



FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2019 AND 2018



Independent Auditors' Report

The Board of Directors
Vietnam Veterans of America, Inc.
Silver Spring, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Vietnam Veterans of America, Inc., which comprise the statements of financial position as of February 28, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

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The Board of Directors
Vietnam Veterans of America, Inc.

Report on the Financial Statements (Continued)

Auditors' Responsibility (Continued)

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 Vietnam Veterans of America, Inc., as of February 28, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Bethesda, Maryland
July 31, 2019

Certified Public Accountants

Vietnam Veterans of America, Inc.

Statements of Financial Position
February 28, 2019 and 2018

	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Undesignated Cash and Cash Equivalents	\$ 8,600,508	\$ 7,838,454	Accounts Payable	\$ 671,931	\$ 577,213
Accounts Receivable	827,396	583,280	Accrued Expenses	246,197	304,874
Prepaid Expenses and Other Assets	194,091	246,319	Current Portion of Deferred Life Member Dues Payable to State Councils and Chapters	227,430	135,666
Total Current Assets	<u>9,621,995</u>	<u>8,668,053</u>	Deferred Revenue	186,078	110,999
Investments - at Market Value			Total Current Portion of Deferred Life Member Dues	<u>413,508</u>	246,665
Undesignated	6,507,111	5,821,806	Current Portion of Deferred Revenue	-	13,380
Designated for Life Memberships	2,435,399	2,971,363	Current Portion of Capital Lease Obligations Due to State Councils and Chapters	54,849	51,258
Total Investments	<u>8,942,510</u>	<u>8,793,169</u>		246,395	259,328
Property and Equipment			Total Current Liabilities	<u>1,632,880</u>	1,452,718
Furniture and Equipment	557,150	557,150	Long-Term Liabilities		
Software	101,707	101,707	Deferred Life Member Dues, Net of Current Portion Payable to State Councils and Chapters	1,112,051	1,498,595
Total Property and Equipment	658,857	658,857	Deferred Revenue	909,840	1,226,103
Less Accumulated Depreciation and Amortization	(483,813)	(407,087)	Total Deferred Life Member Dues, Net of Current Portion	2,021,891	2,724,698
Net Furniture and Equipment	<u>175,044</u>	<u>251,770</u>	Capital Lease Obligations, Net of Current Portion	112,640	171,284
Other Assets			Deferred Rent Payable	342,110	266,089
Deposits	33,559	33,559	Total Long-Term Liabilities	<u>2,476,641</u>	3,162,071
Total Assets	<u>\$ 18,773,108</u>	<u>\$ 17,746,551</u>	Total Liabilities	<u>4,109,521</u>	4,614,789
			Net Assets Without Donor Restrictions	<u>14,663,587</u>	13,131,762
			Total Liabilities and Net Assets	<u>\$ 18,773,108</u>	<u>\$ 17,746,551</u>

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.

Statements of Activities

For The Years Ended February 28, 2019 and February 28, 2018

	2019	2018
Revenues and Support		
Recycling Program Revenue	\$ 22,329,272	\$ 23,918,438
Less Recycling Program Cost	(15,821,420)	(17,409,784)
Net Recycling Program Revenue	6,507,852	6,508,654
VVA Veteran Newspaper	200,624	197,368
Membership Dues	247,052	341,517
Veterans Support Foundation Grant	231,082	261,583
Contributions	3,212,649	2,158,606
Convention/Conference	64,290	134,971
Royalties	73,283	62,958
Other	8,976	25,538
Total Revenues and Support	10,545,808	9,691,195
Expenses		
Program Services		
National Veterans' Programs	2,484,619	2,410,432
Communications and Public Affairs	1,348,613	1,341,825
Government Relations	835,012	899,627
Veterans' Benefits Program	1,654,576	1,469,624
Total Program Services	6,322,820	6,121,508
Supporting Services		
Support of Affiliates - State Councils and Chapters	245,891	240,802
General and Administrative	1,085,422	1,113,627
Membership Affairs	572,412	450,308
Fundraising	998,841	910,548
Total Supporting Services	2,902,566	2,715,285
Total Expenses	9,225,386	8,836,793
Change in Net Assets from Operations	1,320,422	854,402
Investment Income (Loss)	211,403	985,215
Change in Net Assets	1,531,825	1,839,617
Net Assets, Beginning of Year	13,131,762	11,292,145
Net Assets, End of Year	\$ 14,663,587	\$ 13,131,762

