

Financial Statements and Report of Independent Certified Public Accountants

Veterans of Foreign Wars Foundation

(An Affiliate of the Veterans of Foreign Wars of the United States)

August 31, 2018 and 2017

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Grant Thornton LLP
1201 Walnut Street, Suite 2200
Kansas City, MO 64106-2176
T 816.412.2400
F 816.412.2404

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Veterans of Foreign Wars Foundation

We have audited the accompanying financial statements of the Veterans of Foreign Wars Foundation (an affiliate of the Veterans of Foreign Wars of the United States) (the Foundation), which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Foundation'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 Foundation'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Veterans of Foreign Wars Foundation as of August 31, 2018 and 2017, 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.

Grant Johnston LLP

Kansas City, Missouri
November 21, 2018

FINANCIAL STATEMENTS

Veterans of Foreign Wars Foundation
(An Affiliate of the Veterans of Foreign Wars of the United States)

STATEMENTS OF FINANCIAL POSITION

August 31,

	2018	2017
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 1,437,626	\$ 803,214
INVESTMENTS, at fair value	9,628,017	10,209,595
RECEIVABLES		
Accrued interest receivable	19,808	17,192
FURNITURE, FIXTURES, AND EQUIPMENT, net of accumulated depreciation of \$52,536 and \$52,794 in 2018 and 2017, respectively	7,547	1,234
PREPAID EXPENSES	11,345	5,363
Total assets	\$ 11,104,343	\$ 11,036,598
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 473,701	\$ 543,667
Payable to affiliate	126,591	81,989
Charitable gift annuities	1,906	2,109
Total liabilities	602,198	627,765
CONTINGENCIES		
NET ASSETS		
Unrestricted	8,894,749	8,185,491
Temporarily restricted	1,607,396	2,223,342
Total net assets	10,502,145	10,408,833
Total net assets and liabilities	\$ 11,104,343	\$ 11,036,598

The accompanying notes are an integral part of these statements.

Veterans of Foreign Wars Foundation
(An Affiliate of the Veterans of Foreign Wars of the United States)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years ended August 31,

	2018			2017		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue						
Cash contributions and gifts	\$ 3,434,778	\$ 1,607,396	\$ 5,042,174	\$ 2,410,728	\$ 1,229,214	\$ 3,639,942
Interest, dividends, and net realized gains	1,044,259		1,044,259	910,540		910,540
Net assets released from restrictions	2,223,342	(2,223,342)		2,813,098	(2,813,098)	
Total support and revenue	<u>6,702,379</u>	<u>(615,946)</u>	<u>6,086,433</u>	<u>6,134,366</u>	<u>(1,583,884)</u>	<u>4,550,482</u>
Expenses						
Program services						
Veterans' service activities	4,645,508		4,645,508	4,016,429		4,016,429
Community service and public awareness	498,699		498,699	488,147		488,147
Support services						
Management and general expenses	444,889		444,889	427,379		427,379
Fundraising activities	354,284		354,284	281,451		281,451
Total expenses	<u>5,943,380</u>		<u>5,943,380</u>	<u>5,213,406</u>		<u>5,213,406</u>
Changes in net assets before unrealized net investment gains (losses)	758,999	(615,946)	143,053	920,960	(1,583,884)	(662,924)
Unrealized net investment gains (losses)	(49,741)		(49,741)	402,598		402,598
Change in net assets	709,258	(615,946)	93,312	1,323,558	(1,583,884)	(260,326)
Net assets, beginning of year	8,185,491	2,223,342	10,408,833	6,861,933	3,807,226	10,669,159
Net assets, end of year	<u>\$ 8,894,749</u>	<u>\$ 1,607,396</u>	<u>\$ 10,502,145</u>	<u>\$ 8,185,491</u>	<u>\$ 2,223,342</u>	<u>\$ 10,408,833</u>

The accompanying notes are an integral part of these statements.

