

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2023**

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2024, with Summarized Financial Information for 2023	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2024, with Summarized Financial Information for 2023	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2024, with Summarized Financial Information for 2023	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2024, with Summarized Financial Information for 2023	7
NOTES TO FINANCIAL STATEMENTS	8 - 17



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, 2024, and the related statement 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, 2024, 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.

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

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. 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' 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 24, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.



May 7, 2025

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

ASSETS

	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 211,740	\$ 585,407
Investments	8,266,844	2,667,185
Contributions and grants receivable	952,525	-
Inventory	30,153	-
Prepaid expenses	<u>113,990</u>	<u>83,882</u>
Total current assets	<u>9,575,252</u>	<u>3,336,474</u>
FIXED ASSETS		
Furniture and equipment	11,576	11,576
Less: Accumulated depreciation	<u>(9,501)</u>	<u>(8,566)</u>
Net fixed assets	<u>2,075</u>	<u>3,010</u>
NONCURRENT ASSETS		
Right-of-use asset, net	-	25,315
Contributions and grants receivable, net	64,164	-
Investments held for endowment	1,422,534	1,341,694
Security deposits	<u>2,730</u>	<u>2,730</u>
Total noncurrent assets	<u>1,489,428</u>	<u>1,369,739</u>
TOTAL ASSETS	<u>\$ 11,066,755</u>	<u>\$ 4,709,223</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 79,758	\$ 141,943
Operating lease liability	<u>-</u>	<u>23,510</u>
Total liabilities	<u>79,758</u>	<u>165,453</u>
NET ASSETS		
Without donor restrictions	2,012,919	2,351,388
With donor restrictions	<u>8,974,078</u>	<u>2,192,382</u>
Total net assets	<u>10,986,997</u>	<u>4,543,770</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,066,755</u>	<u>\$ 4,709,223</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 625,291	\$ 7,101,544	\$ 7,726,835	\$ 2,283,898
Net investment return	102,723	131,852	234,575	232,092
Educational trips income	355,064	-	355,064	380,895
Net assets released from donor restrictions	<u>451,700</u>	<u>(451,700)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,534,778</u>	<u>6,781,696</u>	<u>8,316,474</u>	<u>2,896,885</u>
EXPENSES				
Program Services:				
Education	1,290,530	-	1,290,530	1,504,755
Commemorative Events	227,374	-	227,374	113,675
Legacy Lecture	50,669	-	50,669	39,686
D-Day Prayer	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,163</u>
Total program services	<u>1,568,573</u>	<u>-</u>	<u>1,568,573</u>	<u>1,702,279</u>
Supporting Services:				
Management and General	75,771	-	75,771	104,935
Fundraising	<u>228,903</u>	<u>-</u>	<u>228,903</u>	<u>424,424</u>
Total supporting services	<u>304,674</u>	<u>-</u>	<u>304,674</u>	<u>529,359</u>
Total expenses	<u>1,873,247</u>	<u>-</u>	<u>1,873,247</u>	<u>2,231,638</u>
Change in net assets before other item	(338,469)	6,781,696	6,443,227	665,247
OTHER ITEM				
Transfer of memorial plaque	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,063,049)</u>
Change in net assets	(338,469)	6,781,696	6,443,227	(1,397,802)
Net assets at beginning of year	<u>2,351,388</u>	<u>2,192,382</u>	<u>4,543,770</u>	<u>5,941,572</u>
NET ASSETS AT END OF YEAR	\$ <u>2,012,919</u>	\$ <u>8,974,078</u>	\$ <u>10,986,997</u>	\$ <u>4,543,770</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023**