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.
Statement of Functional Expenses
For the Year Ending February 28, 2019

	Program Services				Supporting Services					Total Expenses	
	National Veterans' Programs	Communications and Public Affairs	Government Relations	Veterans' Benefits Program	Total Program Services	Support of Affiliates	General and Administrative	Membership Affairs	Fundraising		Total Supporting Services
Compensation											
Salaries	\$ 279,823	\$ 304,865	\$ 376,055	\$ 849,336	\$ 1,810,079	\$ 112,527	\$ 507,384	\$ 266,756	\$ 11,918	\$ 898,585	\$ 2,708,664
Salaries - Benefits	81,580	121,574	136,956	257,053	597,163	18,326	197,193	114,438	5,498	335,455	932,618
Total Compensation	361,403	426,439	513,011	1,106,389	2,407,242	130,853	704,577	381,194	17,416	1,234,040	3,641,282
Other Expenses											
Awards	2,995	3,932	65	82	7,074	106	62	1,168	1	1,337	8,411
Consultants	750	235,121	91,950	-	327,821	250	-	-	-	250	328,071
Contributions	1,174,915	-	500	155,209	1,330,624	-	-	-	-	-	1,330,624
Depreciation and Amortization	15,959	7,903	11,816	9,821	45,499	2,992	16,419	7,903	3,913	31,227	76,726
Dues, Subscriptions, and Publications	2,046	4,977	41,967	22,817	71,807	500	438	-	-	938	72,745
Fixed Assets	7,118	-	-	4,072	11,190	-	7,118	-	-	7,118	18,308
Furniture and Equipment	34,249	1,448	146	55	35,898	460	1,317	679	22	2,478	38,376
Insurance	19,494	9,653	14,433	47,605	91,185	3,655	20,057	9,653	4,780	38,145	129,330
Interest	2,306	1,142	1,708	1,419	6,575	432	2,373	1,142	565	4,512	11,087
Meeting Facilities	84,043	-	631	-	84,674	6,246	-	-	-	6,246	90,920
Messenger Service	-	1,041	-	-	1,041	-	-	-	-	-	1,041
Miscellaneous	25,424	9,058	6,430	5,128	46,040	4,008	9,943	4,668	2,043	20,662	66,702
Office Supplies	10,606	7,957	1,984	6,118	26,665	2,756	5,610	4,230	1,171	13,767	40,432
Photocopying	8,378	7,871	4,177	2,228	22,654	851	4,015	5,681	892	11,439	34,093
Photography	-	5,307	-	-	5,307	-	-	-	-	-	5,307
Postage	7,894	167,825	1,186	3,183	180,088	1,286	4,042	22,515	301,704	329,547	509,635
Printing	28,207	225,039	1,289	659	255,194	4,036	551	27,857	426,313	458,757	713,951
Professional Fees	121,643	48,785	10,103	82,955	263,486	6,395	145,707	22,728	188,291	363,121	626,607
Public Relations	4,935	5,974	2,869	513	14,291	923	858	413	204	2,398	16,689
Rent	89,912	44,524	66,570	55,331	256,337	16,859	92,506	44,764	22,046	176,175	432,512
Repairs and Maintenance	14,861	4,475	6,050	5,028	30,414	1,657	14,846	4,171	2,004	22,678	53,092
Shipping	11,245	18,410	288	756	30,699	364	965	2,446	220	3,995	34,694
Taxes, Licenses, Etc.	-	-	-	-	-	-	-	-	1,365	1,365	1,365
Telephone	17,458	10,578	11,621	8,006	47,663	4,522	13,117	5,565	2,755	25,959	73,622
Temporary Help	9,667	6,666	9,739	38	26,110	2,375	330	7,211	20,651	30,567	56,677
Training and Development	6,665	205	306	113,331	120,507	152	6,520	1,475	101	8,248	128,755
Travel - Board of Directors	251,894	4,489	1,205	-	257,588	16,691	3,400	6,277	-	26,368	283,956
Travel - Conferences/Conventions	57,787	8,379	5,715	5,200	77,081	10,539	9,028	2,127	81	21,775	98,856
Travel and Related Expenses	103,750	76,951	22,578	13,085	216,364	25,293	12,348	4,081	93	41,815	258,179
Utilities	9,015	4,464	6,675	5,548	25,702	1,690	9,275	4,464	2,210	17,639	43,341
Total Other Expenses	2,123,216	922,174	322,001	548,187	3,915,578	115,038	380,845	191,218	981,425	1,668,526	5,584,104
Total Functional Expenses	\$ 2,484,619	\$ 1,348,613	\$ 835,012	\$ 1,654,576	\$ 6,322,820	\$ 245,891	\$ 1,085,422	\$ 572,412	\$ 998,841	\$ 2,902,566	\$ 9,225,386

