



FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021



Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Vietnam Veterans of America, Inc. (VVA), which comprise the statement of financial position as of February 28, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VVA as of February 28, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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



Bethesda, Maryland
July 29, 2022

Certified Public Accountants

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

| | <u>2022</u> | <u>2021</u> | | <u>2022</u> | <u>2021</u> |
|---|---------------|---------------|---|---------------|---------------|
| Assets | | | Liabilities and Net Assets | | |
| Current Assets | | | Current Liabilities | | |
| Undesignated Cash and Cash Equivalents | \$ 9,159,041 | \$ 10,852,209 | Accounts Payable | \$ 579,517 | \$ 1,637,125 |
| Accounts Receivable | 384,108 | 2,187,273 | Accrued Expenses | 203,349 | 223,516 |
| Prepaid Expenses and Other Assets | 41,899 | 84,654 | Current Portion of Deferred Life Member Dues Payable to State Councils and Chapters | 103,118 | 58,268 |
| Total Current Assets | 9,585,048 | 13,124,136 | Forgivable Loan - PPP | 681,918 | 695,482 |
| Investments - at Market Value | | | Current Portion of Capital Lease Obligations | - | 60,783 |
| Undesignated | 9,196,965 | 7,426,110 | Due to State Councils and Chapters | - | 1,122,038 |
| Designated for Life Memberships / State Councils and Chapters | 3,881,170 | 3,746,803 | Total Current Liabilities | 1,567,902 | 3,797,212 |
| Total Investments | 13,078,135 | 11,172,913 | Deferred Rent Payable | 290,260 | 246,651 |
| Property and Equipment | | | Total Long-Term Liabilities | 290,260 | 246,651 |
| Furniture and Equipment | 666,060 | 501,610 | Total Liabilities | 1,858,162 | 4,043,863 |
| Software | 101,707 | 101,707 | | | |
| Total Property and Equipment | 767,767 | 603,317 | | | |
| Less Accumulated Depreciation and Amortization | (752,589) | (549,310) | | | |
| Net Furniture and Equipment | 15,178 | 54,007 | | | |
| Other Assets | | | | | |
| Deposits | 33,559 | 33,559 | Net Assets Without Donor Restrictions | 20,853,758 | 20,340,752 |
| Total Assets | \$ 22,711,920 | \$ 24,384,615 | Total Liabilities and Net Assets | \$ 22,711,920 | \$ 24,384,615 |

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.
Statements of Activities
For The Years Ended February 28, 2022 and February 28, 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|--------------------|
| Revenues and Support | | |
| Recycling Program Revenue | \$ 10,684,921 | \$ 8,907,522 |
| Less Recycling Program Cost | (4,735,676) | (4,149,410) |
| Net Recycling Program Revenue | 5,949,245 | 4,758,112 |
| VVA Veteran Newspaper | 75,135 | 108,394 |
| Membership Dues | 203,688 | 115,636 |
| Veterans Support Foundation Grant | - | 166,667 |
| Contributions | 3,593,810 | 3,609,171 |
| PPP Forgivable Loan Contribution | 695,482 | - |
| Convention/Conference | 39,318 | - |
| Royalties | 68,195 | 67,003 |
| Other | 103,682 | 7,064 |
| Total Revenues and Support | 10,728,555 | 8,832,047 |
| Expenses | | |
| Program Services | | |
| National Veterans' Programs | 2,469,637 | 1,325,475 |
| Communications and Public Affairs | 1,135,594 | 918,503 |
| Government Relations | 438,214 | 572,753 |
| Veterans' Benefits Program | 1,814,932 | 1,716,514 |
| Total Program Services | 5,858,377 | 4,533,245 |
| Supporting Services | | |
| Support of Affiliates - State Councils and Chapters | 226,849 | 196,799 |
| General and Administrative | 1,437,593 | 1,105,425 |
| Membership Affairs | 276,298 | 374,359 |
| Fundraising | 1,638,509 | 1,148,618 |
| Total Supporting Services | 3,579,249 | 2,825,201 |
| Total Expenses | 9,437,626 | 7,358,446 |
| Change in Net Assets from Operations | 1,290,929 | 1,473,601 |
| Investment Income (Loss) | (777,923) | 2,473,050 |
| Change in Net Assets | 513,006 | 3,946,651 |
| Net Assets, Beginning of Year | 20,340,752 | 16,394,101 |
| Net Assets, End of Year | \$ 20,853,758 | \$ 20,340,752 |

