

# **National Desert Storm War Memorial Association**

Independent Auditor's Report and Financial Statements

June 30, 2018



**National Desert Storm War Memorial Association**

**June 30, 2018**

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## 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, 2018, and the related statements of activities, functional expense 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  
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***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, 2018, 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  
October 17, 2018

**National Desert Storm War Memorial Association**  
**Statement of Financial Position**  
**June 30, 2018**

**Assets**

**Current Assets**

Cash	\$	124,140
Pledges receivable, net		93,023
Inventory		36,793
Prepaid expenses and other		<u>22,404</u>
Total current assets		<u>276,360</u>

**Noncurrent Assets**

Long-term portion of pledges receivable, net		86,534
Property and equipment, net		<u>6,618,605</u>
Total noncurrent assets		<u>6,705,139</u>
Total assets	\$	<u><u>6,981,499</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$	<u>124,897</u>
Total current liabilities		<u>124,897</u>

**Net Assets**

Unrestricted net assets		827,045
Temporarily restricted net assets		<u>6,029,557</u>
Total net assets		<u>6,856,602</u>
Total liabilities and net assets	\$	<u><u>6,981,499</u></u>

**National Desert Storm War Memorial Association**  
**Statement of Activities**  
**Year Ended June 30, 2018**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Public support	\$ 143,728	\$ 19,503	\$ 163,231
Land grant	-	5,850,000	5,850,000
Contributed services	225,613	-	225,613
Merchandise sales	73,818	-	73,818
Special events revenue	52,773	-	52,773
Net assets released from restriction	150,000	(150,000)	-
	<u>645,932</u>	<u>5,719,503</u>	<u>6,365,435</u>
Total revenues, gains and other support			
<b>Expenses</b>			
Management and general	136,882	-	136,882
Fundraising	120,297	-	120,297
	<u>257,179</u>	<u>-</u>	<u>257,179</u>
Total expenses			
<b>Change in Net Assets</b>	<u>388,753</u>	<u>5,719,503</u>	<u>6,108,256</u>
<b>Net Assets, Beginning of Year</b>	<u>438,292</u>	<u>310,054</u>	<u>748,346</u>
<b>Net Assets, End of Year</b>	<u>\$ 827,045</u>	<u>\$ 6,029,557</u>	<u>\$ 6,856,602</u>

**National Desert Storm War Memorial Association**  
**Statement of Functional Expense**  
**Year Ended June 30, 2018**

	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Accounting services	\$ 96,643	\$ 53,891	\$ 150,534
Administrative supplies	92	-	92
Advertising	-	905	905
Conferences and conventions	43	387	430
Cost of sales – merchandise	23,347	-	23,347
Depreciation expense	3,057	-	3,057
Public relations	-	32,163	32,163
Insurance	1,859	-	1,859
Miscellaneous	2,934	2,449	5,383
Postage and mailing service	2,974	-	2,974
Staff development	990	-	990
Telephone	1,554	-	1,554
Travel	3,389	30,502	33,891
	<u>\$ 136,882</u>	<u>\$ 120,297</u>	<u>\$ 257,179</u>

**National Desert Storm War Memorial Association**  
**Statement of Cash Flows**  
**Year Ended June 30, 2018**

<b>Operating Activities</b>	
Change in net assets	\$ 6,108,256
Items not requiring (providing) operating activities cash flows	
Depreciation	3,057
Contributed services for construction in progress	(134,567)
Contributed land	(5,850,000)
Changes in	
Pledges receivable	130,497
Inventory	(28,219)
Prepaid expenses and other	1,190
Accounts payable	<u>1,487</u>
Net cash provided by operating activities	<u>231,701</u>
<b>Investing Activities</b>	
Purchases of property and equipment	<u>(276,694)</u>
Net cash used in investing activities	<u>(276,694)</u>
<b>Decrease in Cash</b>	(44,993)
<b>Cash, Beginning of Year</b>	<u>169,133</u>
<b>Cash, End of Year</b>	<u><u>\$ 124,140</u></u>
<b>Supplemental Cash Flows Information</b>	
Construction in progress recorded in accounts payable	\$ 122,843



**National Desert Storm War Memorial Association**  
**Notes to Financial Statements**  
**June 30, 2018**

**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.

***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.

***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, 2018.

# National Desert Storm War Memorial Association

## Notes to Financial Statements

June 30, 2018

### ***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.

### ***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.

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.