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.
Statement of Functional Expenses
For the Year Ending February 28, 2018

	Program Services				Supporting Services					Total Expenses	
	National Veterans' Programs	Communications and Public Affairs	Government Relations	Veterans' Benefits Program	Total Program Services	Support of Affiliates	General and Administrative	Membership Affairs	Fundraising		Total Supporting Services
Compensation											
Salaries	\$ 269,083	\$ 343,809	\$ 411,464	\$ 759,492	\$ 1,783,848	\$ 105,541	\$ 503,277	\$ 194,700	\$ 17,271	\$ 820,789	\$ 2,604,637
Salaries - Benefits	86,951	128,079	144,606	216,075	575,711	17,883	215,595	90,324	6,224	330,026	905,737
Total Compensation	356,034	471,888	556,070	975,567	2,359,559	123,424	718,872	285,024	23,495	1,150,815	3,510,374
Other Expenses											
Awards	7,497	2,614	62	449	10,622	102	100	1,145	-	1,347	11,969
Consultants	-	188,479	124,900	-	313,379	-	-	-	-	-	313,379
Contributions	1,066,853	-	-	187,099	1,253,952	-	-	-	-	-	1,253,952
Depreciation and Amortization	14,884	7,370	11,020	9,159	42,433	2,791	15,313	7,370	3,649	29,123	71,556
Dues, Subscriptions, and Publications	914	2,733	42,536	24,049	70,232	37	391	32	16	476	70,708
Fixed Assets	4,179	1,626	2,431	2,021	10,257	616	4,274	1,626	805	7,321	17,578
Furniture and Equipment	34,981	2,718	493	1,196	39,388	176	1,422	183	90	1,871	41,259
Insurance	18,286	9,055	13,539	43,344	84,224	3,429	18,814	9,055	4,484	35,782	120,006
Interest	1,837	910	1,360	1,131	5,238	344	1,890	910	450	3,594	8,832
Meeting Facilities	42,778	-	-	-	42,778	2,259	-	-	-	2,259	45,037
Messenger Service	-	322	-	-	322	-	-	-	166	166	488
Miscellaneous	16,456	3,400	4,891	25,483	50,230	1,355	5,385	3,593	1,331	11,664	61,894
Office Supplies	9,206	8,831	4,100	5,021	27,158	1,456	7,593	4,764	1,479	15,292	42,450
Photocopying	11,314	8,775	4,566	3,231	27,886	950	4,809	5,621	1,074	12,454	40,340
Photography	-	7,913	-	-	7,913	-	-	-	-	-	7,913
Postage	4,284	171,296	2,566	1,118	179,264	688	3,779	19,090	305,818	329,375	508,639
Printing	16,381	212,926	1,587	680	231,574	283	1,420	27,275	336,425	365,403	596,977
Professional Fees	149,296	54,892	8,411	64,351	276,950	15,575	138,788	11,865	163,134	329,362	606,312
Public Relations	7,134	6,828	805	308	15,075	94	515	248	123	980	16,055
Rent	101,337	50,181	75,029	62,361	288,908	19,001	104,261	53,242	24,847	201,351	490,259
Repairs and Maintenance	15,265	168	214	178	15,825	84	15,244	205	71	15,604	31,429
Shipping	12,951	21,756	362	209	35,278	277	1,006	1,969	34	3,286	38,564
Taxes, Licenses, Etc.	12,237	34	51	43	12,365	13	12,292	499	1,152	13,956	26,321
Telephone	15,510	7,963	9,350	5,791	38,614	3,745	9,558	3,886	1,924	19,113	57,727
Temporary Help	28,873	-	1,014	7,406	37,293	4,989	8,176	-	37,345	50,510	87,803
Training and Development	5,068	912	449	27,574	34,003	114	6,922	300	149	7,485	41,488
Travel - Board of Directors	244,825	2,394	125	104	247,448	19,367	3,441	2,101	42	24,951	272,399
Travel - Conferences/Conventions	58,132	9,137	4,623	1,872	73,764	7,208	9,442	113	56	16,819	90,583
Travel and Related Expenses	144,918	82,246	22,408	14,339	263,911	30,737	10,659	5,734	182	47,312	311,223
Utilities	9,002	4,458	6,665	5,540	25,665	1,688	9,261	4,458	2,207	17,614	43,279
Total Other Expenses	2,054,398	869,937	343,557	494,057	3,761,949	117,378	394,755	165,284	887,053	1,564,470	5,326,419
Total Functional Expenses	\$ 2,410,432	\$ 1,341,825	\$ 899,627	\$ 1,469,624	\$ 6,121,508	\$ 240,802	\$ 1,113,627	\$ 450,308	\$ 910,548	\$ 2,715,285	\$ 8,836,793