Vietnam Veterans of America, Inc.
Statement of Functional Expenses
For the Year Ended February 28, 2022

| | Program Services | | | | | Supporting Services | | | | | |
|---------------------------------------|-----------------------------------|---|-------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|-----------------------|---------------------|---------------------------------|---------------------|
| | 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 | Total Expenses |
| Compensation | | | | | | | | | | | |
| Salaries | \$ 421,098 | \$ 309,305 | \$ 171,520 | \$ 1,020,750 | \$ 1,922,673 | \$ 131,167 | \$ 440,384 | \$ 115,782 | 5,085 | \$ 692,418 | \$ 2,615,091 |
| Salaries - Benefits | 117,653 | 109,531 | 69,798 | 345,767 | 642,749 | 17,515 | 183,002 | 29,873 | 1,786 | 232,176 | 874,925 |
| Total Compensation | 538,751 | 418,836 | 241,318 | 1,366,517 | 2,565,422 | 148,682 | 623,386 | 145,655 | 6,871 | 924,594 | 3,490,016 |
| Other Expenses | | | | | | | | | | | |
| Awards | 300 | 7,989 | - | 203 | 8,492 | 100 | 100 | - | - | 200 | 8,692 |
| Consultants | 11,235 | 164,328 | 15 | - | 175,578 | - | 11,235 | - | - | 11,235 | 186,813 |
| Contributions | 1,078,701 | - | - | 197,667 | 1,276,368 | - | 128,800 | - | - | 128,800 | 1,405,168 |
| Depreciation and Amortization | 8,076 | 3,999 | 5,980 | 4,970 | 23,025 | 1,514 | 8,309 | 3,999 | 1,982 | 15,804 | 38,829 |
| Dues, Subscriptions, and Publications | 1,633 | 16,092 | 37,975 | 39,661 | 95,361 | 311 | 634 | 298 | 148 | 1,391 | 96,752 |
| Fixed Assets | 318 | 73 | 108 | 90 | 589 | 27 | 322 | 73 | 36 | 458 | 1,047 |
| Furniture and Equipment | 43,113 | - | - | 226 | 43,339 | - | - | - | 1 | 1 | 43,340 |
| Insurance | 32,982 | 16,333 | 24,419 | 22,859 | 96,593 | 6,184 | 33,934 | 16,333 | 8,086 | 64,537 | 161,130 |
| Meeting Facilities | 8,163 | 12 | 18 | 15 | 8,208 | 5 | 26 | 12 | 6 | 49 | 8,257 |
| Messenger Service | - | 41 | - | - | 41 | - | - | - | - | - | 41 |
| Miscellaneous | 44,691 | 4,378 | 2,888 | 377 | 52,334 | 806 | 2,015 | 245 | 110 | 3,176 | 55,510 |
| Office Supplies | 11,073 | 5,245 | 2,778 | 12,467 | 31,563 | 1,036 | 10,541 | 3,060 | 1,316 | 15,953 | 47,516 |
