

United States Foundation for the Commemoration of the World Wars

Financial Report
December 31, 2022

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Independent Auditor's Report

Board of Directors
United States Foundation for the Commemoration of the World Wars

Opinion

We have audited the financial statements of United States Foundation for the Commemoration of the World Wars (the Foundation), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation 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 the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 the Foundation'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 the Foundation'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.

RSM US LLP

Washington, D.C.
June 7, 2023

United States Foundation for the Commemoration of the World Wars

Statement of Financial Position
December 31, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 11,847,436
Prepaid expenses	56,912
Grants and contributions receivable, current portion	1,560,000
Accounts receivable	27,216
Right-of-use asset for operating lease, current portion	26,254
Inventory	57,214
Total current assets	<u>13,575,032</u>

Non-current assets:

Grants and contributions receivable, non-current portion, net	1,504,352
Right-of-use asset for operating lease, non-current portion, net	20,312
Deposits	4,390
Property and equipment, net	226,862
Works of art	1,074,445
Total non-current assets	<u>2,830,361</u>

Total assets \$ 16,405,393

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 178,870
Accrued expenses	22,903
Operating lease liability, current portion	25,803
Refundable advance	234,104
Deferred revenue—for related party	6,595,479
Total current liabilities	<u>7,057,159</u>

Long-term liabilities:

Operating lease liability, net of current portion	21,027
	<u>21,027</u>

Commitment and contingency (Note 8)

Net assets:

Without donor restrictions	5,996,667
With donor restrictions	3,330,540
Total net assets	<u>9,327,207</u>

Total liabilities and net assets \$ 16,405,393

See notes to financial statements.

United States Foundation for the Commemoration of the World Wars

Statement of Activities

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 156,149	\$ 3,070,499	\$ 3,226,648
Program service	1,418,454	-	1,418,454
Contributions of non-financial assets	250,288	-	250,288
Investment income	93,522	-	93,522
Release from restrictions	2,607,354	(2,607,354)	-
Total support and revenue	4,525,767	463,145	4,988,912
Expenses:			
Program services:			
Non-commission:			
Memorial at Pershing Park	3,019,474	-	3,019,474
Smart device applications	668,018	-	668,018
Doughboy MIA	181,842	-	181,842
Taps	96,889	-	96,889
Other programs	8,959	-	8,959
	3,975,182	-	3,975,182
Supporting services:			
Management and general	341,367	-	341,367
Fundraising	249,097	-	249,097
	590,464	-	590,464
Total expenses	4,565,646	-	4,565,646
Change in net assets	(39,879)	463,145	423,266
Net assets:			
Beginning	6,036,546	2,867,395	8,903,941
Ending	\$ 5,996,667	\$ 3,330,540	\$ 9,327,207

See notes to financial statements.

United States Foundation for the Commemoration of the World Wars

**Statement of Functional Expenses
Year Ended December 31, 2022**

	Program Services						Supporting Services		
	Memorial at Pershing Park	Smart Device Applications	Doughboy MIA	Taps	Other Programs	Total	Management and General	Fundraising	Total
Memorial construction	\$ 2,772,907	\$ -	\$ -	\$ -	\$ -	\$ 2,772,907	\$ -	\$ -	\$ 2,772,907
Donation and sponsorships	26	503,164	46	18	8,039	511,293	341	320	511,954
Consultant and professional fees	4,241	61,998	163,857	86,449	-	316,545	44,317	114,825	475,687
Memorial maintenance	223,010	-	-	-	-	223,010	-	-	223,010
Salaries and related expenses	5,988	53,244	9,313	4,239	-	72,784	73,352	68,779	214,915
Accounting and audit fees	-	-	-	-	-	-	159,656	-	159,656
Dues and subscription	1,783	17,264	3,249	1,253	920	24,469	23,446	25,938	73,853
Depreciation and amortization	9,342	11,395	1,537	3,250	-	25,524	11,459	10,772	47,755
Rent and utilities	1,128	10,832	1,990	793	-	14,743	14,835	13,946	43,524
Office expenses	563	5,446	990	545	-	7,544	7,378	6,991	21,913
Other expenses	486	4,675	860	342	-	6,363	6,583	7,526	20,472
	<u>\$ 3,019,474</u>	<u>\$ 668,018</u>	<u>\$ 181,842</u>	<u>\$ 96,889</u>	<u>\$ 8,959</u>	<u>\$ 3,975,182</u>	<u>\$ 341,367</u>	<u>\$ 249,097</u>	<u>\$ 4,565,646</u>

See notes to financial statements.