Veterans of Foreign Wars Foundation
(An Affiliate of the Veterans of Foreign Wars of the United States)

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2018

	<u>Program services</u>		<u>Support services</u>		<u>Total</u>
	<u>Veterans' service activities</u>	<u>Community service and public awareness</u>	<u>Management and general expenses</u>	<u>Fundraising activities</u>	
Salaries and employee benefits	\$ 72,454	\$ 80,085	\$ 243,564	\$ 233,819	\$ 629,922
Travel	12,066	3,017		15,083	30,166
Office expenses	2,171	2,400	14,610	52,172	71,353
Professional services			168,853		168,853
Depreciation	304	336	1,022	980	2,642
Occupancy	4,970	5,494	16,708	16,040	43,212
Grants and other assistance	2,727,193				2,727,193
Grants to affiliates	1,826,350	400,000			2,226,350
Advertising and promotion		7,367		25,075	32,442
Miscellaneous			132	11,115	11,247
	<u>\$ 4,645,508</u>	<u>\$ 498,699</u>	<u>\$ 444,889</u>	<u>\$ 354,284</u>	<u>\$ 5,943,380</u>

The accompanying notes are an integral part of this statement.

Veterans of Foreign Wars Foundation
(An Affiliate of the Veterans of Foreign Wars of the United States)

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2017

	<u>Program services</u>		<u>Support services</u>		<u>Total</u>
	<u>Veterans' service activities</u>	<u>Community service and public awareness</u>	<u>Management and general expenses</u>	<u>Fundraising activities</u>	
Salaries and employee benefits	\$ 67,568	\$ 82,583	\$ 185,761	\$ 178,670	\$ 514,582
Travel	11,919	2,980		14,898	29,797
Office expenses	1,960	2,396	11,600	30,919	46,875
Professional services			212,562	5,106	217,668
Depreciation	46	56	127	123	352
Occupancy	5,674	6,935	15,599	15,004	43,212
Grants and other assistance	2,181,339	393,197			2,574,536
Grants to affiliates	1,747,923				1,747,923
Advertising and promotion				31,140	31,140
Miscellaneous			1,730	5,591	7,321
	<u>\$ 4,016,429</u>	<u>\$ 488,147</u>	<u>\$ 427,379</u>	<u>\$ 281,451</u>	<u>\$ 5,213,406</u>

The accompanying notes are an integral part of this statement.

Veterans of Foreign Wars Foundation
(An Affiliate of the Veterans of Foreign Wars of the United States)

STATEMENTS OF CASH FLOWS

Years ended August 31,

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 93,312	\$ (260,326)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized gains on investments	(746,525)	(1,049,082)
Depreciation	2,642	352
Changes in		
Receivables	(2,616)	91
Prepaid expenses	(5,982)	23,193
Liabilities	(25,567)	(46,317)
Net cash used in operating activities	(684,736)	(1,332,089)
 Cash flows from investing activities		
Purchases of property and equipment	(8,955)	(1,586)
Purchases of investments	(4,037,020)	(3,189,437)
Proceeds from sales or maturities of investments	5,365,123	4,676,769
Net cash provided by investing activities	1,319,148	1,485,746
 Net change in cash and cash equivalents	634,412	153,657
Cash and cash equivalents, beginning of year	803,214	649,557
Cash and cash equivalents, end of year	\$ 1,437,626	\$ 803,214

The accompanying notes are an integral part of these statements.

Veterans of Foreign Wars Foundation
(An Affiliate of the Veterans of Foreign Wars of the United States)

NOTES TO FINANCIAL STATEMENTS

August 31, 2018 and 2017

NOTE A - NATURE OF ORGANIZATION

The Veterans of Foreign Wars Foundation (the Foundation), an affiliate of the Veterans of Foreign Wars of the United States (the VFW), was formed in 1996 as a public benefit corporation under the Missouri Benefit Corporation Act and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable foundation. The Board of Directors of the Foundation consists of certain officers of the VFW, Veterans of Foreign Wars Auxiliary, and other independent board members.

The Foundation was formed to assist disabled veterans and their families; promote public attention to the sacrifices and needs of veterans and active and reserve military personnel and their families; and, promote and assist in funding programs sponsored by the VFW, its affiliates, and other not-for-profit groups.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Accounting*

The financial statements are prepared using the accrual basis of accounting.

2. *Basis of Presentation*

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, resources are classified for accounting and financial reporting purposes into categories established according to their nature and purposes. The assets, liabilities and net assets of the Foundation are reported in three categories as follows:

Unrestricted Net Assets - Unrestricted net assets are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on unrestricted net assets are those resulting from the nature of the Foundation and its purposes.

