

National Desert Storm War Memorial Association

Independent Auditor's Report and Financial Statements

June 30, 2016



National Desert Storm War Memorial Association

June 30, 2016

Contents

Independent Auditor’s Report..... 1

Financial Statements

Statement of Financial Position..... 3

Statement of Activities 4

Statement of Functional Expense 5

Statement of Cash Flows 6

Notes to Financial Statements 7

Independent Auditor's Report

Board of Directors
National Desert Storm War Memorial Association
Little Rock, Arkansas

We have audited the accompanying financial statements of National Desert Storm War Memorial Association, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
National Desert Storm War Memorial Association
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Desert Storm War Memorial Association as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Little Rock, Arkansas
September 2, 2016

National Desert Storm War Memorial Association
Statement of Financial Position
June 30, 2016

Assets

Current Assets

Cash	\$	58,242
Pledges receivable, net		100,500
Prepaid expenses and other		<u>23,848</u>
Total current assets		<u>182,590</u>

Noncurrent assets

Long-term portion of pledges receivable, net		234,933
Property and equipment, net		<u>216,122</u>
Total noncurrent assets		<u>451,055</u>
Total assets	\$	<u><u>633,645</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$	<u>47,775</u>
Total current liabilities		<u>47,775</u>

Net Assets

Unrestricted net assets		250,427
Temporarily restricted net assets		<u>335,443</u>
Total net assets		<u>585,870</u>
Total liabilities and net assets	\$	<u><u>633,645</u></u>

National Desert Storm War Memorial Association
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Public support	\$ 184,356	\$ 335,443	\$ 519,799
Contributed services	138,512	-	138,512
Merchandise sales	41,883	-	41,883
Special events revenue	19,605	-	19,605
	<u>384,356</u>	<u>335,443</u>	<u>719,799</u>
Total revenues, gains and other support			
Expenses			
Management and general	126,100	-	126,100
Fundraising	97,994	-	97,994
	<u>224,094</u>	<u>0</u>	<u>224,094</u>
Total expenses			
Change in Net Assets	<u>160,262</u>	<u>335,443</u>	<u>495,705</u>
Net Assets, Beginning of Year	<u>90,165</u>	<u>0</u>	<u>90,165</u>
Net Assets, End of Year	<u><u>\$ 250,427</u></u>	<u><u>\$ 335,443</u></u>	<u><u>\$ 585,870</u></u>

National Desert Storm War Memorial Association
Statement of Functional Expense
Year Ended June 30, 2016

	Management and General	Fundraising	Total
Accounting and legal	\$ 62,879	\$ 35,000	\$ 97,879
Administrative supplies	52	-	52
Advertising	-	5,800	5,800
Conferences and conventions	1,010	9,095	10,105
Cost of direct benefits to donors	-	8,094	8,094
Cost of sales – merchandise	24,463	-	24,463
Depreciation expense	1,260	-	1,260
Public relations	-	1,420	1,420
Outside contracted services	-	770	770
Insurance	553	-	553
Information technology support	25,000	-	25,000
Miscellaneous	2,774	2,314	5,088
Postage and mailing service	924	-	924
Printing and copying	1,655	-	1,655
Staff development	750	-	750
Telephone	835	-	835
Travel	3,945	35,501	39,446
	<u>\$ 126,100</u>	<u>\$ 97,994</u>	<u>\$ 224,094</u>

National Desert Storm War Memorial Association
Statement of Cash Flows
Year Ended June 30, 2016

Operating Activities	
Change in net assets	\$ 495,705
Items not requiring (providing) operating activities cash flows	
Depreciation	1,260
Contributed services for construction in progress and property and equipment	(16,012)
Changes in	
Pledges receivable	(335,433)
Prepaid expenses and other	(23,848)
Accounts payable	<u>(11,011)</u>
Net cash provided by operating activities	<u>110,661</u>
Investing Activities	
Purchases of property and equipment	<u>(63,161)</u>
Net cash used in investing activities	<u>(63,161)</u>
Increase in Cash	47,500
Cash, Beginning of Year	<u>10,742</u>
Cash, End of Year	<u><u>\$ 58,242</u></u>
Supplemental Cash Flows Information	
Construction in progress recorded in accounts payable	\$ 46,286