| Photocopying | 80 | 3,113 | - | - | 3,193 | 2 | - | - | - | 2 | 3,195 |
| Photography | - | 6,201 | - | - | 6,201 | - | - | - | - | - | 6,201 |
| Postage | 2,046 | 184,394 | 1,132 | 2,362 | 189,934 | 328 | 1,823 | 2,333 | 552,166 | 556,650 | 746,584 |
| Printing | 2,030 | 154,158 | 21 | 18 | 156,227 | 5 | 327 | 16,183 | 322,317 | 338,832 | 495,059 |
| Professional Fees | 246,896 | 44,542 | 10,104 | 60,488 | 362,030 | 2,649 | 397,057 | 7,389 | 704,883 | 1,111,978 | 1,474,008 |
| Public Relations | 2,290 | 8,420 | 1,894 | 139 | 12,743 | 42 | 232 | 112 | 56 | 442 | 13,185 |
| Rent | 120,562 | 59,701 | 89,262 | 74,192 | 343,717 | 22,605 | 124,040 | 59,701 | 29,561 | 235,907 | 579,624 |
| Repairs and Maintenance | 15,321 | 1,830 | 2,871 | 2,274 | 22,296 | 696 | 15,821 | 1,830 | 906 | 19,253 | 41,549 |
| Shipping | 4,356 | 13,176 | 491 | 234 | 18,257 | 122 | 3,457 | 433 | 172 | 4,184 | 22,441 |
| Taxes, Licenses, Etc. | 548 | - | - | - | 548 | - | 646 | - | 739 | 1,385 | 1,933 |
| Telephone | 10,271 | 5,005 | 5,511 | 4,580 | 25,367 | 1,964 | 8,650 | 3,686 | 1,825 | 16,125 | 41,492 |
| Temporary Help | 2,075 | 1,028 | 1,536 | 1,277 | 5,916 | 389 | 45,452 | 6,679 | 4,812 | 57,332 | 63,248 |
| Training and Development | 93 | 57 | 3 | 2,338 | 2,491 | 1 | 1,435 | 2 | 1 | 1,439 | 3,930 |
| Travel - Board of Directors | 80,881 | 2,754 | (105) | - | 83,530 | 5,832 | 383 | 1,076 | - | 7,291 | 90,821 |
| Travel - Conferences/Conventions | 120,015 | 5,536 | 1,377 | 11,764 | 138,692 | 6,528 | 8,424 | 1,961 | 47 | 16,960 | 155,652 |
| Travel and Related Expenses | 73,073 | 3,370 | 1,167 | 4,021 | 81,631 | 25,134 | 190 | 255 | - | 25,579 | 107,210 |
| Utilities | 10,064 | 4,983 | 7,451 | 6,193 | 28,691 | 1,887 | 10,354 | 4,983 | 2,468 | 19,692 | 48,383 |
| Total Other Expenses | 1,930,886 | 716,758 | 196,896 | 448,415 | 3,292,955 | 78,167 | 814,207 | 130,643 | 1,631,638 | 2,654,655 | 5,947,610 |
| Total Functional Expenses | \$ 2,469,637 | \$ 1,135,594 | \$ 438,214 | \$ 1,814,932 | \$ 5,858,377 | \$ 226,849 | \$ 1,437,593 | \$ 276,298 | \$ 1,638,509 | \$ 3,579,249 | \$ 9,437,626 |

