

United States Foundation for the Commemoration of the World Wars

Financial Report
December 31, 2015

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Independent Auditor's Report

To the Board of Directors
United States Foundation for the Commemoration of the World Wars
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of United States Foundation for the Commemoration of the World Wars (the Foundation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2015, and the changes 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.

RSM US LLP

Washington, D.C.
June 14, 2016

United States Foundation for the Commemoration of the World Wars

Statement of Financial Position
December 31, 2015

Assets

Current assets:

Cash and cash equivalents	\$ 1,584,289
Prepaid expenses	8,919
Promises to give, current portion	26,533
Deposit	2,500
Funds held by the WWICC	204,353
Total current assets	<u>1,826,594</u>

Non-current assets:

Promises to give, non-current portion	9,839
Investments	147,364
Website, net	58,110
Total non-current assets	<u>215,313</u>

Total assets	<u>\$ 2,041,907</u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 36,303
Accrued expenses	128,177
Agency liabilities	300,000
Grant liability, current portion	100,000
Total current liabilities	<u>564,480</u>

Non-current liabilities:

Grant liability, non-current portion	285,652
Total liabilities	<u>850,132</u>

Commitment (Note 9)

Net assets:

Unrestricted	1,145,153
Temporarily restricted	46,622
Total net assets	<u>1,191,775</u>

Total liabilities and net assets	<u>\$ 2,041,907</u>
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See notes to financial statements.

United States Foundation for the Commemoration of the World Wars

Statements of Activities

Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 211,518	\$ 10,250	\$ 221,768
In-kind contributions	296,682	-	296,682
Matching contributions	499,760	21,854	521,614
Interest income	2,995	-	2,995
Unrealized losses	(5,096)	-	(5,096)
Miscellaneous income	86	-	86
Release from restriction	21,050	(21,050)	-
Total support and revenue	1,026,995	11,054	1,038,049
Expenses:			
Program services:			
Commission:			
Memorial at Pershing Park	525,807	-	525,807
Other programs	75,695	-	75,695
	601,502	-	601,502
Non-Commission:			
New York	1,458	-	1,458
Lusitania	3,480	-	3,480
Other programs	15,285	-	15,285
	20,223	-	20,223
	621,725	-	621,725
Supporting services:			
Management and general	936,040	-	936,040
Fundraising	347,776	-	347,776
	1,283,816	-	1,283,816
Total expenses	1,905,541	-	1,905,541
Change in net assets	(878,546)	11,054	(867,492)
Net assets:			
Beginning of year	2,023,699	35,568	2,059,267
End of year	\$ 1,145,153	\$ 46,622	\$ 1,191,775

See notes to financial statements.

United States Foundation for the Commemoration of the World Wars

**Statement of Functional Expenses
Year Ended December 31, 2015**

	Commission						Non-Commission							
	Program Services			Supporting Services			Program Services				Supporting Services			
	Pershing				Management	Total	New York	Lusitania				Management	Total	
	Park	Other	Total	Fundraising	and General	Commission	City Activities	Event	Other	Total	Fundraising	and General	Non-Commission	Total
Salaries and benefits	\$ 92,725	\$ 30,252	\$ 122,977	\$ 79,782	\$ 439,691	\$ 642,450	\$ -	\$ -	\$ -	\$ -	\$ 146,311	\$ 105,217	\$ 251,528	\$ 893,978
Consultant and professional fees	347,459	160	347,619	-	-	347,619	-	300	850	1,150	20,000	160	21,310	368,929
Rent and utilities	-	-	-	-	-	-	-	-	-	-	-	187,702	187,702	187,702
Legal fees	-	-	-	-	-	-	-	-	-	-	-	85,702	85,702	85,702
Accounting and audit fees	-	-	-	-	-	-	-	-	-	-	-	74,454	74,454	74,454
GSA financial management	-	-	-	-	-	-	-	-	-	-	-	57,300	57,300	57,300
Travel	12,140	15,536	27,676	-	4,688	32,364	-	3,180	-	3,180	5,875	10,929	19,984	52,348
Web design and maintenance	5,511	281	5,792	-	-	5,792	-	-	-	-	4,003	32,666	36,669	42,461
GSA human resources services	-	-	-	-	-	-	-	-	-	-	-	33,996	33,996	33,996
Meals and entertainment	1,326	7,670	8,996	9	581	9,586	1,458	-	-	1,458	1,185	5,625	8,268	17,854
Depreciation	-	-	-	-	-	-	-	-	-	-	-	18,193	18,193	18,193
Printing	1,234	284	1,518	5,891	622	8,031	-	-	-	-	6,190	2,394	8,584	16,615
Exhibit development	-	-	-	-	-	-	-	-	10,000	10,000	-	-	10,000	10,000
Supplies	559	-	559	-	-	559	-	-	-	-	1,482	7,325	8,807	9,366
Dues and subscriptions	-	-	-	-	125	125	-	-	-	-	4,860	4,004	8,864	8,989
Shipping and delivery	-	-	-	-	-	-	-	-	4,435	4,435	322	2,564	7,321	7,321
Conferences and trade shows	-	-	-	-	-	-	-	-	-	-	4,257	-	4,257	4,257
Insurance	-	-	-	-	-	-	-	-	-	-	-	4,100	4,100	4,100
Telephone and IT	-	-	-	-	-	-	-	-	-	-	-	3,979	3,979	3,979
Design services and database	1,600	-	1,600	-	-	1,600	-	-	-	-	-	2,280	2,280	3,880
Donations	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	1,000
Grants to other	1,623	-	1,623	-	-	1,623	-	-	-	-	-	-	-	1,623
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	-	595	595	595
Promotional materials	167	-	167	-	-	167	-	-	-	-	-	424	424	591
Bank charges	-	-	-	-	-	-	-	-	-	-	-	308	308	308
Total expenses before overhead allocation	464,344	54,183	518,527	85,682	445,707	1,049,916	1,458	3,480	15,285	20,223	194,485	640,917	855,625	1,905,541
Administrative overhead allocation	61,463	21,512	82,975	18,439	104,487	205,901	-	-	-	-	49,170	(255,071)	(205,901)	-
Total expenses	\$ 525,807	\$ 75,695	\$ 601,502	\$ 104,121	\$ 550,194	\$1,255,817	\$ 1,458	\$ 3,480	\$ 15,285	\$ 20,223	\$ 243,655	\$ 385,846	\$ 649,724	\$ 1,905,541