United States Foundation for the Commemoration of the World Wars

Statement of Cash Flows
Year Ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 423,266
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	47,755
Increase in discount on contributions receivable	42,934
Amortization of right-of-use asset for operating lease	7,573
Changes in operating assets and liabilities:	
Grants and contributions receivable	(89,000)
Accounts receivable	424,444
Inventory	6,290
Prepaid expenses	(3,702)
Accounts payable	(170,067)
Accrued expenses	(127,547)
Deposits	(4,390)
Operating lease liability	(7,309)
Refundable advance	234,104
Deferred revenue	(1,192,646)
Net cash used in operating activities	<u>(408,295)</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(249,333)</u>
Net cash used in investing activities	<u>(249,333)</u>
Net decrease in cash and cash equivalents	(657,628)
Cash and cash equivalents:	
Beginning	<u>12,505,064</u>
Ending	<u>\$ 11,847,436</u>
Supplemental disclosures of cash flow information:	
Addition to right-of-use asset for operating lease at ASC 842 adoption	<u>\$ 54,139</u>
Addition to operating lease liability at ASC 842 adoption	<u>\$ 54,139</u>

See notes to financial statements.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: United States Foundation for the Commemoration of the World Wars (the Foundation) was incorporated in the District of Columbia as a nonprofit organization on July 30, 2013. Its mission is to identify resources to support planning and execution of programs, projects and activities commemorating and educating the public regarding the Centennial of World War One. The Foundation also encourages private organizations and state and local governments to organize and participate in activities commemorating and educating the public regarding the Centennial of World War One. On January 24, 2019, the Foundation registered with the District of Columbia the trade name, The Doughboy Foundation.

The Foundation is working alongside The World War I Centennial Commission (WWICC or the Commission), as established by The World War I Centennial Commission Act of the United States Congress, to fundraise, design and build a World War I memorial (the Memorial) in Pershing Park in the District of Columbia. The Memorial is located on land belonging to the National Park Service (NPS) and will be under the care of the NPS. The Commission is also responsible for planning, developing and executing programs, projects and activities to commemorate the Centennial of World War One.

A summary of the Foundation's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the FASB ASC, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with or without donor restrictions.

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other purposes specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Financial risk: The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant financial risk on cash and cash equivalents.

Grants and contributions receivable: Unconditional promises to give are recognized as support in the period received or when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises to give are received. Amortization of the discounts is included in contributions in the accompanying statement of activities.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

An estimate is made for doubtful receivables based on a review of all outstanding balances on an annual basis. The Foundation uses the allowance method to determine uncollectible receivables. The allowance is based on management's analysis of specific promises made. There was no allowance for doubtful accounts recorded as of December 31, 2022.

Accounts receivable: Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. There was no allowance for doubtful accounts recorded as of December 31, 2022.

Property and equipment: Property and equipment is recorded at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets on a straight-line basis. The Foundation capitalizes all property and equipment purchased with a cost of \$3,000 or more.

Works of art: Works of art are capitalized at cost if purchased and at fair value if donated. The works of art are maquettes that are preliminary models of the Memorial created by a known sculptor. The maquettes are constructed of durable materials and the Foundation intends to maintain them at or near their original condition, and has the means to do so, resulting in an extraordinarily long-lived asset. The maquettes are long-lived works of art and, therefore, will not be depreciated.

Valuation of long-lived assets: The Foundation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Memorial costs: The Foundation records expenditures related to the construction of the Memorial and creation of related educational aids including smart device applications on the statement of activities. These expenditures are not recorded on the statement of financial position as the Memorial will belong to the public and will be under the care of the NPS. The Memorial is created as a service to the public and is not owned by the Foundation.

Revenue recognition: All unconditional donor support is reported as an increase in net assets with or without donor restrictions depending on the nature of the contribution. When a restriction expires (that is, when a stipulated time restriction expires or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as releases from restriction. Unconditional contributions that are restricted in nature are recorded in additions and releases in net assets with donor restrictions even if the restriction is met in the same reporting period. Promises to contribute that stipulate conditions to be met before the contribution is made are not recognized until the conditions are met. The Foundation reports the portions of conditional contributions for which the conditions are met and revenue is recognized in the same period as unrestricted contributions. Assets received in connection with conditional promises to contribute are reported as refundable advances until such contribution conditions are substantially met. During 2022, the Foundation received a conditional promise to give of \$250,000 that is contingent upon the Foundation meeting donor-imposed barriers in a future year. In addition, the conditional promise to give also contains a right of return/refund. The Foundation has recognized revenue totaling \$15,896 during the year ended December 31, 2022, and a refundable advance of \$234,104 at December 31, 2022.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The endowment fund includes restricted contributions to be maintained in perpetuity in support of the donor directed purpose. The Foundation is in the process of establishing an endowment policy.

The Foundation exercises judgment when it evaluates contributions from donors to determine if elements of each agreement meet the criteria to qualify as exchange transactions. No such agreements with donors during the year ended December 31, 2022, had elements which would be classified as exchange transactions.

