

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, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 25, 2015

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,

	2015	2014
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 600,154	\$ 558,499
INVESTMENTS, at fair value	10,790,271	9,981,895
RECEIVABLES		
Accrued interest receivable	18,105	18,787
FURNITURE, FIXTURES, AND EQUIPMENT, net of accumulated depreciation of \$51,428 and \$50,116 in 2015 and 2014, respectively	1,014	2,326
PREPAID EXPENSES	16,901	32,670
Total assets	<u>\$ 11,426,445</u>	<u>\$ 10,594,177</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and other liabilities	\$ 606,587	\$ 694,905
Payable to affiliate	100,444	63,076
Charitable gift annuities	9,830	10,460
Total liabilities	<u>716,861</u>	<u>768,441</u>
CONTINGENCIES		
NET ASSETS		
Unrestricted	6,498,978	6,208,635
Temporarily restricted	4,210,606	3,617,101
Total net assets	<u>10,709,584</u>	<u>9,825,736</u>
Total net assets and liabilities	<u>\$ 11,426,445</u>	<u>\$ 10,594,177</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 ACTIVITIES AND CHANGES IN NET ASSETS
Years ended August 31,

	2015			2014		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue						
Cash contributions and gifts	\$ 1,057,167	\$ 1,846,206	\$ 2,903,373	\$ 1,451,989	\$ 1,443,452	\$ 2,895,441
Contributions of services and goods for distribution				58,621		58,621
Interest, dividends, and net realized gains	495,770		495,770	723,471		723,471
Other revenue				6,700		6,700
Net assets released from restrictions	1,252,701	(1,252,701)		1,516,175	(1,516,175)	
Total support and revenue	<u>2,805,638</u>	<u>593,505</u>	<u>3,399,143</u>	<u>3,756,956</u>	<u>(72,723)</u>	<u>3,684,233</u>
Expenses						
Program services						
Veterans' service activities	1,438,691		1,438,691	1,957,534		1,957,534
Community service and public awareness	141,040		141,040	105,556		105,556
Support services						
Management and general expenses	330,660		330,660	340,939		340,939
Fundraising activities	220,249		220,249	211,847		211,847
Total expenses	<u>2,130,640</u>		<u>2,130,640</u>	<u>2,615,876</u>		<u>2,615,876</u>
Changes in net assets before unrealized net investment gains (losses)	674,998	593,505	1,268,503	1,141,080	(72,723)	1,068,357
Unrealized net investment gains (losses)	(384,655)		(384,655)	631,495		631,495
Change in net assets	290,343	593,505	883,848	1,772,575	(72,723)	1,699,852
Net assets, beginning of year	6,208,635	3,617,101	9,825,736	4,436,060	3,689,824	8,125,884
Net assets, end of year	<u>\$ 6,498,978</u>	<u>\$ 4,210,606</u>	<u>\$ 10,709,584</u>	<u>\$ 6,208,635</u>	<u>\$ 3,617,101</u>	<u>\$ 9,825,736</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, 2015

	<u>Program services</u>		<u>Support services</u>		<u>Total</u>
	<u>Veterans'</u> <u>service</u> <u>activities</u>	<u>Community</u> <u>service and</u> <u>public</u> <u>awareness</u>	<u>Management</u> <u>and</u> <u>general</u> <u>expenses</u>	<u>Fundraising</u> <u>activities</u>	
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)

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2014

	<u>Program services</u>		<u>Support services</u>		<u>Total</u>
	Veterans' service activities	Community service and public awareness	Management and general expenses	Fundraising activities	
Salaries and employee benefits	\$ 62,099	\$ 69,115	\$ 139,349	\$ 98,377	\$ 368,940
Travel	3,414	854		4,267	8,535
Office expenses	2,030	2,259	11,709	37,751	53,749
Professional services	4,036		170,017	5,314	179,367
Depreciation	352	392	791	558	2,093
Occupancy	7,130	7,936	16,000	11,296	42,362
Grants and other assistance	323,539				323,539
Grants to affiliates	1,345,000	25,000			1,370,000
Veteran and active duty recognition	151,313				151,313
Goods distributed for programmatic purposes	58,621				58,621
Advertising and promotion				50,941	50,941
Miscellaneous			3,073	3,343	6,416
	<u>\$ 1,957,534</u>	<u>\$ 105,556</u>	<u>\$ 340,939</u>	<u>\$ 211,847</u>	<u>\$ 2,615,876</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,

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 883,848	\$ 1,699,852
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net realized and unrealized losses (gains) on investments	143,898	(1,138,361)
Depreciation	1,312	2,093
Changes in		
Receivables	682	4,275
Prepaid expenses	15,769	144,487
Liabilities	(51,580)	(57,929)
Net cash provided by operating activities	993,929	654,417
 Cash flows from investing activities		
Purchases of investments	(4,271,597)	(4,188,010)
Proceeds from sales or maturities of investments	3,319,323	3,493,146
Net cash used in investing activities	(952,274)	(694,864)
 Net change in cash and cash equivalents	41,655	(40,447)
Cash and cash equivalents, beginning of year	558,499	598,946
Cash and cash equivalents, end of year	\$ 600,154	\$ 558,499

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, 2015 and 2014

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 (formerly the Ladies Auxiliary to the VFW), 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, 2015 and 2014

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 Corporation (FDIC) 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, 2015 and 2014

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, 2015 and 2014.