See notes to financial statements.

United States Foundation for the Commemoration of the World Wars

Statement of Cash Flows
Year Ended December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ (867,492)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	18,193
Decrease in discount on promises to give	(242)
Unrealized losses	5,096
Donation of stock	(152,460)
Changes in assets and liabilities:	
(Increase) decrease in:	
Promises to give	2,493,388
Prepaid expenses	(8,919)
Deposit	(2,500)
Funds held by the WWICC	(204,353)
Increase (decrease) in:	
Accounts payable	50,253
Payroll liabilities	107,529
Agency liabilities	300,000
Grant liability	(98,377)
Net cash provided by operating activities	<u>1,640,116</u>
Cash flows from investing activities:	
Website development costs	(72,056)
Net cash used in investing activities	<u>(72,056)</u>
Net increase in cash and cash equivalents	1,568,060
Cash and cash equivalents:	
Beginning of year	<u>16,229</u>
End of year	<u>\$ 1,584,289</u>
Supplemental schedule of noncash investing and financing activities:	
Donation of stock	<u>\$ 152,460</u>

See notes to financial statements.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: United States Foundation for the Commemoration of the World Wars (the Foundation) was incorporated in the District of Columbia as a nonprofit organization on July 30, 2013. Its mission is to identify resources to support planning and execution of programs, projects and activities commemorating and educating the public regarding the Centennial of World War One. The Foundation also encourages private organizations and state and local governments to organize and participate in activities commemorating and educating the public regarding the Centennial of World War One. The Foundation began operations in September 2013.

The Foundation is working alongside The World War I Centennial Commission (WWICC) as established by The World War I Centennial Commission Act of the United States Congress, to fundraise, design and build a World War I memorial in Pershing Park in the District of Columbia. The Commission is also responsible for planning, developing and executing programs, projects and activities to commemorate the centennial of World War One.

The following is a summary of the Foundation's significant accounting policies:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional contributions are recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets: Net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets: Result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

Permanently restricted net assets: Result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Foundation's actions. There were no permanently restricted net assets at December 31, 2015.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents

Unconditional promises to give: Unconditional promises to give are recognized as revenue in the period received when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give that will not be collected within one year have been discounted at a rate commensurate with the risks involved less an estimate made for doubtful pledges based on a review of all outstanding pledges on an annual basis. The Foundation uses the allowance method to determine uncollectible promises to give. The allowance is based on management's analysis of specific promises made. There was no allowance for doubtful accounts recorded as of December 31, 2015.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: The Foundation invests in a portfolio that contains one common stock in a publicly traded company. Such an investment is exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with such an investment and the level of uncertainty related to changes in the value of such an investment, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Investments are carried at fair market value, and realized and unrealized gains and losses are reported in the accompanying statement of activities. During the year ended December 31, 2015, the Foundation received a donation of the common stock of a publicly traded company. The stock is valued at \$147,364 at December 31, 2015, and incurred an unrealized loss of \$5,096 during the year ended December 31, 2015.

Website: The website is recorded at cost. Depreciation is computed over the estimated useful lives of the respective assets on a straight-line basis. The Foundation capitalizes all property and equipment purchased with a cost of \$1,000 or more.

Support and revenue recognition: All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions that are met by the Foundation in the year in which they were received are recognized as unrestricted support.

In-kind contributions: The Foundation receives contributions of services from individuals and businesses toward the fulfillment of program objectives and use of office space. Those contributions have been included in revenue and expense categories and are recorded at their estimated fair values as of the date of the donation. The Foundation also received pro-bono legal services of \$85,702.

