

National Desert Storm War Memorial Association

Independent Auditor's Report and Financial Statements

June 30, 2017



National Desert Storm War Memorial Association

June 30, 2017

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, 2017, 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
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, 2017, 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 28, 2017

National Desert Storm War Memorial Association
Statement of Financial Position
June 30, 2017

Assets

Current Assets

Cash	\$	169,133
Pledges receivable, net		143,023
Inventory		15,633
Prepaid expenses and other		23,594
		351,383
Total current assets		351,383

Noncurrent Assets

Long-term portion of pledges receivable, net		167,031
Property and equipment, net		318,482
		485,513
Total noncurrent assets		485,513
Total assets	\$	836,896

Liabilities and Net Assets

Liabilities

Accounts payable	\$	88,550
		88,550
Total current liabilities		88,550

Net Assets

Unrestricted net assets		438,292
Temporarily restricted net assets		310,054
		748,346
Total net assets		748,346
Total liabilities and net assets	\$	836,896

National Desert Storm War Memorial Association
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Public support	\$ 158,457	\$ 74,611	\$ 233,068
Contributed services	99,362	-	99,362
Merchandise sales	23,452	-	23,452
Special events revenue	43,296	-	43,296
Net assets released from restriction	100,000	(100,000)	-
	<u>424,567</u>	<u>(25,389)</u>	<u>399,178</u>
Total revenues, gains and other support			
Expenses			
Management and general	94,098	-	94,098
Fundraising	142,604	-	142,604
	<u>236,702</u>	<u>-</u>	<u>236,702</u>
Total expenses			
Change in Net Assets	<u>187,865</u>	<u>(25,389)</u>	<u>162,476</u>
Net Assets, Beginning of Year	<u>250,427</u>	<u>335,443</u>	<u>585,870</u>
Net Assets, End of Year	<u>\$ 438,292</u>	<u>\$ 310,054</u>	<u>\$ 748,346</u>

National Desert Storm War Memorial Association
Statement of Functional Expense
Year Ended June 30, 2017

	Management and General	Fundraising	Total
Accounting services	\$ 70,740	\$ 42,154	\$ 112,894
Administrative supplies	72	-	72
Advertising	-	1,597	1,597
Conferences and conventions	184	1,662	1,846
Cost of sales – merchandise	10,067	-	10,067
Depreciation expense	2,749	-	2,749
Public relations	-	51,879	51,879
Salaries	-	9,000	9,000
Insurance	2,164	-	2,164
Miscellaneous	1,657	1,383	3,040
Postage and mailing service	546	-	546
Printing and copying	869	-	869
Telephone	1,169	-	1,169
Travel	3,881	34,929	38,810
	<u>\$ 94,098</u>	<u>\$ 142,604</u>	<u>\$ 236,702</u>

National Desert Storm War Memorial Association
Statement of Cash Flows
Year Ended June 30, 2017

Operating Activities	
Change in net assets	\$ 162,476
Items not requiring (providing) operating activities cash flows	
Depreciation	2,749
Contributed services for construction in progress	(4,862)
Changes in	
Pledges receivable	25,379
Inventory	(8,574)
Prepaid expenses and other	254
Accounts payable	<u>(47,208)</u>
Net cash provided by operating activities	<u>130,214</u>
Investing Activities	
Purchases of property and equipment	<u>(19,323)</u>
Net cash used in investing activities	<u>(19,323)</u>
Increase in Cash	110,891
Cash, Beginning of Year	<u>58,242</u>
Cash, End of Year	<u><u>\$ 169,133</u></u>
Supplemental Cash Flows Information	
Construction in progress recorded in accounts payable	\$ 80,924
Inventory in accounts payable	\$ 7,059

National Desert Storm War Memorial Association
Notes to Financial Statements
June 30, 2017

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
---------	---------

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, 2017.

National Desert Storm War Memorial Association

Notes to Financial Statements

June 30, 2017

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 13,400 hours, and other volunteers and committee members have volunteered approximately 3,300 hours.

National Desert Storm War Memorial Association

Notes to Financial Statements

June 30, 2017

Inventory Pricing

Inventories, which consist of clothing, challenge coins and other souvenirs are stated at the lower of cost or market. Inventory was valued at \$15,633 at June 30, 2017. 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 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	\$ -	\$ 150,000	\$ 150,000
Due in one to five years	-	200,000	200,000
	<u>-</u>	<u>350,000</u>	<u>350,000</u>
Less			
Unamortized discount	-	39,946	39,946
	<u>-</u>	<u>39,946</u>	<u>39,946</u>
	<u>\$ -</u>	<u>\$ 310,054</u>	<u>\$ 310,054</u>

Discount rate is 7.5%

National Desert Storm War Memorial Association
Notes to Financial Statements
June 30, 2017

Note 3: Contributed Services

Contribution revenue recognized from contributed services consisted of the following:

Management and general	
Accounting and legal services	\$ 94,500
Total management and general	<u>94,500</u>
Noncurrent assets	
Architectural design services ⁽¹⁾	4,862
Total noncurrent assets	<u>4,862</u>
Total contributed services	<u><u>\$ 99,362</u></u>

⁽¹⁾ Recorded in construction in progress

Note 4: Related Party Transactions

During 2017, a member of the board of directors donated contributed services with a fair market value of \$94,500 for professional accounting services. Another member of the board of directors was paid \$9,000 for management services rendered.

Note 5: Property and Equipment

Property and equipment at June 30, 2017, consisted of:

Website	\$ 9,170
Construction in progress	<u>313,321</u>
	322,491
Accumulated depreciation	<u>(4,009)</u>
	<u><u>\$ 318,482</u></u>

National Desert Storm War Memorial Association
Notes to Financial Statements
June 30, 2017

Note 6: Contractual Commitments

At June 30, 2017, 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, 2017, were:

	Contract Amount	Amount Remaining Outstanding
Site studies	\$ 304,070	\$ 221,803
Architectural design plans	\$ 280,000	\$ 223,000

Note 7: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017, are available for the following purposes or periods:

	2017
For periods after June 30	\$ 310,054

Net Assets Released from Restrictions

At June 30, 2017, net assets of \$100,000 were released from donor restriction by satisfying the time restriction placed by donors.

National Desert Storm War Memorial Association

Notes to Financial Statements

June 30, 2017

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 Public Support and Pledges Receivable

As of and for the year ended June 30, 2017, 16 percent of pledges receivable and 43 percent of public support revenue was from a single donor. Additionally, 84 percent of the pledges receivable was from another donor.

Concentration in Contributed Services

At June 30, 2017, approximately 95 percent of contributed services was from a single donor (see *Note 4*).

Cash

At June 30, 2017, the Association had approximately \$22,000 in uninsured cash.