



FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2023 AND 2022



Independent Auditor's 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 statements of financial position as of February 28, 2023 and 2022, 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, 2023 and 2022, 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 14, 2023

Certified Public Accountants

Vietnam Veterans of America, Inc.

Statements of Financial Position
February 28, 2023 and 2022

	2023	2022		2023	2022
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Undesignated Cash and Cash Equivalents	\$ 8,970,130	\$ 9,159,041	Accounts Payable	\$ 677,971	\$ 579,517
Accounts Receivable	495,909	384,108	Accrued Expenses	208,832	203,349
Prepaid Expenses and Other Assets	93,157	41,899	Current Portion of Deferred Life Member Dues Payable to State Councils and Chapters	88,239	103,118
Total Current Assets	9,559,196	9,585,048	Forgivable Loan - PPP	-	681,918
Investments - at Market Value			Current Portion of Lease Liability	577,558	-
Undesignated	8,993,664	10,212,056			
Designated for Life Memberships / State Councils and Chapters	1,719,080	2,866,079	Total Current Liabilities	1,552,600	1,567,902
Total Investments	10,712,744	13,078,135	LongTerm Portion of Lease Liability	2,884,670	-
Property and Equipment			Deferred Rent Payable	-	290,260
Furniture and Equipment	337,160	666,060	Total Long-Term Liabilities	2,884,670	290,260
Software	101,707	101,707	Total Liabilities	4,437,270	1,858,162
Total Property and Equipment	438,867	767,767			
Less Accumulated Depreciation and Amortization	(437,596)	(752,589)			
Net Furniture and Equipment	1,271	15,178			
Other Assets					
Right of Use (ROU) Asset	3,110,940	-			
Deposits	33,559	33,559	Net Assets Without Donor Restrictions	18,980,440	20,853,758
Total Assets	\$ 23,417,710	\$ 22,711,920	Total Liabilities and Net Assets	\$ 23,417,710	\$ 22,711,920

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.

Statements of Activities
For The Years Ended February 28, 2023 and February 28, 2022

	<u>2023</u>	<u>2022</u>
Revenues and Support		
Recycling Program Revenue	\$ 11,198,463	\$ 10,684,921
Less Recycling Program Cost	(6,038,107)	(4,735,676)
Net Recycling Program Revenue	5,160,356	5,949,245
VVA Veteran Newspaper	105,231	75,135
Membership Dues	53,558	203,688
Contributions	3,974,638	3,593,810
PPP Forgivable Loan Contribution	681,918	695,482
Convention/Conference	124,425	39,318
Royalties	67,290	68,195
Other	35,168	103,682
Total Revenues and Support	10,202,584	10,728,555
Expenses		
Program Services		
National Veterans' Programs	3,610,748	2,469,637
Communications and Public Affairs	1,435,928	1,135,594
Government Relations	517,619	438,214
Veterans' Benefits Program	1,625,670	1,814,932
Total Program Services	7,189,965	5,858,377
Supporting Services		
Support of Affiliates - State Councils and Chapters	306,652	226,849
General and Administrative	1,117,329	1,437,593
Membership Affairs	357,367	276,298
Fundraising	1,851,825	1,638,509
Total Supporting Services	3,633,173	3,579,249
Total Expenses	10,823,138	9,437,626
Change in Net Assets from Operations	(620,554)	1,290,929
Investment Income (Loss) - Net	(1,252,764)	(777,923)
Change in Net Assets	(1,873,318)	513,006
Net Assets, Beginning of Year	20,853,758	20,340,752
Net Assets, End of Year	\$ 18,980,440	\$ 20,853,758

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.
Statement of Functional Expenses
For the Year Ended February 28, 2023