	2024							2023	
	Program Services				Supporting Services			Total Expenses	Total Expenses
	Education	Commemorative Events	Legacy Lecture	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$ 341,344	\$ 87,157	\$ 25,582	\$ 454,083	\$ 44,195	\$ 16,786	\$ 60,981	\$ 515,064	\$ 443,500
Health insurance	11,398	8,632	2,862	22,892	2,666	1,119	3,785	26,677	23,521
Retirement	8,143	2,869	779	11,791	1,192	469	1,661	13,452	7,876
Payroll taxes	21,784	5,625	1,214	28,623	3,285	668	3,953	32,576	29,910
DC SUTA and employment tax	2,205	539	177	2,921	282	118	400	3,321	2,077
Videography and production	122,106	60,027	1,618	183,751	-	248	248	183,999	180,555
Accounting and audit services	62,247	16,333	4,935	83,515	8,271	3,273	11,544	95,059	88,554
Consultants and professional services	119,240	9,230	7,451	135,921	4,398	43,590	47,988	183,909	233,841
IT web and internet expense	36,663	16,328	13	53,004	8	10	18	53,022	47,511
Postage and delivery	2,800	382	135	3,317	165	96	261	3,578	4,616
Telephone and telecommunications	1,796	463	140	2,399	223	94	317	2,716	2,148
Printing and copying	3,860	504	5	4,369	5	16	21	4,390	16,999
Direct mail expenses	59,683	-	-	59,683	-	157,724	157,724	217,407	590,376
Board meeting expenses	8,537	2,494	827	11,858	937	607	1,544	13,402	5,828
Media advertising	34,021	3,964	26	38,011	155	3	158	38,169	4,213
Local travel	311	191	926	1,428	4	-	4	1,432	2,077
Education travel tours	410,418	912	204	411,534	50	1,228	1,278	412,812	452,183
Conference, convention, meeting	2,209	35	5	2,249	19	2	21	2,270	8,099
Office supplies	7,917	2,907	1,148	11,972	522	325	847	12,819	21,818
Depreciation	619	157	47	823	81	31	112	935	498
Operating lease	18,518	4,751	1,585	24,854	2,223	1,097	3,320	28,174	33,505
Bank fees	7,925	2,136	457	10,518	1,157	1,042	2,199	12,717	18,891
Payroll service fees	3,202	812	261	4,275	395	177	572	4,847	4,204
Business insurance	2,656	690	196	3,542	348	128	476	4,018	4,896
Workers compensation	812	207	61	1,080	105	40	145	1,225	1,052
State registrations	66	16	13	95	-	11	11	106	211
Miscellaneous	50	13	2	65	5,085	1	5,086	5,151	2,679
TOTAL	\$ 1,290,530	\$ 227,374	\$ 50,669	\$ 1,568,573	\$ 75,771	\$ 228,903	\$ 304,674	\$ 1,873,247	\$ 2,231,638

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, 2024
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,443,227	\$ (1,397,802)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	935	498
Unrealized and realized gain	(61,010)	(154,670)
Amortization of right-of-use asset	25,315	24,510
Change in discount on noncurrent contributions receivable	2,836	-
Transfer of memorial plaque	-	2,063,049
Increase in:		
Contributions and grants receivable	(1,019,525)	-
Inventory	(30,153)	-
Prepaid expenses	(30,108)	(8,885)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(62,185)	16,155
Operating lease liability	(23,510)	(25,050)
Net cash provided by operating activities	<u>5,245,822</u>	<u>517,805</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	(136,711)
Purchases of investments	(6,501,709)	(1,498,562)
Proceeds from sales of investments	<u>882,220</u>	<u>741,584</u>
Net cash used by investing activities	<u>(5,619,489)</u>	<u>(893,689)</u>
Net decrease in cash and cash equivalents	(373,667)	(375,884)
Cash and cash equivalents at beginning of year	<u>585,407</u>	<u>961,291</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 211,740</u>	<u>\$ 585,407</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization, nature of activities and program descriptions -

Friends of the National World War II Memorial (Friends) is a nonprofit organization dedicated to preserving the National World War II Memorial in Washington, D.C., as a sacred place of remembrance, learning, and inspiration. Established in 2007 by the Memorial's creators, Friends leads efforts to maintain this iconic site, ensuring it remains a must-see destination for over 5 million visitors annually. Through meaningful ceremonies, impactful educational programs, and vital preservation initiatives, Friends honors the legacy of the Greatest Generation and shares the enduring lessons of World War II, inspiring unity, shared values, pride in America, and hope for the future.

