

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, 2016 and 2015

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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 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, 2016 and 2015, 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, 2016 and 2015, 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 Thornton LLP

Kansas City, Missouri
November 22, 2016

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,

	2016	2015
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 649,557	\$ 600,154
INVESTMENTS, at fair value	10,647,845	10,790,271
RECEIVABLES		
Accrued interest receivable	17,283	18,105
FURNITURE, FIXTURES, AND EQUIPMENT, net of accumulated depreciation of \$52,442 and \$51,428 in 2016 and 2015, respectively	-	1,014
PREPAID EXPENSES	28,556	16,901
Total assets	\$ 11,343,241	\$ 11,426,445
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 558,976	\$ 606,587
Payable to affiliate	112,761	100,444
Charitable gift annuities	2,345	9,830
Total liabilities	674,082	716,861
CONTINGENCIES		
NET ASSETS		
Unrestricted	6,861,933	6,498,978
Temporarily restricted	3,807,226	4,210,606
Total net assets	10,669,159	10,709,584
Total net assets and liabilities	\$ 11,343,241	\$ 11,426,445

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,

	2016			2015		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue						
Cash contributions and gifts	\$ 645,826	\$ 1,816,419	\$ 2,462,245	\$ 1,057,167	\$ 1,846,206	\$ 2,903,373
Interest, dividends, and net realized gains	485,058		485,058	495,770		495,770
Net assets released from restrictions	2,219,799	(2,219,799)		1,252,701	(1,252,701)	
Total support and revenue	<u>3,350,683</u>	<u>(403,380)</u>	<u>2,947,303</u>	2,805,638	593,505	3,399,143
Expenses						
Program services						
Veterans' service activities	2,417,204		2,417,204	1,438,691		1,438,691
Community service and public awareness	194,877		194,877	141,040		141,040
Support services						
Management and general expenses	355,680		355,680	330,660		330,660
Fundraising activities	216,019		216,019	220,249		220,249
Total expenses	<u>3,183,780</u>		<u>3,183,780</u>	<u>2,130,640</u>		<u>2,130,640</u>
Changes in net assets before unrealized net investment gains (losses)	166,903	(403,380)	(236,477)	674,998	593,505	1,268,503
Unrealized net investment gains (losses)	196,052		196,052	(384,655)		(384,655)
Change in net assets	362,955	(403,380)	(40,425)	290,343	593,505	883,848
Net assets, beginning of year	6,498,978	4,210,606	10,709,584	6,208,635	3,617,101	9,825,736
Net assets, end of year	<u>\$ 6,861,933</u>	<u>\$ 3,807,226</u>	<u>\$ 10,669,159</u>	<u>\$ 6,498,978</u>	<u>\$ 4,210,606</u>	<u>\$ 10,709,584</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, 2016

	<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	\$ 61,270	\$ 76,078	\$ 140,291	\$ 130,829	\$ 408,468
Travel	4,540	1,135		5,676	11,351
Office expenses	1,002	1,244	8,142	19,300	29,688
Professional services			191,696	4,816	196,512
Depreciation	152	189	348	325	1,014
Occupancy	6,482	8,048	14,842	13,840	43,212
Grants and other assistance	676,282	106,183			782,465
Grants to affiliates	1,667,476	2,000			1,669,476
Advertising and promotion				36,638	36,638
Miscellaneous			361	4,595	4,956
	<u>\$ 2,417,204</u>	<u>\$ 194,877</u>	<u>\$ 355,680</u>	<u>\$ 216,019</u>	<u>\$ 3,183,780</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, 2015

	Program services		Support services		Total
	Veterans' service activities	Community service and public awareness	Management and general expenses	Fundraising activities	
Salaries and employee benefits	\$ 54,308	\$ 67,642	\$ 122,612	\$ 117,494	\$ 362,056
Travel	3,586	897		4,482	8,965
Office expenses	2,417	3,010	11,664	32,899	49,990
Professional services			179,005	4,835	183,840
Depreciation	197	245	444	426	1,312
Occupancy	6,420	7,996	14,494	13,888	42,798
Grants and other assistance	411,050				411,050
Grants to affiliates	960,713	61,250			1,021,963
Advertising and promotion				43,199	43,199
Miscellaneous			2,441	3,026	5,467
	<u>\$ 1,438,691</u>	<u>\$ 141,040</u>	<u>\$ 330,660</u>	<u>\$ 220,249</u>	<u>\$ 2,130,640</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,

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (40,425)	\$ 883,848
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Net realized and unrealized (gains) losses on investments	(413,493)	143,898
Depreciation	1,014	1,312
Changes in		
Receivables	822	682
Prepaid expenses	(11,655)	15,769
Liabilities	(42,779)	(51,580)
Net cash (used in) provided by operating activities	(506,516)	993,929
Cash flows from investing activities		
Purchases of investments	(3,405,623)	(4,271,597)
Proceeds from sales or maturities of investments	3,961,542	3,319,323
Net cash (used in) provided by investing activities	555,919	(952,274)
Net change in cash and cash equivalents	49,403	41,655
Cash and cash equivalents, beginning of year	600,154	558,499
Cash and cash equivalents, end of year	\$ 649,557	\$ 600,154

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, 2016 and 2015

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015.