	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	\$ 326,378	\$ 383,032	\$ 233,192	\$ 953,503	\$ 1,896,105	\$ 100,470	\$ 373,941	\$ 178,529	3,250	\$ 656,190	\$ 2,552,295
Salaries - Benefits	112,941	136,523	78,884	220,353	548,701	14,333	99,823	41,487	575	156,218	704,919
Total Compensation	439,319	519,555	312,076	1,173,856	2,444,806	114,803	473,764	220,016	3,825	812,408	3,257,214
Other Expenses											
Awards	3,724	7,190	586	812	12,312	199	893	392	195	1,679	13,991
Consultants	150,469	95,452	-	-	245,921	50,156	-	-	-	50,156	296,077
Contributions	968,472	-	-	180,050	1,148,522	-	-	-	-	-	1,148,522
Depreciation and Amortization	2,893	1,432	2,142	1,780	8,247	542	2,976	1,432	710	5,660	13,907
Dues, Subscriptions, and Publications	1,591	7,816	31,974	28,577	69,958	357	1,003	34	19	1,413	71,371
Fixed Assets	1,019	-	-	-	1,019	-	1,018	-	-	1,018	2,037
Furniture and Equipment	15,197	117	-	-	15,314	510	13,667	-	-	14,177	29,491
Insurance	32,650	16,168	24,174	20,093	93,085	6,122	33,592	16,168	8,006	63,888	156,973
Interest	(556)	(275)	(412)	(342)	(1,585)	(104)	(572)	(275)	(137)	(1,088)	(2,673)
Meeting Facilities	274,953	-	-	-	274,953	-	-	-	-	-	274,953
Miscellaneous	14,843	25,666	2,030	2,347	44,886	4,190	4,828	1,393	666	11,077	55,963
Office Supplies	5,187	6,573	1,327	16,267	29,354	980	5,210	2,591	440	9,221	38,575
Photocopying	4,742	6,102	6,628	6,314	23,786	889	8,275	5,745	1,164	16,073	39,859
Photography	-	9,200	-	-	9,200	-	-	-	-	-	9,200
Postage	1,039	221,528	305	872	223,744	297	1,402	407	688,311	690,417	914,161
Printing	362	253,591	70	126	254,149	25	97	9,426	21,297	30,845	284,994
Professional Fees	213,399	147,131	14,577	80,838	455,945	27,605	354,702	17,263	1,080,411	1,479,981	1,935,926
Public Relations	2,921	5,783	981	18	9,703	156	30	135	7	328	10,031
Rebates	845,645	-	-	-	845,645	-	-	-	-	-	845,645
Rent	128,639	63,701	95,243	79,163	366,746	24,120	132,350	63,701	31,542	251,713	618,459
Repairs and Maintenance	14,054	1,653	2,471	2,054	20,232	626	14,150	1,653	819	17,248	37,480
Shipping	2,135	21,459	373	972	24,939	344	586	960	487	2,377	27,316
Taxes, Licenses, Etc.	108	-	-	-	108	-	107	-	-	107	215
Telephone	8,421	4,077	5,827	4,843	23,168	1,476	8,594	3,897	1,931	15,898	39,066
Temporary Help	-	-	-	-	-	-	32,500	-	8,800	41,300	41,300
Training and Development	94	-	-	3,161	3,255	-	94	114	-	208	3,463
Travel - Board of Directors	284,446	-	-	2,457	286,903	20,028	-	-	-	20,028	306,931
Travel - Conferences/Conventions	54,543	8,848	1,222	8,103	72,716	8,315	9,782	3,058	89	21,244	93,960
Travel and Related Expenses	127,208	6,609	6,229	5,167	145,213	42,535	4,668	2,705	-	49,908	195,121
Utilities	13,231	6,552	9,796	8,142	37,721	2,481	13,613	6,552	3,243	25,889	63,610
Total Other Expenses	3,171,429	916,373	205,543	451,814	4,745,159	191,849	643,565	137,351	1,848,000	2,820,765	7,565,924
Total Functional Expenses	\$ 3,610,748	\$ 1,435,928	\$ 517,619	\$ 1,625,670	\$ 7,189,965	\$ 306,652	\$ 1,117,329	\$ 357,367	\$ 1,851,825	\$ 3,633,173	\$ 10,823,138

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 Cash Flows
For The Years Ended February 28, 2023 and February 28, 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in Unrestricted Net Assets	\$ (1,873,318)	\$ 513,006
Adjustments to Reconcile Change in Unrestricted Net		
Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	13,907	38,829
Amortization on Right of Use (ROU) Asset	548,989	-
Net (Gains) Losses on Investments	2,433,920	979,442
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(111,801)	1,803,165
Prepaid Expenses and Other Assets	(51,258)	42,755
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	98,454	(954,490)
Accrued Expenses	5,483	(20,167)
Due to State Councils and Chapters	(103,118)	(1,180,306)
Deferred Rent Payable	-	43,609
Lease Liability	(487,961)	-
PPP Forgivable Loan	(681,918)	(13,564)
Net Cash Provided by (Used in) Operating Activities	(208,621)	1,252,279
Cash Flows from Investing Activities		
Purchases of Investments	(1,013,697)	(5,637,711)
Sales of Investments	945,168	2,753,047
Net Cash Provided by (Used in) Investing Activities	(68,529)	(2,884,664)
Cash Flows from Financing Activities		
Curtailements of Capital Lease Obligations	-	(60,783)
Net Cash Provided by (Used in) Financing Activities	-	(60,783)
Net Increase (Decrease) in Cash and Cash Equivalents	(277,150)	(1,693,168)
Cash and Cash Equivalents, Beginning of Year	9,159,041	10,852,209
Cash and Cash Equivalents, End of Year	\$ 8,881,891	\$ 9,159,041
Supplementary Disclosure of Cash Flow Information		
Recognition of ROU Asset and Lease Liability	\$ 3,950,189	\$ -

See accompanying Notes to Financial Statements.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2023 and 2022

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, 2023.