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.

**Statement of Cash Flows
For The Years Ended February 28, 2019 and February 28, 2018**

	2019	2018
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ 1,531,825	\$ 1,839,617
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	76,726	71,556
Loss on Disposal of Furniture and Equipment	-	29,186
Net (Gains) Losses on Investments	(11,566)	(797,052)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(244,116)	284,792
Prepaid Expenses and Other Assets	52,228	165,499
Deposits	-	1,000
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	94,718	157,650
Accrued Expenses	(58,677)	32,900
Deferred Life Member Dues	(535,964)	(481,896)
Deferred Revenue	(13,380)	(33,779)
Due to State Councils and Chapters	(12,933)	126,344
Deferred Rent Payable	76,021	(56,492)
Net Cash Provided by (Used in) Operating Activities	954,882	1,339,325
Cash Flows from Investing Activities		
Purchases of Investments	(4,926,835)	(5,252,078)
Sales of Investments	4,789,060	5,111,669
Net Cash Provided by (Used in) Investing Activities	(137,775)	(140,409)
Cash Flows from Financing Activities		
Curtailments of Capital Lease Obligations	(55,053)	(28,330)
Net Increase (Decrease) in Cash and Cash Equivalents	762,054	1,170,586
Cash and Cash Equivalents, Beginning of Year	7,838,454	6,667,868
Cash and Cash Equivalents, End of Year	\$ 8,600,508	\$ 7,838,454
Supplementary Disclosure of Cash Flow Information		
Cash Paid during the Year for Interest	\$ 11,088	\$ 8,833
Noncash Investing and Financing Activities		
Equipment Acquired with a Capital Lease	\$ -	\$ 76,317