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 required 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, 2016 and 2015, 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 existence and/or nature of donor restrictions, if any. One donor made a donation that amounted to 15% of total contributions during the year ended August 31, 2015. A major donor is considered to be any donor from whom 10% or more of total contributions were derived. There were no major donors during the year ended August 31, 2016.

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, 2016 and 2015

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, 2016 and 2015.

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 2016 or 2015.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2016 and 2015

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, 2016 or 2015.

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 2013.

11. *Subsequent Events*

The Foundation has evaluated subsequent events as of November 22, 2016, 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, 2016 and 2015

NOTE C - INVESTMENTS

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

	2016		2015	
	Cost	Fair value	Cost	Fair value
Fixed income				
U.S. Treasury securities	\$ 1,652,107	\$ 1,733,697	\$ 1,353,609	\$ 1,361,012
Government obligations	166,583	166,897	568,213	570,186
Corporate bonds	1,659,315	1,705,692	1,421,012	1,413,549
Mutual funds				
Large cap	5,492	6,140	6,889	7,564
Small and Mid cap	1,537	1,633	1,352	1,346
International	1,166,560	1,065,178	1,206,161	1,089,095
Fixed income	649,514	617,235	924,192	896,895
Equity securities				
Domestic common stock	4,091,910	5,013,325	4,261,313	5,118,402
International common stock	371,692	338,048	360,447	332,222
	\$ 9,764,710	\$ 10,647,845	\$ 10,103,188	\$ 10,790,271

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

	2016	2015
Realized gain on sale of investments	\$ 217,441	\$ 240,757
Unrealized net investment gains (losses)	196,052	(384,655)
Interest, dividends, and other income	267,617	255,013
Investment fees	(74,112)	(64,767)
	\$ 606,998	\$ 46,348

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, 2016 and 2015

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, 2016 and 2015

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, 2015 and 2014:

	<u>Fair value measurements at August 31, 2016 using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Fixed income				
U.S. Treasury securities		\$ 1,733,697		\$ 1,733,697
Government obligations		166,897		166,897
Corporate bonds		1,705,692		1,705,692
Mutual funds				
Large cap	\$ 6,140			6,140
Small and Mid cap	1,633			1,633
International	1,065,178			1,065,178
Fixed income	617,235			617,235
Equity securities				
Domestic common stock	5,013,325			5,013,325
International common stock	338,048			338,048
	<u>\$ 7,041,559</u>	<u>\$ 3,606,286</u>		<u>\$ 10,647,845</u>
	<u>Fair value measurements at August 31, 2015 using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income				
U.S. Treasury securities		\$ 1,361,012		\$ 1,361,012
Government obligations		570,186		570,186
Corporate bonds		1,413,549		1,413,549
Mutual funds				
Large cap	\$ 7,564			7,564
Small and Mid cap	1,346			1,346
International	1,089,095			1,089,095
Fixed income	896,895			896,895
Equity securities				
Domestic common stock	5,118,402			5,118,402
International common stock	332,222			332,222
	<u>\$ 7,445,524</u>	<u>\$ 3,344,747</u>		<u>\$ 10,790,271</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2016 and 2015

NOTE E - OPERATING LEASES

The Foundation leases office space from the VFW under an operating lease expiring in August 2017. Rental expense under this lease amounted to \$43,212 and \$42,798 for the years ended August 31, 2016 and 2015, respectively.

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 and \$2,510 were payable quarterly for the years ended August 31, 2016 and 2015, respectively. 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 \$2,345 and \$9,830 at August 31, 2016 and 2015, 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 \$552,109 and \$602,109 at August 31, 2016 and 2015, 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, 2016 and 2015

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 \$983,416 and \$842,716 for the years ended August 31, 2016 and 2015, respectively. The Foundation leases office space from the VFW and incurred rental expense under the lease of \$43,212 and \$42,798 for the years ended August 31, 2016 and 2015, respectively. 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, 2016 and 2015.

The Foundation provides certain contributions to the VFW. The total amount of contributions from the Foundation to the VFW amounted to \$1,669,476 and \$1,021,963 for the years ended August 31, 2016 and 2015, respectively. As of August 31, 2016 and 2015, the Foundation has recorded a payable to the VFW in the amount of \$112,761 and \$100,444, 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>2016</u>	<u>2015</u>
Veteran services	\$ 1,095,711	\$ 1,445,156
Un-Met Needs	2,036,613	1,841,653
Scholarships and other military assistance	674,902	923,797
	<u>\$ 3,807,226</u>	<u>\$ 4,210,606</u>

Net assets amounting to \$2,219,799 and \$1,252,701 for the years ended August 31, 2016 and 2015, respectively, were released from temporary restrictions by satisfying the restricted purposes as stipulated by the donors.

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2016 and 2015

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 \$26,941 and \$7,910 for the years ended August 31, 2016 and 2015, respectively, for the amount that was allocated to the Foundation for these plans. The VFW also has a contributory savings plan [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 \$10,803 and \$9,520 for the years ended August 31, 2016 and 2015, respectively, for the contributions the VFW made to this plan.