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.
Statement of Functional Expenses
For the Year Ended February 28, 2021

| | Program Services | | | | | Supporting Services | | | | | |
|---------------------------------------|-----------------------------------|---|-------------------------|----------------------------------|------------------------------|-----------------------------|----------------------------------|-----------------------|---------------------|---------------------------------|---------------------|
| | 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 | Total Expenses |
| Compensation | | | | | | | | | | | |
| Salaries | \$ 444,598 | \$ 285,808 | \$ 287,220 | \$ 972,132 | \$ 1,989,758 | \$ 133,980 | \$ 558,057 | \$ 211,196 | \$ 1,950 | \$ 905,183 | \$ 2,894,941 |
| Salaries - Benefits | 127,898 | 98,650 | 82,181 | 291,462 | 600,191 | 21,548 | 196,248 | 53,717 | (465) | 271,048 | 871,239 |
| Total Compensation | 572,496 | 384,458 | 369,401 | 1,263,594 | 2,589,949 | 155,528 | 754,305 | 264,913 | 1,485 | 1,176,231 | 3,766,180 |
| Other Expenses | | | | | | | | | | | |
| Awards | 22 | 3,376 | 16 | 14 | 3,428 | 4 | 23 | 11 | 5 | 43 | 3,471 |
| Consultants | - | 164,015 | 21,425 | 10,800 | 196,240 | - | - | - | - | - | 196,240 |
| Contributions | 431,215 | 6,000 | - | 222,500 | 659,715 | - | - | - | - | - | 659,715 |
| Depreciation and Amortization | 11,119 | 5,506 | 8,232 | 6,842 | 31,699 | 2,085 | 11,440 | 5,506 | 2,726 | 21,757 | 53,456 |
| Dues, Subscriptions, and Publications | 486 | 1,588 | 37,120 | 29,339 | 68,533 | 42 | 28 | - | - | 70 | 68,603 |
| Furniture and Equipment | 208 | 103 | 154 | 128 | 593 | 39 | 1,765 | 103 | 51 | 1,958 | 2,551 |
| Furniture and Equipment | - | - | - | - | - | - | - | - | - | - | - |
| Insurance | 30,826 | 15,265 | 22,823 | 26,993 | 95,907 | 5,780 | 31,715 | 15,265 | 7,558 | 60,318 | 156,225 |
| Interest | - | - | - | - | - | - | - | - | - | - | - |
| Meeting Facilities | - | - | - | - | - | - | - | - | - | - | - |
| Messenger Service | - | 224 | - | - | 224 | - | - | - | - | - | 224 |
| Miscellaneous | 288 | 9,656 | 190 | 1,034 | 11,168 | 90 | 4,216 | 605 | 59 | 4,970 | 16,138 |
| Office Supplies | 3,145 | 998 | 1,188 | 1,194 | 6,525 | 578 | 4,714 | 2,616 | 662 | 8,570 | 15,095 |
| Photocopying | 2,775 | 3,605 | 2,563 | 2,545 | 11,488 | 518 | 3,558 | 2,355 | 661 | 7,092 | 18,580 |
| Photography | - | 5,100 | - | - | 5,100 | - | - | - | - | - | 5,100 |
| Postage | 1,075 | 86,591 | 184 | 3,326 | 91,176 | 88 | 1,537 | 5,581 | 446,796 | 454,002 | 545,178 |
| Printing | 9,560 | 96,043 | - | - | 105,603 | 11 | - | 3,204 | 424,214 | 427,429 | 533,032 |
| Professional Fees | 104,178 | 64,210 | 13,687 | 68,402 | 250,477 | 5,899 | 154,180 | 12,167 | 222,311 | 394,557 | 645,034 |
| Public Relations | 48 | 24 | 36 | 30 | 138 | 9 | 213 | 24 | 12 | 258 | 396 |
| Rent | 107,045 | 52,956 | 79,177 | 65,809 | 304,987 | 20,051 | 85,526 | 52,956 | 26,221 | 184,754 | 489,741 |
| Repairs and Maintenance | 15,003 | 204 | 306 | 254 | 15,767 | 81 | 15,012 | 204 | 101 | 15,398 | 31,165 |
| Shipping | 1,603 | 8,304 | 217 | 159 | 10,283 | 286 | 4,039 | 306 | 369 | 5,000 | 15,283 |
| Taxes, Licenses, Etc. | 133 | - | - | - | 133 | - | - | - | 725 | 725 | 858 |
| Telephone | 10,854 | 5,328 | 7,311 | 5,660 | 29,153 | 2,157 | 8,032 | 4,129 | 2,045 | 16,363 | 45,516 |
| Temporary Help | 5,105 | - | - | - | 5,105 | - | 5,463 | - | 10,431 | 15,894 | 20,999 |
| Training and Development | 650 | - | - | (3,417) | (2,767) | 77 | 140 | - | - | 217 | (2,550) |
| Travel - Board of Directors | 7,263 | - | 671 | 2,269 | 10,203 | 327 | - | - | - | 327 | 10,530 |
| Travel - Conferences/Conventions | - | - | - | - | - | - | - | - | - | - | - |
| Travel and Related Expenses | 1,464 | 535 | 1,452 | 3,553 | 7,004 | 1,478 | 10,347 | - | - | 11,825 | 18,829 |
| Utilities | 8,914 | 4,414 | 6,600 | 5,486 | 25,414 | 1,671 | 9,172 | 4,414 | 2,186 | 17,443 | 42,857 |
| Total Other Expenses | 752,979 | 534,045 | 203,352 | 452,920 | 1,943,296 | 41,271 | 351,120 | 109,446 | 1,147,133 | 1,648,970 | 3,592,266 |
| Total Functional Expenses | \$ 1,325,475 | \$ 918,503 | \$ 572,753 | \$ 1,716,514 | \$ 4,533,245 | \$ 196,799 | \$ 1,105,425 | \$ 374,359 | \$ 1,148,618 | \$ 2,825,201 | \$ 7,358,446 |

