease liability in the amount of \$72,827 by calculating the present value using the discount rate of 5.30%. The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2023	\$ 26,700
2024	<u>24,475</u>
	51,175
Less: imputed interest	<u>(2,615)</u>
	48,560
Less: Current portion	<u>(24,721)</u>
LONG-TERM PORTION	\$ <u>23,839</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

5. LEASE COMMITMENTS (Continued)

Lease expense for the year ended December 31, 2022 totaled \$25,872.

6. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following:

Cash and cash equivalents	\$ 961,291
Investments	1,879,023
Less: Non-endowment donor restricted funds	<u>(2,880,756)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>(40,442)</u>
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Friends is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Friends must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. Friends has a policy to structure its financial assets to be available and liquid as its obligations become due.

7. COMMITMENTS

Friends has a two-year employment contract with the Executive Director and the Public Education Officer, which terminate on December 31, 2023 and December 31, 2024, respectively. The agreements provide for various severance benefits upon termination of the agreement with 30-days written notice.

8. ENDOWMENT

Friends has one endowment fund, from which the income shall be used to support the annual Haydn Williams Legacy Lectures Program.

As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing Friends to appropriate for expenditures or accumulate so much of an endowment fund as Friends determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. As a result of this interpretation, when reviewing its donor-restricted endowment funds, Friends considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Friends has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

8. ENDOWMENT (Continued)

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

- The duration and preservation of the fund;
- The purpose of Friends and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 1,200,000	\$ 1,200,000
Accumulated earnings	<u>-</u>	<u>18,208</u>	<u>18,208</u>
TOTAL FUNDS	<u>\$ -</u>	<u>\$ 1,218,208</u>	<u>\$ 1,218,208</u>

Changes in endowment net assets for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,457,309	\$ 1,457,309
Investment return, net	-	(202,463)	(202,463)
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(36,638)</u>	<u>(36,638)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,218,208</u>	<u>\$ 1,218,208</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2022.

Return Objectives and Risk Parameters -

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

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives -

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

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

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

9. SUBSEQUENT EVENTS

In preparing these financial statements, Friends has evaluated events and transactions for potential recognition or disclosure through June 6, 2023, the date the financial statements were issued.