Education

In 2024, Friends continued to provide educational programs and resources. To this end, Friends hosted its ninth annual Friends of the World War II Memorial Teachers Network and Conference. It was a very full and productive week, attended by 30 educators representing 14 States. Conference highlights included daily presentations and tours by engaging presenters and guides, including Friends' Resident Historian Alex Kershaw, and a remembrance ceremony at the WWII Memorial. Dozens more educators were able to participate virtually, and videos of the presentations and tours are archived on Friends' website (www.wwiimemorialfriends.org).

In 2024, 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 eight monthly virtual education conferences in 2024 (January-April and September-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.

Friends hosted international educational tours, guided by Resident Historian Alex Kershaw, to London, Normandy, and Paris in May 2024 and to The Netherlands, Belgium, Luxembourg, and Germany in September 2024.

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 13th, Friends held the twelfth annual Haydn Williams World War II Memorial Legacy Lecture at the National Defense University. WWII historian and author John C. McManus delivered a lecture, titled *To the End of the Earth: The U.S. Army and the Downfall of Japan*, which explored the cost of victory over Japan and the long-term legacies that still resonate today. 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.

This program is supported by the Haydn Williams World War II Memorial Legacy Lecture Series Endowment.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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

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

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 2024 commemorations included a special ceremony marking the 20th anniversary of the dedication of the World War II Memorial and special programs marking the 80th anniversaries of the Battle of Normandy and the Battle of the Bulge. As part of the 80th commemorations, names of all those killed during those battles were read by volunteers at the newly restored Circle of Remembrance, next to the newly installed FDR D-Day Prayer. The ceremonies are free and open to the public.

Friends presented the 2024 Brigadier General Charles E. McGee UNITY Award to Congresswoman Kaptur, the longest-serving woman in congressional history, for her unwavering commitment to establishing the World War II Memorial on the National Mall and her continued efforts to preserve the national memory of World War II. 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

The Greatest Generation Commemorative Coin Act, signed into law on August 3, 2022, authorized the U.S. Treasury to mint coins in 2024, commemorating the 20th anniversary of the dedication of the World War II Memorial. The 2024 Greatest Generation Commemorative Coin program commenced on February 29, 2024, and continued through December 31, 2024. Sales of the Commemorative Coins included statutory surcharges authorized to be paid to Friends to support maintenance and repairs of the Memorial, as well as for commemorative and educational 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 (U.S. GAAP) related to nonprofit entities. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. 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". Net assets set aside 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 may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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

Basis of presentation (continued) -

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Friends financial statements for the year ended December 31, 2023, from which the summarized information was derived.

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 \$66,225 as of December 31, 2024. 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. Interest, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, 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.

Contributions and grants receivable -

Contributions and grants receivable include unconditional promises to give that are expected to be collected in future years. Contributions and grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term contributions receivable is computed using the risk-adjusted interest rates applicable to the years in which the contributions to give were received. Amortization of the discount is included in contributions. Management believes all amounts are fully collectible, and accordingly, has not established an allowance for doubtful accounts.

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, 2024 totaled \$935.

Income taxes -

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

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

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

Inventory -

Inventory consists of memorial coins that were purchased as part of the 2024 Greatest Generation Memorial Coin Program. Inventory is stated at the lower of cost or net realizable value using the first in, first out method of valuation. Management performs an annual physical count of all merchandise and publications and, as a result, inventory is adjusted annually to agree to the physical count.

Contributions and grants -

Friends is substantially supported by contributions and grants. Contributions and grants are recognized in the appropriate category of net assets in the period received. Friends performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions and grants is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, Friends had no refundable advances as of December 31, 2024.

Educational trips income -

Friends Educational trips income is the most significant revenue stream that is treated as exchange transaction revenue following ASC Topic 606. Educational trips 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. Funds received in advance of the trips are recorded as deferred deposits and are included in accounts payable and accrued liabilities in the accompanying Statement of Financial Position. The balance of deferred deposits totaled \$36,000 and \$57,000 as of January 1, 2024 and December 31, 2024, respectively.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

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

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.