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.

Statement of Cash Flows
For The Years Ended February 28, 2022 and February 28, 2021

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Change in Unrestricted Net Assets | \$ 513,006 | \$ 3,946,651 |
| Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by (Used in) Operating Activities | | |
| Depreciation and Amortization | 38,829 | 53,456 |
| Net (Gains) Losses on Investments | 979,442 | (2,324,683) |
| <u>(Increase) Decrease in Assets</u> | | |
| Accounts Receivable | 1,803,165 | (1,529,387) |
| Prepaid Expenses and Other Assets | 42,755 | 59,363 |
| <u>Increase (Decrease) in Liabilities</u> | | |
| Accounts Payable | (1,057,608) | 929,065 |
| Accrued Expenses | (20,167) | (155,742) |
| Deferred Life Member Dues | - | 695,482 |
| Deferred Revenue | - | (1,845,205) |
| Due to State Councils and Chapters | (1,180,306) | 901,634 |
| Deferred Rent Payable | 43,609 | (24,604) |
| PPP Forgivable Loan | (695,482) | - |
| Net Cash Provided by (Used in) Operating Activities | <u>467,243</u> | <u>706,030</u> |
| Cash Flows from Investing Activities | | |
| Purchases of Investments | (5,637,711) | (2,213,456) |
| Sales of Investments | <u>2,753,047</u> | <u>3,020,539</u> |
| Net Cash Provided by (Used in) Investing Activities | <u>(2,884,664)</u> | <u>807,083</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from PPP Forgivable Loan | 681,918 | - |
| Curtailments of Capital Lease Obligations | <u>(60,783)</u> | <u>(43,535)</u> |
| Net Cash Provided by (Used in) Financing Activities | <u>621,135</u> | <u>(43,535)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,796,286) | 1,469,578 |
| Cash and Cash Equivalents, Beginning of Year | <u>10,852,209</u> | <u>9,382,631</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 9,055,923</u> | <u>\$ 10,852,209</u> |
| Supplementary Disclosure of Cash Flow Information | | |
| Cash Paid during the Year for Interest | \$ - | \$ 176 |

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2022 and 2021

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 28, 2022.

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.

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.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021, 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.

Revenue Recognition

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.

As directed by the board of directors, all life member dues are segregated from the general operating funds.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 2021, and a leadership conference during the fiscal year 2022.

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.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

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 2022 and 2021.

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 2022 and 2021.

VVA's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed as of February 28, 2022, for the years ended February 28, 2021, February 29, 2020, and February 28, 2019, 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 2023.

Subsequent Events

Management has evaluated subsequent events through July 29, 2022 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 \$8,200,000 as of February 28, 2022, and approximately \$5,300,000 as of February 28, 2021. Management does not feel this poses a risk to VVA.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2022 and 2021

2. CONCENTRATION OF CREDIT RISK (CONTINUED)

At February 28, 2022 and 2021, additional amounts were invested in repurchase agreements of approximately \$6,227,000 and \$4,294,000, 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 28, 2022 and 2021, VVA had \$3,881,170 and \$3,746,803, respectively, of designated investments.

