



FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 29, 2020 AND FEBRUARY 28, 2019



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 29, 2020 and 2019, 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 29, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, VVA adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers, as amended, and Accounting Standards Update 2018-08, Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, in 2021. Our opinion is not modified with respect to these matters.



Certified Public Accountants

Bethesda, Maryland
September 18, 2020

Vietnam Veterans of America, Inc.
Statements of Financial Position
February 29, 2020 and February 28, 2019

	2020	2019		2020	2019
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Undesignated Cash and Cash Equivalents	\$ 9,382,631	\$ 8,600,508	Accounts Payable	\$ 708,061	\$ 671,931
Accounts Receivable	657,886	827,396	Accrued Expenses	379,258	246,197
Prepaid Expenses and Other Assets	144,017	194,091	Current Portion of Deferred Life Member Dues Payable to State Councils and Chapters	413,508	413,508
Total Current Assets	10,184,534	9,621,995	Current Portion of Capital Lease Obligations Due to State Councils and Chapters	43,535	54,849
Investments - at Market Value				220,404	246,395
Undesignated	5,774,143	5,298,462	Total Current Liabilities	1,764,766	1,219,372
Designated for Life Memberships / State Councils and Chapters	3,881,170	3,644,048	Long-Term Liabilities		
Total Investments	9,655,313	8,942,510	Deferred Life Member Dues, Net of Current Portion Payable to State Councils and Chapters	1,489,965	2,021,891
Property and Equipment			Capital Lease Obligations, Net of Current Portion Deferred Rent Payable	60,783	112,640
Furniture and Equipment	501,610	557,150		271,255	342,110
Software	101,707	101,707	Total Long-Term Liabilities	1,822,003	454,750
Total Property and Equipment	603,317	658,857	Total Liabilities	3,586,769	4,109,521
Less Accumulated Depreciation and Amortization	(495,853)	(483,813)	Net Assets Without Donor Restrictions	16,394,101	14,663,587
Net Furniture and Equipment	107,464	175,044	Total Liabilities and Net Assets	\$ 19,980,870	\$ 18,773,108
Other Assets					
Deposits	33,559	33,559			
Total Assets	\$ 19,980,870	\$ 18,773,108			

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.
Statements of Activities
For The Years Ended February 29, 2020 and February 28, 2019

	2020	2019
Revenues and Support		
Recycling Program Revenue	\$ 21,438,511	\$ 22,329,272
Less Recycling Program Cost	(15,023,063)	(15,821,420)
Net Recycling Program Revenue	6,415,448	6,507,852
VVA Veteran Newspaper	177,558	200,624
Membership Dues	200,999	247,052
Veterans Support Foundation Grant	250,000	231,082
Contributions	3,294,610	3,212,649
Convention/Conference	107,083	64,290
Royalties	147,189	73,283
Other	3,287	8,976
Total Revenues and Support	10,596,174	10,545,808
Expenses		
Program Services		
National Veterans' Programs	2,618,676	2,484,619
Communications and Public Affairs	1,286,607	1,348,613
Government Relations	855,003	835,012
Veterans' Benefits Program	1,885,131	1,654,576
Total Program Services	6,645,417	6,322,820
Supporting Services		
Support of Affiliates - State Councils and Chapters	286,381	245,891
General and Administrative	1,176,948	1,085,422
Membership Affairs	547,039	572,412
Fundraising	986,409	998,841
Total Supporting Services	2,996,777	2,902,566
Total Expenses	9,642,194	9,225,386
Change in Net Assets from Operations	953,980	1,320,422
Investment Income (Loss)	776,534	211,403
Change in Net Assets	1,730,514	1,531,825
Net Assets, Beginning of Year	14,663,587	13,131,762
Net Assets, End of Year	\$ 16,394,101	\$ 14,663,587

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.
Statement of Functional Expenses
For the Year Ended February 29, 2020