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, 2015 and 2014, 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. There were no major donors during the year ended August 31, 2014. A major donor is considered to be any donor from whom 10% or more of total contributions were derived.

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, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

7. *Contributions - Continued*

Various services and materials are donated to the Foundation by various individuals and organizations. Donated materials and those donated services that meet the criteria for recognition under ASC 958, *Not-for-Profit Entities*, are recorded at fair value at the date of donation.

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, 2015 and 2014.

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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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 was incurred during 2015 or 2014.

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 have been noted and thus no amounts have been recorded at August 31, 2015 or 2014.

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 2012.

11. *Subsequent Events*

The Foundation has evaluated subsequent events as of November 25, 2015, 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, 2015 and 2014

NOTE C - INVESTMENTS

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

	2015		2014	
	Cost	Fair value	Cost	Fair value
Fixed income				
U.S. Treasury securities	\$ 1,353,609	\$ 1,361,012	\$ 1,112,029	\$ 1,107,342
Government obligations	568,213	570,186	511,028	512,162
Corporate bonds	1,421,012	1,413,549	1,439,883	1,448,451
Mutual funds				
Large cap	6,889	7,564	8,239	9,848
Small and Mid cap	1,352	1,346	765	1,027
International	1,206,161	1,089,095	999,412	972,783
Fixed income	924,192	896,895	818,594	818,792
Equity securities				
Domestic common stock	4,261,313	5,118,402	3,920,404	5,014,149
International common stock	360,447	332,222	99,803	97,341
	<u>\$ 10,103,188</u>	<u>\$ 10,790,271</u>	<u>\$ 8,910,157</u>	<u>\$ 9,981,895</u>

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

	2015	2014
Realized gain on sale of investments	\$ 240,757	\$ 506,866
Unrealized net investment gains (losses)	(384,655)	631,495
Interest, dividends, and other income	255,013	216,605
Investment fees	(64,767)	(57,734)
	<u>\$ 46,348</u>	<u>\$ 1,297,232</u>

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, 2015 and 2014

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, 2015 and 2014

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, 2015 using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</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>
	<u>Fair value measurements at August 31, 2014 using</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income				
U.S. Treasury securities		\$ 1,107,342		\$ 1,107,342
Government obligations		512,162		512,162
Corporate bonds		1,448,451		1,448,451
Mutual funds				
Large cap	\$ 9,848			9,848
Small and Mid cap	1,027			1,027
International	972,783			972,783
Fixed income	818,792			818,792
Equity securities				
Domestic common stock	5,014,149			5,014,149
International common stock	97,341			97,341
	<u>\$ 6,913,940</u>	<u>\$ 3,067,955</u>		<u>\$ 9,981,895</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, 2015 and 2014

NOTE E - OPERATING LEASES

The Foundation leases office space from the VFW under an operating lease expiring in August 2016. Rental expense under this lease amounted to \$42,798 and \$42,362 for the years ended August 31, 2015 and 2014, respectively. The lease was amended on August 9, 2013, to decrease square footage of the leased office space. The amended lease terms took effect September 2013 and extend through the remainder of the lease. The future minimum lease commitments under the non-cancelable operating lease are as follows:

Year ending August 31,	Amount
<u>2016</u>	<u>\$ 42,798</u>
	<u>\$ 42,798</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 \$2,510 are payable quarterly. 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 which range from 6.7% to 8.7%. The liability related to charitable gift annuities was \$9,830 and \$10,460 at August 31, 2015 and 2014, 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 \$602,109 and \$682,109 at August 31, 2015 and 2014, 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, 2015 and 2014

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 \$842,716 and \$781,811 for the years ended August 31, 2015 and 2014, respectively. The Foundation leases office space from the VFW and incurred rental expense under the lease of \$42,798 and \$42,362 for the years ended August 31, 2015 and 2014, respectively. Starting in September 2013, the Foundation began paying 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, 2015 and 2014.

The Foundation provides certain contributions to the VFW. The total amount of contributions from the Foundation to the VFW amounted to \$1,021,963 and \$1,370,000 for the years ended August 31, 2015 and 2014, respectively. As of August 31, 2015 and 2014, the Foundation has recorded a payable to the VFW in the amount of \$100,444 and \$63,076, 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,

	2015	2014
Veteran and military services	\$ 1,445,156	\$ 1,200,646
Un-Met Needs	1,841,653	1,513,926
Operation Uplink and scholarship programs	923,797	861,279
Other		41,250
	<u>\$ 4,210,606</u>	<u>\$ 3,617,101</u>

Veterans of Foreign Wars Foundation
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

August 31, 2015 and 2014

NOTE J - TEMPORARILY RESTRICTED NET ASSETS

Net assets amounting to \$1,252,701 and \$1,516,175 for the years ended August 31, 2015 and 2014, respectively, were released from temporary restrictions by satisfying the restricted purposes as stipulated by the donors.

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 \$7,910 and \$17,649 for the years ended August 31, 2015 and 2014, 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 \$9,520 and \$7,986 for the years ended August 31, 2015 and 2014, respectively, for the contributions the VFW made to this plan.