

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, 2019 and 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Veterans of Foreign Wars Foundation

We have audited the accompanying financial statements of Veterans of Foreign Wars Foundation (an affiliate of the Veterans of Foreign Wars of the United States), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities and changes in net assets 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 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.

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 August 31, 2019 and 2018, and the change 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 Thornton LLP

Kansas City, Missouri
November 26, 2019

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,

	2019	2018
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 722,776	\$ 1,437,626
INVESTMENTS, at fair value	9,666,008	9,628,017
RECEIVABLES		
Accrued interest receivable	22,003	19,808
FURNITURE, FIXTURES, AND EQUIPMENT, net of accumulated depreciation of \$56,415 and \$52,536 in 2019 and 2018, respectively	5,547	7,547
PREPAID EXPENSES	8,714	11,345
Total assets	\$ 10,425,048	\$ 11,104,343
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 403,529	\$ 473,701
Payable to affiliate	182,881	126,591
Charitable gift annuities	1,892	1,906
Total liabilities	588,302	602,198
CONTINGENCIES		
NET ASSETS		
Without donor restrictions	8,366,563	8,894,749
With donor restrictions	1,470,183	1,607,396
Total net assets	9,836,746	10,502,145
Total net assets and liabilities	\$ 10,425,048	\$ 11,104,343

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,

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenue						
Cash contributions and gifts	\$ 2,874,427	\$ 1,189,544	\$ 4,063,971	\$ 3,434,778	\$ 1,607,396	\$ 5,042,174
Investment return, net	151,226		151,226	935,881		935,881
Net assets released from restrictions	<u>1,326,757</u>	<u>(1,326,757)</u>		<u>2,223,342</u>	<u>(2,223,342)</u>	
Total support and revenue	<u>4,352,410</u>	<u>(137,213)</u>	<u>4,215,197</u>	<u>6,594,001</u>	<u>(615,946)</u>	<u>5,978,055</u>
Expenses						
Program services						
Veterans service activities	3,329,549		3,329,549	4,645,508		4,645,508
Community service and public awareness	650,359		650,359	498,699		498,699
Support services						
Management and general activities	424,077		424,077	386,252		386,252
Fundraising activities	<u>476,611</u>		<u>476,611</u>	<u>354,284</u>		<u>354,284</u>
Total expenses	<u>4,880,596</u>		<u>4,880,596</u>	<u>5,884,743</u>		<u>5,884,743</u>
Change in net assets	<u>(528,186)</u>	<u>(137,213)</u>	<u>(665,399)</u>	709,258	(615,946)	93,312
Net assets, beginning 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>
Net assets, end of year	<u>\$ 8,366,563</u>	<u>\$ 1,470,183</u>	<u>\$ 9,836,746</u>	<u>\$ 8,894,749</u>	<u>\$ 1,607,396</u>	<u>\$ 10,502,145</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)

STATEMENTS OF CASH FLOWS

Years ended August 31,

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (665,399)	\$ 93,312
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized (gains) losses on investments	50,479	(746,525)
Depreciation	3,879	2,642
Changes in		
Receivables	(2,195)	(2,616)
Prepaid expenses	2,631	(5,982)
Liabilities	(13,896)	(25,567)
Net cash used in operating activities	(624,501)	(684,736)
Cash flows (used in) provided by investing activities		
Purchases of property and equipment	(1,879)	(8,955)
Purchases of investments	(2,935,155)	(4,037,020)
Proceeds from sales or maturities of investments	2,846,685	5,365,123
Net cash (used in) provided by investing activities	(90,349)	1,319,148
Net change in cash and cash equivalents	(714,850)	634,412
Cash and cash equivalents, beginning of year	1,437,626	803,214
Cash and cash equivalents, end of year	\$ 722,776	\$ 1,437,626

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, 2019 and 2018

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 in accordance with U.S. GAAP 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 two categories as follows:

Without Donor Restrictions - These are resources that are neither permanently nor temporarily restricted by donor-imposed stipulations. The only limits on net assets without donor restrictions are those resulting from the nature of the Foundation and its purposes.

With Donor Restrictions - These 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.

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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 E). 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.

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, 2019 or 2018.

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, 2019 and 2018, 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 contributions with donor restrictions or contributions without donor restrictions 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 21% of total contributions during the year ended August 31, 2019. One donor made a donation that amounted to 11% of total contributions during the year ended August 31, 2018.

Contributions that are with donor restrictions are reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated goods and services are recorded at their estimated fair value at the time of the donation. There were no goods or services donated for the years ended August 31, 2019 or 2018.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2019 and 2018

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, 2019 and 2018.

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. Estimates in these financial statements include the valuation of charitable gift annuities 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 office expenses.

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 the years ended August 31, 2019 or 2018.

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, 2019 or 2018.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Foundation is no longer subject to income tax examinations for years prior to 2016.