Program service revenue includes revenue for services that the Foundation is providing as a sub-contractor for the WWICC to engage vendors as a principal under the direction of the WWICC under an agreement signed and effective April 23, 2018, for 60 months. The WWICC's mission at the start of the agreement was for Memorial education. During 2019, the mission pivoted to the Memorial construction efforts. Under the agreement, task orders are issued by the WWICC detailing the specific goods and/or services requested. The Foundation engages vendors to provide the goods or services and pays the vendor upon completion of the task at which time the good or service transfers to WWICC and the performance obligation is deemed satisfied. The Foundation records deferred revenue when amounts are received in advance of a performance obligation being satisfied.

The Foundation invoices the WWICC for reimbursement for actual expenses incurred monthly with no stated due date. Each separate task order from WWICC includes whether the Foundation can also add an overhead charge of 24%. There exists no estimate for variable consideration as the Foundation applies the "as invoiced" practical expedient. The Foundation uses the output method that results in it recognizing revenue in the amount it has a right to invoice as the Foundation has a right to consideration from WWICC that corresponds to the value it receives. Revenue is recognized at the point in time when an invoice and supporting documentation of expenses incurred are approved by the WWICC which are the sole performance obligations of the Foundation.

There are no known economic factors that may affect the nature, amount, and timing and uncertainty of revenue recognition and cash flows as the funding for the Memorial construction is ultimately provided by the federal government.

Contributions of non-financial assets: The Foundation receives non-financial contributions of services from individuals and businesses toward the fulfillment of program objectives and use of office space. Those contributions have been included in revenue and expense categories and are recorded at their estimated fair values as of the date of the donation. No contributed nonfinancial services had donor-imposed restrictions and no contributed nonfinancial assets were monetized. The Foundation estimated the fair value based on the actual amounts paid by the WWICC for these services.

Functional allocation of expenses: The costs of providing program and supporting services have been summarized on a functional basis on the accompanying statement of activities. The statement of functional expenses presents expenses by function and natural classification. The Foundation incurs expense that directly relate to, and can be assigned to, a specific program or supporting activity. The Foundation also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on time and level of effort of personnel. The expenses allocated include salaries and related expenses, dues and subscriptions, depreciation, occupancy, office expenses and other expenses.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Income taxes: The Foundation is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for charitable contributions deductions under Section 170(b)(1)(A).

The Foundation has adopted the accounting standard on accounting for uncertainty in income taxes, which 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 this policy, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities based on the technical merits of the position.

Management evaluated the Foundation's tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements.

Recently adopted accounting pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the statement of financial position and requiring disclosure of key information about leasing arrangements. Lease expense continues to be recognized in a manner similar to legacy GAAP. The Foundation adopted the new lease standard on January 1, 2022, using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting period beginning on January 1, 2022, are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, *Leases*.

The Foundation made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, the Foundation recognized ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases under the adoption of Topic 842). The ROU assets also include any initial costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

A lessee that is not a public business entity (PBE) is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rate under ASC 842, the Foundation has made this accounting policy election for all leases. The risk-free discount rate was obtained using U.S. Treasury securities as posted on the Federal Reserve website. The Foundation uses the implicit rate when readily determinable.

The adoption of the new lease standard did not materially impact the Foundation's change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Foundation's fiscal year ended December 31, 2022. The adoption resulted in expanded disclosures on the Foundation's financial statements.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results may differ from those estimates.

Subsequent events: The Foundation has evaluated subsequent events through June 7, 2023, the date on which the financial statements were available to be issued.

Note 2. Grants and Contributions Receivable

Receivables at December 31, 2022, consist of unrestricted promises to give, as well as contributions promised to fund specific programs. At December 31, 2022, the discount on the receivables due in more than one year was \$65,648 at a rate ranging from 0.28% to 4.71% depending on expected payment schedule.

These amounts are expected to be received as follows as of December 31, 2022:

Due in one year or less	\$ 1,560,000
Due in two to five years	1,570,000
	<u>3,130,000</u>
Less present value discount	(65,648)
	<u><u>\$ 3,064,352</u></u>

Note 3. Property and Equipment, Net

Property and equipment and accumulated amortization at December 31, 2022, are as follows:

Website (estimated useful life of three years)	\$ 150,000
Equipment	54,237
Videos and podcasts	45,096
	<u>249,333</u>
Less: accumulated depreciation and amortization	(22,471)
	<u><u>\$ 226,862</u></u>

Depreciation and amortization expense for the year ended December 31, 2022, was \$47,755.