National Desert Storm War Memorial Association
Notes to Financial Statements
June 30, 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

National Desert Storm War Memorial Association (the Association) is a not-for-profit organization formed in 2011 primarily to construct a memorial in Washington D.C. honoring the more than half million American servicemen and women who served in Operation Desert Storm/Desert Shield. The National Desert Storm War Memorial will be a tribute to those who served, those who stood behind them—and most importantly—the 292 U.S. servicemen and women who gave the ultimate sacrifice. The Association is supported primarily by funding contributions received from various veterans groups and individual contributors and corporations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time period or purpose.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

National Desert Storm War Memorial Association

Notes to Financial Statements

June 30, 2016

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Amounts recorded in construction in progress relate to architectural design fees and related environmental studies.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Website	3 years
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Long-Lived Asset Impairment

The Association evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended June 30, 2016.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance a nonfinancial assets or require specialized skills possessed by the individual providing the service and the service would typically need to be purchased if not donated.

However, the Association has many individuals that volunteer their time and perform a variety of tasks that assist with specific program services, campaign solicitations and various committee assignments, which do not meet the criteria for recording in the financial statements. Specifically, the management team has volunteered approximately 15,000 hours, and other volunteers and committee members have volunteered approximately 2,000 hours.

National Desert Storm War Memorial Association

Notes to Financial Statements

June 30, 2016

Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of state law. However, the Association is subject to federal income tax on any unrelated business taxable income.

The Association files tax returns in the U.S. federal jurisdiction. The Association had no unrelated business income. Therefore, all tax years remain open to examination by the federal and state taxing jurisdictions to which the Association is subject.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of functional expense. Certain costs have been allocated among management and general and fundraising categories.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Note 2: Pledges receivable

Pledges receivable consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Due within one year	\$ -	\$ 100,500	\$ 100,500
Due in one to five years	-	300,000	300,000
	-	400,500	400,500
Less			
Unamortized discount	-	65,067	65,067
	<u>\$ -</u>	<u>\$ 335,433</u>	<u>\$ 335,433</u>

Discount rate is 7.5%

National Desert Storm War Memorial Association
Notes to Financial Statements
June 30, 2016

Note 3: Contributed Services

Contribution revenue recognized from contributed services consisted of the following:

Management and general	
Accounting and legal services	\$ 97,500
Information Technology support	<u>25,000</u>
Total management and general	<u>122,500</u>
Noncurrent assets	
Architectural design services ⁽¹⁾	12,772
Internally developed software ⁽²⁾	<u>3,240</u>
Total noncurrent assets	<u>16,012</u>
Total contributed services	<u><u>\$ 138,512</u></u>

⁽¹⁾ Recorded in construction in progress

⁽²⁾ Recorded in property plant and equipment

Note 4: Related Party Transactions

During 2016, a member of the board of directors donated contributed services with a fair market value of \$87,500 for professional accounting services.

Note 5: Property and Equipment

Property and equipment at June 30, 2016, consisted of:

Website	\$ 6,480
Construction in progress	<u>210,902</u>
	217,382
Accumulated depreciation	<u>(1,260)</u>
	<u><u>\$ 216,122</u></u>

National Desert Storm War Memorial Association
Notes to Financial Statements
June 30, 2016

Note 6: Contractual Commitments

At June 30, 2016, the Association had entered into two professional services contracts for architectural designs and site studies.

The approximate value of contracts and amounts remaining outstanding at June 30, 2016, were:

	Contract Amount	Amount Remaining Outstanding
Site studies	\$ 149,000	\$ 98,000
Architectural design plans	\$ 280,000	\$ 223,000

Note 7: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Concentration in Public Support and Pledges Receivable

At June 30, 2016, approximately 60 percent of total revenue was received from a single donor, the national office of the Veterans of Foreign Wars (VFW). Additionally, the balance in pledges receivable, both the current and noncurrent portion, was from the VFW.

Cash

At June 30, 2016, the Association had approximately \$25,000 in uninsured cash.