	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	\$ 360,244	\$ 309,298	\$ 395,204	\$ 996,378	\$ 2,061,124	\$ 136,662	\$ 575,868	\$ 251,977	\$ 17,738	\$ 982,245	\$ 3,043,369
Salaries - Benefits	82,186	121,533	124,455	330,944	659,118	19,679	211,820	105,209	6,203	342,911	1,002,029
Total Compensation	442,430	430,831	519,659	1,327,322	2,720,242	156,341	787,688	357,186	23,941	1,325,156	4,045,398
Other Expenses											
Awards	10,266	9,313	80	98	19,757	165	83	1,039	6	1,293	21,050
Consultants	2,417	202,557	95,529	408	300,911	709	682	328	162	1,881	302,792
Contributions	1,134,711	364	-	206,750	1,341,825	-	-	-	-	-	1,341,825
Depreciation and Amortization	14,057	6,961	10,407	8,650	40,075	2,636	14,462	6,961	3,447	27,506	67,581
Dues, Subscriptions, and Publications	4,028	4,445	47,401	29,492	85,366	889	425	99	49	1,462	86,828
Fixed Assets	8,280	741	1,108	921	11,050	281	8,323	741	367	9,712	20,762
Furniture and Equipment	30,263	191	620	133	31,207	1,528	223	107	53	1,911	33,118
Insurance	37,282	16,902	25,271	29,090	108,545	7,450	35,117	16,902	8,369	67,838	176,383
Interest	1,725	854	1,277	1,062	4,918	323	1,775	854	423	3,375	8,293
Meeting Facilities	62,872	-	-	-	62,872	6,904	-	-	-	6,904	69,776
Messenger Service	-	539	-	-	539	-	-	-	-	-	539
Miscellaneous	36,134	5,614	7,925	55,620	105,293	3,153	11,391	4,653	2,239	21,436	126,729
Office Supplies	8,261	5,848	3,637	9,800	27,546	1,536	7,571	4,829	1,363	15,299	42,845
Photocopying	4,863	4,708	2,662	1,727	13,960	649	2,586	2,202	517	5,954	19,914
Photography	-	8,954	-	-	8,954	-	-	-	-	-	8,954
Postage	6,543	169,567	577	4,118	180,805	662	2,124	22,301	393,379	418,466	599,271
Printing	20,974	236,805	7,884	3,206	268,869	1,120	984	26,005	331,173	359,282	628,151
Professional Fees	109,859	57,056	13,217	72,810	252,942	5,950	122,758	18,165	157,833	304,706	557,648
Public Relations	7,125	8,253	2,583	670	18,631	913	1,119	539	267	2,838	21,469
Rent	87,650	43,403	64,895	53,938	249,886	16,434	90,178	43,403	21,491	171,506	421,392
Repairs and Maintenance	13,198	413	617	513	14,741	156	13,222	413	204	13,995	28,736
Shipping	15,768	23,053	836	50	39,707	422	1,270	535	66	2,293	42,000
Taxes, Licenses, Etc.	14,018	-	-	-	14,018	-	13,887	120	460	14,467	28,485
Telephone	17,687	9,455	11,423	7,969	46,534	4,255	12,498	5,394	2,671	24,818	71,352
Temporary Help	5,906	421	630	524	7,481	160	1,125	17,233	37,134	55,652	63,133
Training and Development	9,652	1,604	86	30,564	41,906	889	11,460	968	29	13,346	55,252
Travel - Board of Directors	247,867	15,219	581	920	264,587	20,039	1,072	853	11	21,975	286,562
Travel - Conferences/Conventions	93,164	14,176	9,597	4,547	121,484	11,992	15,526	3,895	92	31,505	152,989
Travel and Related Expenses	161,572	3,357	19,020	28,011	211,960	38,930	9,004	6,311	35	54,280	266,240
Utilities	10,104	5,003	7,481	6,218	28,806	1,895	10,395	5,003	628	17,921	46,727
Total Other Expenses	2,176,246	855,776	335,344	557,809	3,925,175	130,040	389,260	189,853	962,468	1,671,621	5,596,796
Total Functional Expenses	\$ 2,618,676	\$ 1,286,607	\$ 855,003	\$ 1,885,131	\$ 6,645,417	\$ 286,381	\$ 1,176,948	\$ 547,039	\$ 986,409	\$ 2,996,777	\$ 9,642,194

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.
Statement of Functional Expenses
For the Year Ended 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 Cash Flows
For The Years Ended February 29, 2020 and February 28, 2019**

	2020	2019
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ 1,730,514	\$ 1,531,825
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	68,818	76,726
Loss on Disposal of Furniture and Equipment	(1,238)	-
Net (Gains) Losses on Investments	(497,056)	(11,566)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	169,510	(244,116)
Prepaid Expenses and Other Assets	50,074	52,228
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	36,130	94,718
Accrued Expenses	133,061	(58,677)
Deferred Life Member Dues	(531,926)	(535,964)
Deferred Revenue	-	(13,380)
Due to State Councils and Chapters	(25,991)	(12,933)
Deferred Rent Payable	(70,855)	76,021
Net Cash Provided by (Used in) Operating Activities	1,061,041	954,882
Cash Flows from Investing Activities		
Purchases of Investments	(7,481,436)	(4,926,835)
Sales of Investments	7,265,689	4,789,060
Net Cash Provided by (Used in) Investing Activities	(215,747)	(137,775)
Cash Flows from Financing Activities		
Curtailments of Capital Lease Obligations	(63,171)	(55,053)
Net Increase (Decrease) in Cash and Cash Equivalents	782,123	762,054
Cash and Cash Equivalents, Beginning of Year	8,600,508	7,838,454
Cash and Cash Equivalents, End of Year	\$ 9,382,631	\$ 8,600,508
Supplementary Disclosure of Cash Flow Information		
Cash Paid during the Year for Interest	\$ 8,293	\$ 11,088
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 29, 2020 and February 28, 2019

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 Presentation

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

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, whereby the donor has stipulated the funds be maintained in perpetuity.