Temporarily Restricted Net Assets - Temporarily restricted net assets are resources whose use by the Foundation is limited by donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the Foundation.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

2. *Basis of Presentation - Continued*

Permanently Restricted Net Assets - Permanently restricted net assets are those whose use by the Foundation is limited by donor-imposed stipulations requiring that the corpus be maintained in perpetuity. Generally, income earned on related investments, if any, may be restricted by donors or used for unrestricted purposes in the absence of donor restrictions.

3. *Cash and Cash Equivalents*

The Foundation considers all unrestricted, highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash and money market accounts. The Foundation places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the federal deposit insurance limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

4. *Investments and Fair Value Measurements*

The Foundation applies the provisions of Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) with respect to financial and non-financial assets and liabilities. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC 820 apply to all financial instruments that are being measured and reported on a fair-value basis and items disclosed at fair value in the notes to the financial statements.

The carrying amounts of cash and cash equivalents are a reasonable estimate of their fair value because of their highly liquid status and short maturities. The carrying amounts of receivables and accounts payable are a reasonable estimate of their fair value because of their short-term nature. The Foundation determines the fair value of the charitable gift annuity liability each year based on the present value of the expected cash payments. The carrying amounts of investments are a reasonable estimate of fair value, which is generally determined based on quoted prices in active markets for identical assets (see Note D). In measuring fair value, the Foundation may make adjustments for risks and uncertainties if a market participant would include such an adjustment in its pricing.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

5. *Receivables*

Unconditional promises to give are recorded at their net realizable values. Unconditional promises to give that are expected to be collected in future years are discounted to their estimated present values using a then-current risk-free interest rate and adjusting it for any risk. There were no pledges receivable as of August 31, 2018 or 2017.

From time to time, the Foundation will establish an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make expected payments. Such allowance is based upon several factors including, but not limited to, historical experience and the financial condition of the donor. As of August 31, 2018 and 2017, no allowance was considered necessary.

6. *Furniture, Fixtures, and Equipment*

Furniture, fixtures, and equipment are valued at cost and depreciated over their estimated useful life using the straight-line method. Useful lives range from 3 to 5 years.

7. *Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the nature of donor restrictions, if any. A major donor is considered to be any donor from whom 10% or more of total contributions were derived. One donor made a donation that amounted to 11% of total contributions during the year ended August 31, 2018. One donor made a donation that amounted to 12% of total contributions during the year ended August 31, 2017.

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction is met in the reporting period in which the contribution is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Long-Lived Assets*

Management periodically reviews long-lived assets for impairment relating to events or changes in circumstances that would indicate that the carrying amount of an asset may not be recoverable. In the event a long-lived asset was determined to be impaired, such asset would be required to be written down to its fair value, with the loss recognized in the statements of activities. There has been no indication of impairment of long-lived assets at August 31, 2018 and 2017.

9. *Management 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates in these financial statements include the valuation of charitable gift annuities, the fair value of contributed goods, and the useful lives of furniture, fixtures and equipment.

10. *Income Taxes*

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. Accordingly, no provision for income taxes has been reflected in the Foundation's financial statements. The Foundation records interest and penalties related to income taxes as part of miscellaneous expense.

The Foundation is exempt from federal and state income taxes on its principal operations, although the Foundation would be subject to federal income taxes on the net income from certain operations if such operations generated unrelated business income. No such unrelated business income tax, or interest and penalties related to unrelated business income, was incurred during 2018 or 2017.

Veterans of Foreign Wars Foundation
(An Affiliate of the Veterans of Foreign Wars of the United States)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

10. *Income Taxes - Continued*

The Foundation has adopted the provisions of ASC Topic 740, *Income Taxes*, (ASC 740) with respect to uncertain tax positions. ASC 740 requires that all tax positions be evaluated using a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. Differences between positions taken in a tax return and amounts recognized in the financial statements are recorded as adjustments to income taxes payable or receivable, or adjustments to deferred income taxes, or both. ASC 740 also requires expanded disclosures at the end of each annual reporting period. No uncertain tax positions, or interest and penalties related to uncertain tax positions, have been noted and thus no amounts have been recorded at August 31, 2018 or 2017.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation believes it is no longer subject to income tax examinations for years prior to 2015.