Functional allocation of expenses: The costs of providing for various programs and supporting services have been summarized on the functional basis in the statement of activities. Direct costs associated with specific programs are recorded as program expenses. Administrative overhead expenses are allocated to the various programs based on personnel time spent on these activities. Fringe benefits are allocated based on labor dollars spent on these activities. Personnel and administrative costs and rent have been allocated between program, fundraising and operating expenses based on level of effort. Operating expenses consist of general and administrative expenses. Fundraising expenses consist of development expenses.

Income taxes: The Foundation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contributions deductions under Section 170(b)(1)(A).

The Foundation has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

Management evaluated the Foundation's tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this guidance.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Subsequent events: The Foundation evaluated subsequent events through June 14, 2016, which is the date the financial statements were available to be issued.

Note 2. Promises to Give

Unconditional promises to give at December 31, 2015, consist of unrestricted promises to give as well as contributions promised to fund specific programs. The Foundation discounted the promises to give due in more than one year at a rate of 1.65%.

These amounts are expected to be received as follows:

Due in one year or less	\$ 26,533
Due in two to five years	10,081
	<hr/>
	36,614
Less present value discount	(242)
	<hr/>
	<u>\$ 36,372</u>

The Foundation has a conditional promise to give from a donor whereby the donor will contribute up to \$2,500,000 upon the Foundation collecting matching contributions. The donor will pay the matching donations dollar for dollar, up to \$500,000 annually. During the year ended, December 31, 2015, the Foundation received \$500,000 in matching gifts. The remaining amount of matching funds to be received is \$2,000,000 as of December 31, 2015. A matching gifts receivable of \$21,614 is recorded at December 31, 2015, for matching contributions recorded in 2015 to be matched by the donor in 2016.

Note 3. Fair Value Measurements

The Fair Value Measurement Topic of the ASC defines fair value as 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, and sets out a 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). Inputs are broadly defined under this topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments in this category generally include corporate bonds and notes. There were no Level 2 inputs for any assets or liabilities held by the Foundation at December 31, 2015.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 3. Fair Value Measurements (Continued)

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. There were no Level 3 inputs for any assets or liabilities held by the Foundation at December 31, 2015.

The common stock valued at \$147,364 is publicly traded and priced daily and therefore classified as a Level 1 investment.

Note 4. Website

Website and accumulated depreciation at December 31, 2015, are as follows:

	Estimated Useful Life	2015
Website	3 years	\$ 81,306
Accumulated depreciation		<u>(23,196)</u>
		<u>\$ 58,110</u>

Depreciation expense for the year ended December 31, 2015, was \$18,193.

Note 5. Grant Liability

During December of 2014, the Foundation entered into a grant agreement with Pritzker Military Museum & Library (PMML) with the promise to provide PMML with \$100,000 per year for five years for video production and public programming. Payments of unconditional promises to give made over several accounting periods are recorded as a liability and an expense for the entire amount payable, and discounted to their net present value at the time the liability is recorded. The Foundation's promises to give is payable over a five-year period and are discounted at a rate of 1.65%. The present value discount as of December 31, 2015, is \$14,348. The amount of the gross liability is \$400,000 at December 31, 2015.

Note 6. Agency Transactions

During the year ended December 31, 2015, the Foundation received \$400,000 in funds from donors to be disbursed by the Foundation to an organization for the repair of a certain other memorial. As the Foundation is acting as an agent for these funds, these are not recorded in the revenues and expenses of the Foundation. During the year ended December 31, 2015, the Foundation disbursed \$100,000 with a remaining agency liability of \$300,000 as of December 31, 2015.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted funds which are available for program services or restricted for time. Temporarily restricted net assets were released from restrictions due to the time restriction ending or the purpose restriction being accomplished.

Changes in temporarily restricted net assets during the year ended December 31, 2015, are as follows:

	Balance December 31, 2014	Additions	Released	Balance December 31, 2015
Purpose restricted:				
Website	\$ 6,050	\$ -	\$ (6,050)	\$ -
Design competition	10,000	-	(10,000)	-
New York program	-	10,250	-	10,250
Time restricted:				
Promises to give	19,518	21,854	(5,000)	36,372
	<u>\$ 35,568</u>	<u>\$ 32,104</u>	<u>\$ (21,050)</u>	<u>\$ 46,622</u>

Note 8. Related Party

The Foundation is the principal fundraising partner for WWICC as established by The World War I Centennial Commission Act of the United States Congress. WWICC compensates the Foundation for these fundraising services by providing support in the form of donated management and programming services and donated office space to the Foundation. The amount of in-kind rent and services was \$187,702 and \$23,278, respectively, for the year ended December 31, 2015.

During the year ended December 31, 2015, the Foundation began making periodic payments to the WWICC to pay for the GSA management expenses and salaries of the Foundation as these are employees of WWICC. The amount of advance payments held by WWICC as of December 31, 2015, is \$204,353 which is expected to be utilized in 2016.

Note 9. Commitment

During March 2016, the Foundation entered into an agreement for conceptual and architectural design for the Pershing Park World War I Memorial. The amount related to landscape design is estimated to not exceed \$280,000 and the service to be completed by July 31, 2016.