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Organization

Vietnam Veterans of America, Inc., (VVA) was incorporated in February 1978. On May 23, 1986, VVA was granted a Congressional Charter in recognition of its activities on behalf of Vietnam veterans. Its primary purposes are to foster the improvement of the condition of Vietnam-era veterans; to promote social welfare (including educational, economic, physical, and cultural improvement) in the United States by encouraging the growth, development, readjustment, self-respect, self-confidence, and usefulness of Vietnam-era and other veterans; to improve conditions and channels of communication to assist Vietnam-era veterans; to assist disabled Vietnam-era veterans, other veterans, and the dependents and survivors of such veterans who are in need of assistance; and to give special recognition to the efforts of the members of VVA and Vietnam-era veterans for their helpfulness and service to their country.

Basis of Accounting

VVA prepares its financial statements on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses are recognized when the obligations are incurred.

VVA has adopted *Accounting Standards Update 2014-16, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (ASU 2014-16) for the year ended February 28, 2019. This standard was issued by the Financial Accounting Standards Board (FASB) to improve the previous net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2014-16 reduces the number of net assets classifications from three to two: with donor restrictions and without donor restrictions. The ASU also requires not-for-profits to report expenses by functional and natural classification in one location in the financial statements and requires not-for-profits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets.

As required by ASU 2014-16, VVA applied the requirements on a retrospective basis in the year of adoption. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as "Unrestricted net assets" have been reclassified to be presented as "Net assets without donor restrictions." Similarly, all amounts previously reported as "Temporarily restricted net assets" and "Permanently restricted net assets" have been reclassified to be presented as "Net assets with donor restrictions." The changes in net assets have been similarly reclassified. There was no change in total net assets or total change in net assets as a result of the adoption of ASU 2014-16.

The financial statements of VVA have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires VVA to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of VVA. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of VVA or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

VVA had no net assets with donor restrictions as of February 28, 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's 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 could differ from those estimates.

Cash Equivalents

For financial statement purposes, VVA considers certain money market funds and certificates of deposit to be cash equivalents. VVA's money market funds held within investments designated for deferred life member dues are considered long-term in nature and, therefore, are not considered cash equivalents.

Accounts Receivable

Accounts receivable are reported at their outstanding balances.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering VVA's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due and charged off based on management's determination that they are uncollectible. As of both February 28, 2019 and 2018, management has determined that an allowance for doubtful accounts was not necessary.

Investments

VVA carries equity and debt securities at fair value. Any changes in fair value are recognized in the statements of activities and changes in net assets.

Property and Equipment

Property and equipment and software are recorded at cost and depreciated or amortized using the straight-line method over their estimated useful lives of three to five years. Land is recorded at cost and not depreciated or amortized. VVA's policy is to capitalize purchases over \$3,000. Only assets placed in service are depreciated or amortized.

When fully depreciated/amortized assets are disposed of, the cost of the asset and related accumulated depreciation/amortization are removed from the accounts.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Life Member Dues

As directed by the board of directors, all life member dues are segregated from the general operating funds. VVA uses a twelve-year amortization period over which to recognize life member dues revenue. A portion of the annually determined amount of the life member dues is recognized as revenue in the current period and the remaining portion is paid in the current period to state councils and chapters as their respective shares of the dues. The remaining unamortized balance is carried as a liability entitled Deferred Life Member Dues.

Membership Dues

Membership dues paid by VVA members include portions for both VVA and the respective state councils and chapters. Membership dues are recognized as revenue in the current period and the remaining portion, collected but not recognized as revenue by VVA is paid to the state councils and chapters as their respective shares. VVA recognizes membership dues received as membership dues revenue in the current period.