11. *Subsequent Events*

The Foundation has evaluated subsequent events as of November 21, 2018, which is the date these financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE C - INVESTMENTS

Investments at amortized cost and fair value were as follows as of August 31,

	2018		2017	
	Cost	Fair value	Cost	Fair value
Fixed income				
U.S. Treasury securities	\$ 1,656,436	\$ 1,614,590	\$ 1,639,680	\$ 1,648,634
Government obligations	158,444	152,769	287,000	292,286
Corporate bonds	1,821,122	1,790,902	1,859,120	1,876,208
Mutual funds				
Large cap	5,381	6,369	3,819	4,262
Small and Mid cap	374,190	418,029	1,587	1,706
International	1,269,089	1,317,467	955,248	1,018,040
Fixed income	232,306	224,324	254,568	250,117
Equity securities				
Domestic common stock	2,767,446	3,984,876	3,839,703	5,021,873
International common stock	107,611	118,691	83,137	96,469
	\$ 8,392,025	\$ 9,628,017	\$ 8,923,862	\$ 10,209,595

Net investment gain consisted of the following for the years ended August 31,

	2018	2017
Realized gain on sale of investments	\$ 796,266	\$ 646,484
Unrealized net investment gains (losses)	(49,741)	402,598
Interest, dividends, and other income	247,993	264,056
Investment fees	(58,637)	(61,079)
	\$ 935,881	\$ 1,252,059

The investment fees are included in management and general expenses on the statement of activities and changes in net assets.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE D - FAIR VALUE MEASUREMENTS

ASC 820 establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and management's assumptions (unobservable inputs). Where an asset or a liability falls within that hierarchy depends on the lowest-level input which is significant to the fair value measurements as a whole. An adjustment to the pricing method used within either Level 1 or Level 2 inputs could generate a fair value measurement that effectively falls in a lower level in the hierarchy. The hierarchy consists of three broad levels as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 inputs which are either directly or indirectly observable.
- Level 3 - Unobservable inputs developed using management's estimates and assumptions, which reflect those which market participants would use.

The determination of where an asset or a liability falls in the hierarchy requires significant judgment. The Foundation evaluates its hierarchy disclosures for each reporting period based on various factors; it is possible that an asset or a liability may be classified differently from one reporting period to another. However, the Foundation expects that changes in classifications between different levels will be rare.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

U.S. Treasury securities and Government obligations - Valued using recent trade information for identical or similar securities using feeds from a number of live data sources including active market makers and inter-dealer brokers.

Corporate bonds - Determined through evaluated bid prices based on recent trading activity and other relevant information, including market interest rate curves and referenced credit spreads, and estimated prepayment rates, where applicable, are used for valuation purposes provided by third-party pricing services where quoted market values are not available.

Mutual funds and equity securities - Valued based on quoted market prices of the underlying assets.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE D - FAIR VALUE MEASUREMENTS - Continued

The Foundation's financial assets measured at fair value on a recurring basis, subject to the disclosure requirements of ASC 820, were as follows at August 31, 2018 and 2017:

	<u>Fair value measurements at August 31, 2018 using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Fixed income				
U.S. Treasury securities		\$ 1,614,590		\$ 1,614,590
Government obligations		152,769		152,769
Corporate bonds		1,790,902		1,790,902
Mutual funds				
Large cap	\$ 6,369			6,369
Small and Mid cap	418,029			418,029
International	1,317,467			1,317,467
Fixed income	224,324			224,324
Equity securities				
Domestic common stock	3,984,876			3,984,876
International common stock	118,691			118,691
	<u>\$ 6,069,756</u>	<u>\$ 3,558,261</u>		<u>\$ 9,628,017</u>
	<u>Fair value measurements at August 31, 2017 using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income				
U.S. Treasury securities		\$ 1,648,634		\$ 1,648,634
Government obligations		292,286		292,286
Corporate bonds		1,876,208		1,876,208
Mutual funds				
Large cap	\$ 4,262			4,262
Small and Mid cap	1,706			1,706
International	1,018,040			1,018,040
Fixed income	250,117			250,117
Equity securities				
Domestic common stock	5,021,873			5,021,873
International common stock	96,469			96,469
	<u>\$ 6,392,467</u>	<u>\$ 3,817,128</u>		<u>\$ 10,209,595</u>

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE E - OPERATING LEASES

The Foundation leases office space from the VFW under an operating lease expiring in August 2021. Rental expense under this lease amounted to \$43,212 for each of the years ended August 31, 2018 and 2017. The future minimum lease rentals under the operating lease are as follows:

Year ending August 31,	Amount
2019	\$ 43,212
2020	43,212
2021	43,212
	<u>\$ 129,636</u>

NOTE F - CHARITABLE GIFT ANNUITIES

The Foundation has received unrestricted contributions of cash in exchange for annuities payable to the donors. Annual amounts totaling \$335 were payable quarterly for each of the years ended August 31, 2018 and 2017. The Foundation computes the present value of the annuities payable using the life expectancy of each donor and the discount rate in effect at the date of the gift. The liability related to charitable gift annuities was \$1,906 and \$2,109 at August 31, 2018 and 2017, respectively.