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, 2022, VVA's investments and their fair values consisted of the following:

| | <u>Fair Value</u> | <u>Level 1 Inputs</u> |
|---------------------------------|-----------------------------|-----------------------------|
| <u>February 28, 2022</u> | | |
| Money Market Funds | \$ 1,481,598 | \$ 1,481,598 |
| Mutual Fund Equities | 7,169,490 | 7,169,490 |
| Corporate Equities | 4,427,047 | 4,427,047 |
| Total | <u>\$ 13,078,135</u> | <u>\$ 13,078,135</u> |

As of February 28, 2021, VVA's investments and their fair values consisted of the following:

| | <u>Fair Value</u> | <u>Level 1 Inputs</u> |
|---------------------------------|----------------------|-----------------------|
| <u>February 28, 2021</u> | | |
| Money Market Funds | \$ 2,260,007 | \$ 2,260,007 |
| Mutual Fund Equities | 4,669,860 | 4,669,860 |
| Corporate Equities | 4,243,046 | 4,243,046 |
| Total | <u>\$ 11,172,913</u> | <u>\$ 11,172,913</u> |

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

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2022 and 2021

4. INVESTMENTS (CONTINUED)

Investment income consisted of the following at February 28, 2022 and February 28, 2021:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|----------------------------|----------------------------|
| Interest and Dividends | \$ 201,519 | \$ 148,367 |
| Gains (Losses) on Investments | (979,442) | 2,324,683 |
| | <u>\$ (777,923)</u> | <u>\$ 2,473,050</u> |

5. NET ASSETS

There were no net assets with donor restrictions as of February 28, 2022 or February 28, 2021.

Other than net assets designated for life memberships / state councils and chapters, all other net assets without donor restrictions as of February 28, 2022 and February 28, 2021 were undesignated.

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, 2022 and February 28, 2021, VVA matched up to 4% of an employee's contribution.

7. LEASE OBLIGATIONS

Capital Lease Obligations

VVA was obligated under multiple capital lease arrangements for office equipment. The leases had interest rates ranging from 4.6% to 6.0% annually. The leases expired during the year ended February 28, 2022. VVA renewed some of the leases but does not report them as capital leases because they are not material.

Operating Lease Obligations

VVA leases its office facilities under an operating lease that expires in November 2020. During the year ended February 28, 2022, 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, 2022 and February 28, 2021, amounted to approximately \$580,000 and \$490,000, respectively.

VVA also leases certain office equipment under operating three to five-year operating leases with fixed monthly payments ranging from \$998 to \$1,228.

Vietnam Veterans of America, Inc.

**Notes to Financial Statements
February 28, 2022 and 2021**

7. LEASE OBLIGATIONS (CONTINUED)

Operating Lease Obligations (Continued)

Future minimum rental commitments are as follows:

| <u>For the Years Ending February 28,</u> | <u>Office Space</u> | <u>Equipment</u> |
|--|---------------------|-------------------|
| 2023 | \$ 555,344 | \$ 46,481 |
| 2024 | 577,558 | 47,272 |
| 2025 | 600,660 | 41,954 |
| 2026 | 624,686 | 22,237 |
| 2026 | 649,674 | 23,127 |
| Thereafter | 1,159,864 | 42,731 |
| Total | <u>\$ 4,167,786</u> | <u>\$ 223,802</u> |

8. AVAILABILITY AND LIQUIDITY

The following represents VVA's financial assets at February 28, 2022:

Financial Assets at Year End:

| | | |
|--|------------------|------------------|
| Undesignated Cash and Cash Equivalents | \$ 9,159,041 | \$ 10,852,209 |
| Accounts Receivable | 384,108 | 2,187,273 |
| Investments | <u>9,196,965</u> | <u>7,426,110</u> |

| | | |
|------------------------|------------|------------|
| Total Financial Assets | 18,740,114 | 20,465,592 |
|------------------------|------------|------------|

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>(3,746,803)</u> |
| | <u>(3,881,170)</u> | <u>(3,746,803)</u> |

Financial Assets Available to Meet General Expenditures

| | | |
|-----------------------------|----------------------|----------------------|
| Over the Next Twelve Months | <u>\$ 14,858,944</u> | <u>\$ 16,718,789</u> |
|-----------------------------|----------------------|----------------------|

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