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, 2023 and 2022

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, 2023 and 2022, 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.

Right of Use Asset and Lease Liability

The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using VVA's estimated incremental borrowing rate or implicit rate, when readily determinable. The asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. Short-term operating leases, which have an initial term of twelve months or less, are not recorded on the statements of financial position.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2022, and a leadership conference during the fiscal year 2023.

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, 2023 and 2022

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 2023 and 2022.

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 2023 and 2022.

VVA's Forms 990, *Return of Organization Exempt from Income Tax*, that have been filed as of February 28, 2023, for the years ended February 28, 2022, February 28, 2021, and February 29, 2020, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

New Accounting Pronouncements

In 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than twelve months. The new standard applies to finance and operating leases entered into after the standard was issued. VVA adopted this standard in 2023.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements (Continued)

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires Organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective beginning in 2023.

Subsequent Events

Management has evaluated subsequent events through July 14, 2023 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 \$1,100,000 as of February 28, 2023, and approximately \$1,900,000 as of February 28, 2022. Management does not feel this poses a risk to VVA.

At February 28, 2023 and 2022, additional amounts were invested in repurchase agreements of approximately \$5,653,000 and \$6,209,000, 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, 2023 and 2022, VVA had \$1,719,080 and \$2,866,079, respectively, of designated investments.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2023 and 2022

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, 2023, VVA's investments and their fair values consisted of the following:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>
<u>February 28, 2023</u>		
Money Market Funds	\$ 2,039,963	\$ 2,039,963
Mutual Fund Equities	6,048,340	6,048,340
Corporate Equities	2,624,441	2,624,441
Total	\$ 10,712,744	\$ 10,712,744

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	\$ 13,078,135	\$ 13,078,135

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

Investment income consisted of the following at February 28, 2023 and February 28, 2022:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 1,181,156	\$ 201,519
Gains (Losses) on Investments	(2,433,920)	(979,442)
Investment Income (Loss) - Net	\$ (1,252,764)	\$ (777,923)

5. NET ASSETS

There were no net assets with donor restrictions as of February 28, 2023 or February 28, 2022.

Other than net assets designated for life memberships / state councils and chapters, all other net assets without donor restrictions as of February 28, 2023 and February 28, 2022 were undesignated.

Vietnam Veterans of America, Inc.

Notes to Financial Statements February 28, 2023 and 2022

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, 2023 and February 28, 2022, VVA matched up to 4% of an employee's contribution.

7. LEASE OBLIGATIONS

VVA leases its office facilities under an operating lease that expires in November 2020. During the year ended February 28, 2023, 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.

The lease liability is recorded based on the present value of the future payments of the lease, discounted at an estimated incremental borrowing rate of 1.81%, based on comparable interest rates available to VVA under borrowing arrangements for a similar amount and duration of the lease (remaining term method). VVA has established a right of use asset equal to the remaining lease liability under the lease agreement.

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

As of February 28, 2023, the lease liability was as follows:

<u>For the Years Ending February 28,</u>	<u>Office Space</u>	<u>Equipment</u>
2024	\$ 577,558	\$ 46,481
2025	600,660	47,272
2026	624,686	41,954
2027	649,674	-
2028	675,661	-
2029	526,934	-
Less Interest Expense (1.81%)	(192,945)	-
Total	<u>\$ 3,462,228</u>	<u>\$ 135,707</u>

Rental expense for office facilities for the years ended February 28, 2023 and February 28, 2022, amounted to approximately \$618,000 and \$580,000, respectively.

Vietnam Veterans of America, Inc.

**Notes to Financial Statements
February 28, 2023 and 2022**

8. AVAILABILITY AND LIQUIDITY

The following represents VVA's financial assets at February 28, 2023:

Financial Assets at Year End:

Undesignated Cash and Cash Equivalents	\$ 8,970,130	\$ 9,159,041
Accounts Receivable	495,909	384,108
Investments	<u>10,712,744</u>	<u>13,078,135</u>
 Total Financial Assets	 20,178,783	 22,621,284
 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>(1,719,080)</u>	<u>(2,866,079)</u>
	<u>(1,719,080)</u>	<u>(2,866,079)</u>
 Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	 <u>\$ 18,459,703</u>	 <u>\$ 19,755,205</u>

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