NOTE G - AGENCY TRANSACTION

In 2011, the Foundation was named as a beneficiary of an estate in which a partial distribution was received in 2011, and the final distribution was received in 2013. The estate specifically stated that these funds were intended to be used for the benefit of the Veterans of Foreign Wars Department of North Carolina to assist in obtaining compensation and/or government benefits. The total distribution of the estate that was designated for the Veterans of Foreign Wars Department of North Carolina was \$832,109. On an annual basis, the Foundation makes a disbursement to the Veterans of Foreign Wars Department of North Carolina to support their veterans service program, which works to help veterans dealing with the Veterans Administration claims process. Because of the nature of this agency transaction, the Foundation recorded the receipt of the estate as a liability on its financial statements. The remaining liability related to the agency transaction was \$452,109 and \$502,109 at August 31, 2018 and 2017, respectively, and is recorded as accounts payable and other liabilities on the statements of financial position.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE H - RELATED PARTIES

The Foundation reimburses the VFW for certain expenses incurred on its behalf. The total amount charged to the Foundation by the VFW for these reimbursable expenses amounted to \$1,542,174 and \$1,327,240 for the years ended August 31, 2018 and 2017, respectively. The Foundation leases office space from the VFW and incurred rental expense under the lease of \$43,212 for each of the years ended August 31, 2018 and 2017. The Foundation also pays the VFW for certain accounting, human resource and legal services provided by VFW employees. The Foundation paid the VFW \$60,000 for these services for each of the years ended August 31, 2018 and 2017.

The Foundation provides certain contributions to the VFW. The total amount of contributions from the Foundation to the VFW amounted to \$2,226,350 and \$1,747,923 for the years ended August 31, 2018 and 2017, respectively. The VFW provided contributions that amounted to \$550,000 and \$0 to the Foundation for the year ended August 31, 2018 and 2017, respectively. As of August 31, 2018 and 2017, the Foundation has recorded a payable to the VFW in the amount of \$126,591 and \$81,989, respectively.

NOTE I - CONTINGENCIES

The Foundation is a party to various legal actions arising in the ordinary course of its operations. In management's opinion, the Foundation has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially affect the Foundation's financial position, changes in net assets, or cash flows.

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes or periods as of August 31,

	<u>2018</u>	<u>2017</u>
Veteran services	\$ 421,638	\$ 1,066,496
Un-Met Needs	445,268	624,065
Scholarships and other military assistance	740,490	532,781
	<u>\$ 1,607,396</u>	<u>\$ 2,223,342</u>

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2018 and 2017

NOTE J - TEMPORARILY RESTRICTED NET ASSETS - Continued

Net assets released from temporary restrictions by satisfying the restricted purposes as stipulated by the donors were released as follows for the years ended August 31,

	2018	2017
Veteran services	\$ 1,066,496	\$ 101,583
Un-Met Needs	624,065	2,036,613
Scholarships and other military assistance	532,781	674,902
	\$ 2,223,342	\$ 2,813,098

NOTE K - EMPLOYEE BENEFIT PLANS

The employees of the Foundation participate in the benefit plans offered by the VFW. The VFW has a defined benefit pension plan and a plan that provides medical and dental benefits for certain retired employees and their spouses. The Foundation reimbursed the VFW \$21,816 and \$31,886 for the years ended August 31, 2018 and 2017, respectively, for the amount that was allocated to the Foundation for these plans. The VFW also has a 401(k) plan available to employees in which they defer a percentage of their salary. The VFW makes contributions to the plan based upon guidelines set forth in the plan. The Foundation reimbursed the VFW \$20,695 and \$15,144 for the years ended August 31, 2018 and 2017, respectively, for the contributions the VFW made to this plan.