### ***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 1,200 hours, and other volunteers and committee members have volunteered approximately 16,100 hours.

# **National Desert Storm War Memorial Association**

## **Notes to Financial Statements**

**June 30, 2018**

### ***In-kind Contribution – Land***

In addition to receiving cash contributions, the Association received an in-kind contribution of land from the federal government. The Association recorded the estimated fair value of the in-kind land donation as an asset in its financial statements and similarly increase contribution revenue by a like amount. For the year ended June 30, 2018, \$5,850,000 was received as an in-kind land contribution.

### ***Inventory***

Inventories, which consist of clothing, challenge coins and other souvenirs are stated at the lower of cost or net realizable value. Inventory was valued at \$36,793 at June 30, 2018. The value was determined using the first-in, first-out (FIFO) method.

### ***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.

### ***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 based on actual direct expenditures and cost allocations derived from estimates of time spent by the Association's personnel.

### ***Subsequent Events***

Subsequent events have been evaluated through October 17, 2018, which is the date the financial statements were available to be issued.

**National Desert Storm War Memorial Association**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 2: Pledges Receivable**

Pledges receivable consisted of the following:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Due within one year	\$ -	\$ 100,000	\$ 100,000
Due in one to five years	-	100,000	100,000
	-	200,000	200,000
Less			
Unamortized discount	-	20,443	20,443
	-	179,557	179,557
	-	\$ 179,557	\$ 179,557

Discount rate is 7.5%

**Note 3: Contributed Services**

Contribution revenue recognized from contributed services consisted of the following:

Management and general	
Accounting and legal services	\$ 91,046
Total management and general	91,046
Noncurrent assets	
Architectural design services <sup>(1)</sup>	134,567
Total noncurrent assets	134,567
Total contributed services	\$ 225,613

<sup>(1)</sup> Recorded in construction in progress

**National Desert Storm War Memorial Association**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 4: Related Party Transactions**

During 2018, a member of the board of directors donated contributed services with a fair market value of \$91,000 for professional accounting services. Another member of the board of directors was paid \$41,000 for management services rendered.

**Note 5: Property and Equipment**

Property and equipment at June 30, 2018, consisted of:

Land	\$ 5,850,000	
Website	9,170	
Construction in progress	766,501	
	6,625,671	
 Accumulated depreciation		 (7,066)
		 \$ 6,618,605

**Note 6: Contractual Commitments**

At June 30, 2018, 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, 2018, were:

	<b>Contract Amount</b>	<b>Amount Remaining Outstanding</b>
Site studies	\$ 304,070	\$ 99,851
Architectural design plans	\$ 280,000	\$ 26,340

Subsequent to year end, the Association entered into a professional service contract for capital campaign services payable in six monthly \$35,000 installments beginning December 30, 2018.

**National Desert Storm War Memorial Association**  
**Notes to Financial Statements**  
**June 30, 2018**

**Note 7: Net Assets**

***Temporarily Restricted Net Assets***

Temporarily restricted net assets at June 30, 2018, are available for the following purposes or periods:

For periods after June 30 (contributions receivable)	\$ 179,557
Land granted for memorial	<u>5,850,000</u>
	<u><u>\$ 6,029,557</u></u>

***Net Assets Released from Restrictions***

At June 30, 2018, net assets of \$150,000 were released from donor restriction by satisfying the time restriction placed by donors.

**Note 8: 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 Pledges Receivable***

As of June 30, 2018, 100 percent of pledges receivable was from a single donor.

***Concentration in Contributed Services***

At June 30, 2018, approximately 40 percent of contributed services was from a single donor (see *Note 3*).

***Cash***

At June 30, 2018, the Association had approximately \$11,000 in uninsured cash.

# National Desert Storm War Memorial Association

## Notes to Financial Statements

June 30, 2018

### ***Contributed Land Valuation***

As discussed in *Note 1*, the U.S. Commission of Fine Arts granted the Association land on the National Mall to construct the memorial. The memorial is expected to cover approximately one-half acre. Should architectural designs change prior to construction commencement, it is possible that the memorial land coverage will vary from management's estimate. Management does not believe such changes will have a material impact on the financial statements.