Recycling Program

VVA's Recycling Program involves the collection of discarded household items and automobiles from the community. The items collected are sold to contracted private companies. VVA deems the items collected to be simultaneously sold to the contracted private companies, without creating any inventory for VVA. Therefore, VVA does not present on its statements of activities and changes in net assets separate amounts for cost of items sold and contribution revenue, both in an amount equal to recycling program revenue, which represents the fair value of the items collected. Recycling program cost presented in the statements of activities and changes in net assets represents VVA's solicitation costs for generating the items collected and sales costs for selling the items. The revenue generated from such sales is exempt from income taxes under the Internal Revenue Code.

Convention and Leadership Conference

VVA sponsors its convention and leadership conference biannually in alternating years. The convention is held in odd-numbered years and the leadership conference is held in even-numbered years. VVA held a convention during the fiscal year 2018, and a leadership conference during the fiscal year 2019.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expense Allocation

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services benefits allocated on the basis of employee time and effort.

Income Tax Status

VVA is exempt from the payment of income taxes on its exempt activities under Section 501(c)(19) of the Internal Revenue Code (IRC). Contributions to VVA qualify as charitable contributions as defined in IRC Section 170(c). Income, if any, from unrelated business activities is subject to tax.

The accounting standard on accounting for uncertainty in income taxes 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 that guidance, VVA may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of VVA and various positions related to the potential sources of unrelated business taxable income (UBIT).

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2019 and 2018.

VVA's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during fiscal years 2019 and 2018.

VVA's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed as of February 28, 2019, for the years ended February 28, 2018, February 28, 2017, and February 29, 2016, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. VVA has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2019 and 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncements

In May 2014, the FASB issued a new standard, ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. The core principle of the standard is that an entity should recognize revenue when it satisfies a performance obligation at an amount that reflects the consideration the entity expects to receive in exchange for transferring goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard will be effective for the fiscal year beginning January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, Lease Amendments to the FASB Accounting Standards Codification (Topic 842), which amends the recognition of lease assets by organizations. The new standards require a lessee to recognize assets and liabilities for leases with lease terms of 12 or more months, in addition to modifications improvements on lessor accounting, in conjunction with the new guidance on revenue recognition noted above in ASU-2014-09. Additional disclosures will be required for the amount, timing, and uncertainty of cash flows arising from leases, and the standard will be effective for fiscal years beginning January 1, 2020.

Subsequent Events

Management has evaluated subsequent events through July 31, 2019 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

2. CONCENTRATION OF CREDIT RISK

VVA maintains its cash accounts and certificates of deposit in banks that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Funds held by these banks in excess of the FDIC limits were approximately \$2,373,000 as of February 28, 2019, and approximately \$1,762,000 as of February 28, 2018. Management does not feel this poses a risk to VVA.

At February 28, 2019 and 2018, additional amounts were invested in repurchase agreements of approximately \$4,266,000 and \$3,498,000, respectively that were not covered by insurance. VVA has a security interest in all securities purchased under the repurchase agreements.

3. LIFE MEMBERSHIPS

Life memberships are offered to VVA members at a fixed amount. In exchange for these dues, VVA is obligated to provide various services to these members for the duration of their lives. VVA has designated funds for providing future services, equivalent to the deferred revenue and liability due to the state councils and chapters. As of February 28, 2019 and 2018, VVA had \$2,435,374 and \$2,971,338, respectively, of designated investments.

Vietnam Veterans of America, Inc.

**Notes to Financial Statements
February 28, 2019 and 2018**

4. INVESTMENTS

Financial assets measured using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets.

Level 2 inputs, if any, include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from observable market data.

Level 3 inputs, if any, are obtained from the entity's own assumptions.

As of February 28, 2019, VVA's investments and their fair values consisted of the following:

	Fair Value	Level 1 Inputs
February 28, 2019		
Money Market Funds	\$ 2,883,351	\$ 2,883,351
Mutual Fund Equities	2,364,072	2,364,072
Corporate Equities	3,695,087	3,695,087
Total	<u>\$ 8,942,510</u>	<u>\$ 8,942,510</u>

As of February 28, 2018, VVA's investments and their fair values consisted of the following:

	Fair Value	Level 1 Inputs
<u>February 28, 2018</u>		
Money Market Funds	\$ 377,520	\$ 377,520
Mutual Fund Equities	77,412	77,412
Corporate Equities	3,366,350	3,366,350
Fixed Income Securities	552,721	552,721
Mutual Funds - Fixed Income	4,419,166	4,419,166
Total	<u>\$ 8,793,169</u>	<u>\$ 8,793,169</u>

None of VVA's investments are valued using Level 2 or Level 3 inputs.