VVA had no net assets with donor restrictions as of February 29, 2020.

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.

Adopted Accounting Pronouncements

During fiscal 2019, VVA adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, VVA applied the requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

The adoption of ASU 2018-08 did not have a material impact on VVA's accounting for contributions or federal grants.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 29, 2020 and February 28, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adopted Accounting Pronouncements (Continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, VVA adopted ASU 2014-09, using the modified retrospective approach. VVA applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires VVA to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as VVA satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by VVA in the financial statements.

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 29, 2020 and 2019, management has determined that an allowance for doubtful accounts was not necessary.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 29, 2020 and February 28, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Revenue Recognition

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.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 29, 2020 and February 28, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 2019, and a leadership conference during the fiscal year 2020.

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.

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 2020 and 2019.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 29, 2020 and February 28, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

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 2020 and 2019.

VVA's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed as of February 29, 2020, for the years ended February 28, 2019, February 28, 2018, and February 28, 2017, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2021.

Subsequent Events

Management has evaluated subsequent events through September 18, 2020 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 \$2,918,000 as of February 29, 2020, and approximately \$2,373,000 as of February 28, 2019. Management does not feel this poses a risk to VVA.

At February 29, 2020 and 2019, additional amounts were invested in repurchase agreements of approximately \$4,649,000 and \$4,266,000, 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. As of February 29, 2020 and 2019, VVA had \$3,881,170 and \$3,644,048, respectively, of designated investments.

Vietnam Veterans of America, Inc.

**Notes to Financial Statements
February 29, 2020 and February 28, 2019**

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 29, 2020, VVA's investments and their fair values consisted of the following:

	Fair Value	Level 1 Inputs
February 29, 2020		
Money Market Funds	\$ 352,906	\$ 352,906
Mutual Fund Equities	6,809,206	6,809,206
Corporate Equities	2,493,201	2,493,201
Total	<u>\$ 9,655,313</u>	<u>\$ 9,655,313</u>

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>

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

Investment income consisted of the following at February 29, 2020 and February 28, 2019:

	2020	2019
Interest and Dividends	\$ 279,478	\$ 199,837
Gains (Losses) on Investments	497,056	11,566
	<u>\$ 776,534</u>	<u>\$ 211,403</u>

5. NET ASSETS

There were no net assets with donor restrictions as of February 29, 2020 or February 28, 2019.

Other than net assets designated for life memberships / state councils and chapters, all other net assets without donor restrictions as of February 29, 2020 and February 28, 2019 were undesignated.

Vietnam Veterans of America, Inc.

**Notes to Financial Statements
February 29, 2020 and February 28, 2019**

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 29, 2020 and February 28, 2019, 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,

2021	\$ 46,456
2022	<u>60,780</u>
Total Future Minimum Lease Payments	107,236
Interest Portion of Lease Payments	<u>(2,918)</u>
Net Present Value of Lease Payments	<u>\$ 104,318</u>

As of February 29, 2020, equipment and accumulated amortization under capital leases were approximately \$231,000 and \$132,000, respectively. As of February 28, 2019, equipment and accumulated amortization under capital leases were approximately \$286,000 and \$132,000, respectively. Amortization expense for equipment under capital leases was approximately \$46,000 and \$57,000, respectively, for the years ended February 29, 2020 and February 28, 2019.

Operating Lease Obligations

VVA leases its office facilities under an operating lease that expires in November 2020. During the year ended February 29, 2020, 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 29, 2020 and February 28, 2019, amounted to approximately \$421,000 and \$433,000, respectively.

VVA also leases certain office equipment under an operating a five-year operating lease with fixed monthly payments of \$998.

Vietnam Veterans of America, Inc.

**Notes to Financial Statements
February 29, 2020 and February 28, 2019**

7. LEASE OBLIGATIONS (CONTINUED)

Operating Lease Obligations (Continued)

Future minimum rental commitments are as follows:

For the Years Ending February 28,

2021	\$ 525,422
2022	545,961
2023	567,320
2024	589,534
2024	612,636
Thereafter	<u>2,476,955</u>
Total	<u>\$ 5,317,828</u>

8. AVAILABILITY AND LIQUIDITY

The following represents VVA's financial assets at February 29, 2020:

Financial Assets at Year End:

Undesignated Cash and Cash Equivalents	\$ 9,382,631
Accounts Receivable	657,886
Investments	<u>5,774,143</u>

Total Financial Assets 15,814,660

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	-
Designated for Life Memberships / State Councils and Chapters	<u>(3,881,170)</u>
	<u>(3,881,170)</u>

Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months \$11,933,490

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