During the year ended December 31, 2022, the current year depreciation and amortization expense exceeded the accumulated depreciation due to the removal of prior website upgrades for which there was depreciation during the period but which became fully depreciated and went out of use due to the implementation of new upgrades during the period.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 4. Net Assets With Donor Restrictions

Net assets with donor restrictions include donor-restricted funds, which are available for program services or restricted for time. Net assets with donor restrictions were released from restrictions due to the time restriction ending or the purpose restriction being accomplished. Transfers occur when the donor changes the original restriction of their contribution and/or when the time restriction has been met but the net asset is still restricted for purpose.

Changes in net assets with donor restrictions during the year ended December 31, 2022, are as follows:

	Balance December 31, 2021	Additions	Released	Transfers	Balance December 31, 2022
Purpose restricted:					
Pershing Park	\$ -	\$ 547,048	\$ (2,257,048)	\$ 1,710,000	\$ -
Taps	-	262,496	(96,888)	-	165,608
Poppy Fund	-	47,708	-	-	47,708
Doughboy MIA	-	11,721	(8,959)	-	2,762
CA Program	110	-	-	-	110
Juneteenth	-	200,000	(200,000)	-	-
Ukraine Relief	-	2,915	(2,915)	-	-
Time restricted:					
Time and purpose	2,817,285	1,998,611	(41,544)	(1,710,000)	3,064,352
Endowment:					
Taps	50,000	-	-	-	50,000
	<u>\$ 2,867,395</u>	<u>\$ 3,070,499</u>	<u>\$ (2,607,354)</u>	<u>\$ -</u>	<u>\$ 3,330,540</u>

Note 5. Related Party

The Foundation is the principal fundraising partner for WWICC, as established by The World War I Centennial Commission Act of the United States Congress. WWICC compensates the Foundation for these fundraising services by providing support in the form of donated management and programming services and donated office space to the Foundation. The amount of contributed rent and utilities was \$35,503 for the year ended December 31, 2022. The amount of contributed services was \$214,785 for the year ended December 31, 2022.

On April 23, 2018, the Foundation entered into a contract with the WWICC to provide services to the WWICC under task orders approved by the WWICC. The agreement specified that the Foundation is not subject to the Federal Acquisition Regulations. The amount earned under these exchange agreements by the Foundation for the year ended December 31, 2022, was \$1,418,454, which is shown in program service revenue. The deferred revenue is reported on the statement of financial position.

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 6. Liquidity

The Foundation receives substantial contributions with donor time and purpose restrictions. In addition, the Foundation receives support without donor restrictions.

Contributions without donor restrictions and contributions with donor restrictions for use in current activities and programs are considered available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and program expenditures that are expected to be paid in the subsequent year. Annual operations are defined as activities occurring during, and included in the budget for, a calendar year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining a sufficient level of asset liquidity
- Monitoring and maintaining reserves to provide reasonable assurance that long-term program goals with donor restrictions will continue to be met

The Foundation's staff meets at least monthly to review and approve program expenditures. The Foundation forecasts its future cash flows and monitors its liquidity on at least a monthly basis.

The table below represents financial assets available for general expenditures within one year of December 31, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 11,847,436
Grants and contributions receivable	3,064,352
Accounts receivable	27,216
Total financial assets	<u>14,939,004</u>
Less amounts not available to be used within one year:	
Refundable advance	(234,104)
Deferred revenue—for related party	(6,595,479)
Net assets with donor restrictions at December 31, 2022, net of current portion	<u>(1,554,352)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,555,069</u>

United States Foundation for the Commemoration of the World Wars

Notes to Financial Statements

Note 7. Office Lease

The Foundation leases office space under an agreement that commenced in September 2022 and expires September 2024. During 2022, the Foundation adopted Topic 842, resulting in a right-of-use asset and lease liability recorded in the statement of financial position at December 31, 2022. The Foundation determined the lease to be considered an operating lease under Topic 842. The Foundation calculated the present value of the lease over the term of the respective lease, using the risk-free rate of 3.51% as of September 1, 2022, the beginning of the lease term. The remaining lease term is 1.75 years.

The right-of-use asset consisted of an operating lease cost (including amortization of the right-of-use asset of \$7,572) totaled \$46,566 at December 31, 2022.

Lease expense was \$43,524 for the year ended December 31, 2022.

Future discounted minimum cash basis lease payments, not including increases in real estate taxes or operating expenses, are anticipated to be as follows:

Years ending December 31:	
2023	\$ 27,042
2024	21,334
	<hr/>
	48,376
Discount to net present value	(1,546)
	<hr/>
	\$ 46,830
	<hr/>

Note 8. Commitment and Contingency

Contracts: The Foundation has entered into long-term contracts for the construction of the Memorial, the production of artwork relating to the Memorial and services supporting this project. The obligations under these contracts total \$11,561,865 as of December 31, 2022, of which approximately \$8,018,697 has been paid or accrued for work performed, and there is a remaining commitment of \$3,543,368.