11. *Functional expenses*

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, the financial statements report certain categories of expenses that are attributable to more than one program or supporting activity. Therefore, these expenses require allocation on a reasonable basis. Such allocations, which are primarily allocated on the basis of estimates of time and effort, are determined by management on an equitable basis and are consistently applied. The following table represents functional expenses by natural category reported for veterans service activities and community service and public awareness, including direct conduct or management of those programs. In addition, management and general activities and fundraising activities are included. Included in management and general activities are all other unallocated costs associated with accounting and administration which are reflected as part of professional services.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

	Year ended August 31, 2019				
	Program services		Support services		
	Veterans service activities	Community service and public awareness	Management and general expenses	Fundraising activities	Total
Salaries and employee benefits	\$ 88,613	\$ 96,065	\$ 274,353	\$ 284,496	\$ 743,527
Travel	28,224	7,056		35,281	70,561
Office expenses	3,372	3,656	27,129	95,763	129,920
Professional services			105,219	4,500	109,719
Depreciation	463	501	1,431	1,484	3,879
Occupancy	5,150	5,583	15,945	16,534	43,212
Grants and other assistance	1,139,520	37,498			1,177,018
Grants to affiliates	2,050,225	400,000			2,450,225
Advertising and promotion	13,982	100,000		38,553	152,535
	\$ 3,329,549	\$ 650,359	\$ 424,077	\$ 476,611	\$ 4,880,596

	Year ended August 31, 2018				
	Program services		Support services		
	Veterans service activities	Community service and public awareness	Management and general expenses	Fundraising activities	Total
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	14,742	63,287	82,600
Professional services			110,216		110,216
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
	\$ 4,645,508	\$ 498,699	\$ 386,252	\$ 354,284	\$ 5,884,743

12. *Reclassification*

Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2019 and 2018

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

13. *New Accounting Pronouncement*

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

14. *Subsequent Events*

The Foundation has evaluated subsequent events as of November 26, 2019, 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.

NOTE C – AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at August 31, 2019 and 2018:

	2019	2018
Financial assets at year end:		
Cash and cash equivalents	\$ 722,776	\$ 1,437,626
Investments	9,666,008	9,628,017
Total financial assets	10,388,784	11,065,643
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,470,183	1,607,396
Less net assets with donor restrictions with purpose restrictions to be met within one year	(1,310,544)	(1,326,757)
	159,639	280,639
Financial assets available to meet general expenditures within one year	\$ 10,229,145	\$ 10,785,004

The Foundation regularly monitors the availability of resources required to meet its operating needs, while also striving to maximize the investment of its available funds. As part of its liquidity plan, excess cash is invested in marketable debt and equity securities or mutual funds that are highly liquid and can be converted to cash in a short period of time. The Foundation manages cash flows on a weekly basis and has the ability to access the funds in investments as needed.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The Foundation does receive significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2019 and 2018

NOTE D - INVESTMENTS

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

	2019		2018	
	Cost	Fair value	Cost	Fair value
Fixed income				
Government or agency securities	\$ 1,872,066	\$ 2,027,183	\$ 1,814,880	\$ 1,767,359
Corporate bonds	1,614,423	1,686,569	1,821,122	1,790,902
Mutual funds	2,085,234	2,008,829	1,880,965	1,966,189
Equity securities	3,051,151	3,943,427	2,875,058	4,103,567
	\$ 8,622,874	\$ 9,666,008	\$ 8,392,025	\$ 9,628,017

NOTE E - 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:

Government or agency securities - 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, 2019 and 2018

NOTE E - 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, 2019 and 2018:

	<u>Fair value measurements at August 31, 2019 using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Fixed income				
Government or agency securities		\$ 2,027,183		\$ 2,027,183
Corporate bonds		1,686,569		1,686,569
Mutual funds	\$ 2,008,829			2,008,829
Equity securities	3,943,427			3,943,427
	<u>\$ 5,952,256</u>	<u>\$ 3,713,752</u>		<u>\$ 9,666,008</u>

	<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				
Government or agency securities		\$ 1,767,359		\$ 1,767,359
Corporate bonds		1,790,902		1,790,902
Mutual funds	\$ 1,966,189			1,966,189
Equity securities	4,103,567			4,103,567
	<u>\$ 6,069,756</u>	<u>\$ 3,558,261</u>		<u>\$ 9,628,017</u>

NOTE F - 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, 2019 and 2018. The future minimum lease rentals under the operating lease are as follows:

Year ending August 31,	Amount
2020	\$ 43,212
2021	43,212
	<u>\$ 86,424</u>

NOTE G - CHARITABLE GIFT ANNUITIES

The Foundation has received non-donor restricted 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, 2019 and 2018. 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 \$1,892 and \$1,906 at August 31, 2019 and 2018, respectively.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2019 and 2018

NOTE H - 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 \$402,109 and \$452,109 at August 31, 2019 and 2018, respectively, and is recorded as accounts payable and other liabilities on the statements of financial position.

NOTE I - 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 \$1,692,969 and \$1,542,174 for the years ended August 31, 2019 and 2018, 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, 2019 and 2018. 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, 2019 and 2018.

The Foundation provides certain contributions to the VFW. The total amount of contributions from the Foundation to the VFW amounted to \$2,450,225 and \$2,226,350 for the years ended August 31, 2019 and 2018, respectively. The VFW provided contributions that amounted to \$0 and \$550,000 to the Foundation for the years ended August 31, 2019 and 2018, respectively. As of August 31, 2019 and 2018, the Foundation has recorded a payable to the VFW in the amount of \$182,881 and \$126,591, respectively.

NOTE J - 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.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2019 and 2018

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes or periods as of August 31,

	<u>2019</u>	<u>2018</u>
Veteran services	\$ 696,256	\$ 421,638
Scholarships and other military assistance	<u>773,927</u>	<u>1,185,758</u>
	<u>\$ 1,470,183</u>	<u>\$ 1,607,396</u>

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

	<u>2019</u>	<u>2018</u>
Veteran services	\$ 140,999	\$ 1,066,496
Scholarships and other military assistance	<u>1,185,758</u>	<u>1,156,846</u>
	<u>\$ 1,326,757</u>	<u>\$ 2,223,342</u>

NOTE L - 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 \$21,970 and \$21,816 for the years ended August 31, 2019 and 2018, 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 \$24,808 and \$20,695 for the years ended August 31, 2019 and 2018, respectively, for the contributions the VFW made to this plan.