Investment income consisted of the following at February 28, 2019 and February 29, 2018:

	2019	2018
Interest and Dividends	\$ 199,837	\$ 188,163
Realized Gains (Losses) on Investments	(248,205)	50,519
Unrealized Gains (Losses) on Investments	259,771	746,533
	<u>\$ 211,403</u>	<u>\$ 985,215</u>

5. NET ASSETS

There were no net assets with donor restrictions as of February 28, 2019.

Net assets without donor restrictions as of February 28, 2019 were undesignated.

Vietnam Veterans of America, Inc.

**Notes to Financial Statements
February 28, 2019 and 2018**

6. RETIREMENT PLAN

VVA has a defined contribution plan under Internal Revenue Code Section 401(k), covering all employees over the age of 21 after one year of service. Employees of VVA may elect to make pre-tax contributions to the Plan at a rate that may not exceed a dollar limit that is set by law. VVA may make a discretionary matching contribution at a rate determined by the board of directors. During the years ended February 28, 2019 and 2018, VVA matched up to 4% of an employee's contribution.

7. LEASE OBLIGATIONS

Capital Lease Obligations

VVA is obligated under multiple capital lease arrangements for office equipment. The leases bear interest at approximately 4.6% to 6.0% annually. Monthly payments range from \$315 to \$5,160 with maturity dates through October 2022.

Future minimum lease payments are as follows:

For the Years Ending February 28,

2020	\$ 71,849
2021	50,916
2022	63,131
2023	<u>13,646</u>
Total Future Minimum Lease Payments	199,542
Interest Portion of Lease Payments	<u>(32,053)</u>
Net Present Value of Lease Payments	<u>\$ 167,489</u>

As of February 28, 2019, equipment and accumulated amortization under capital leases were approximately \$286,000 and \$132,000, respectively. As of February 28, 2018, equipment and accumulated amortization under capital leases were approximately \$286,000 and \$75,000, respectively. Amortization expense for equipment under capital leases was approximately \$57,000 and \$44,000, respectively, for the years ended February 28, 2019 and 2018.

Operating Lease Obligations

VVA leases its office facilities under an operating lease that expires in November 2020. During the year ended February 28, 2019, the lease was modified to extend the termination date to November 2028. The lease stipulates a 4% increase in rent per annum, and VVA is responsible for its proportionate share of operating expenses and real estate taxes.

Rental expense for office facilities for the years ended February 28, 2019 and 2018, amounted to approximately \$433,000 and \$490,000, respectively.

Vietnam Veterans of America, Inc.

**Notes to Financial Statements
February 28, 2019 and 2018**

7. LEASE OBLIGATIONS (CONTINUED)

Operating Lease Obligations (Continued)

Future minimum rental commitments are as follows:

For the Years Ending February 28,

2020	\$ 493,698
2021	513,446
2022	533,985
2023	555,344
2023	577,558
Thereafter	<u>3,077,615</u>
Total	<u>\$ 5,751,646</u>

8. AVAILABILITY AND LIQUIDITY

The following represents the VVA's financial assets at February 28, 2019:

Financial Assets at Year End:

Undesignated Cash and Cash Equivalents	\$ 8,600,508
Accounts Receivable	827,396
Investments	<u>6,507,111</u>

Total Financial Assets 15,935,015

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions	-
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	-
Quasi Endowment Established by the Board	<u>-</u>
	<u>-</u>

Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months \$ 15,935,015

As part of VVA's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.