2. INVESTMENTS AND FAIR VALUE MEASUREMENT

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.

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 2024.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

2. INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The table below summarizes, by level within the fair value hierarchy, Friends' investments as of December 31, 2024:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 8,166,967	\$ -	\$ -	\$ 8,166,967
Exchange-traded Funds	<u>1,456,186</u>	<u>-</u>	<u>-</u>	<u>1,456,186</u>
TOTAL	<u>\$ 9,623,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,623,153</u>

At December 31, 2024, \$66,225 of cash equivalents was held as investments.

Net investment return consisted of the following for the year ended December 31, 2024:

Interest and dividends	\$ 183,178
Unrealized and realized gain	61,010
Management fees	<u>(9,613)</u>
NET INVESTMENT RETURN	<u>\$ 234,575</u>

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2024, contributors to Friends have made written promises to give totaling \$1,019,525. Contributions and grants due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 4.42%.

Contributions and grants are due as follows at December 31, 2024:

Less than one year	\$ 952,525
One to five years	<u>67,000</u>
Total	1,019,525
Less: Allowance to discount balance to present value	<u>(2,836)</u>
NET CONTRIBUTIONS AND GRANTS RECEIVABLE	<u>\$ 1,016,689</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2024:

Subject to expenditure for specified purpose:	
Education	\$ 1,925,380
Memorial Maintenance	5,010,000
Legacy Lecture (accumulated endowment earnings)	222,534
History and Legacy Fund	450,000
Subject to passage of time	166,164
Endowments to be invested in perpetuity:	
Haydn Williams Legacy Lectures Program	<u>1,200,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 8,974,078</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

4. 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	\$ 400,687
Legacy Lecture	<u>51,013</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 451,700</u>

5. FUNCTIONAL ALLOCATION OF EXPENSES AND JOINT COSTS

During the year ended December 31, 2024, 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 fundraising.

These joint costs were allocated as follows for the year ended December 31, 2024:

Fundraising	\$ 157,724
Education	<u>59,683</u>
TOTAL	<u>\$ 217,407</u>

6. LEASE COMMITMENTS

Friends follows FASB ASC 842 for leases. Friends has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. Friends has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Friends has an operating lease agreement that expired in December 2024 with rent at \$2,225 per month for entire term of agreement. Friends applied the risk-free discount rate of 5.30% to the lease. There was no remaining balance on the right-of-use asset or operating lease liability for the lease that expired at December 31, 2024.

Lease expense and total cash paid for the year ended December 31, 2024 totaled \$33,505 and \$26,700, respectively.

Subsequent to year-end, Friends entered into a new lease agreement for office space that commenced on April 1, 2025 and expires on March 31, 2027. Base rent is \$2,315 with a 3% escalation after the first year.

7. 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	\$ 211,740
Investments	8,266,844
Contributions and grants receivable	952,525
Less: Non-endowment donor-restricted funds	<u>(7,774,078)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,657,031</u>

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

7. LIQUIDITY (Continued)

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.

8. COMMITMENTS

Friends has employment contracts with the Executive Director and the Resident Historian, which terminate on December 31, 2026. The agreements provide for various severance benefits upon termination of the agreement with 30-days written notice.

9. 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.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2024

9. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	-	222,534	222,534
TOTAL FUNDS	\$ -	\$ 1,422,534	\$ 1,422,534

Changes in endowment net assets for the year ended December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,341,694	\$ 1,341,694
Net investment return	-	131,852	131,852
Appropriation of endowment assets for expenditure	-	(51,012)	(51,012)
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 1,422,534	\$ 1,422,534

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, 2024.

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.

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.

FRIENDS OF THE NATIONAL WORLD WAR II MEMORIAL, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

9. ENDOWMENT (Continued)

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' 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.

10. SUBSEQUENT EVENTS

In preparing these financial statements, Friends has evaluated events and transactions for potential recognition or disclosure through May 7, 2025, the date the financial statements were issued.