

The World War II Foundation

Financial Statements and Supplementary Information

Year Ended December 31, 2019

(With Independent Auditors' Report Thereon)

THE WORLD WAR II FOUNDATION
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The World War II Foundation

We have audited the accompanying financial statements of The World War II Foundation (a not-for-profit organization) (the Foundation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 World War II Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedule I, program accomplishments, on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Kahn, Litwin, Kenya & Co., Ltd.

November 5, 2020

THE WORLD WAR II FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2019



Assets

Current Assets:

Cash and cash equivalents	\$ 272,871
Contributions receivable	<u>15,000</u>

Total current assets	287,871
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Fixed Assets, net	111,747
Other Assets	<u>258,282</u>

Total Assets	<u>\$ 657,900</u>
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Liabilities and Net Assets

Current Liabilities:

Accounts payable and accrued expenses	<u>\$ 52,642</u>
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Total current liabilities	52,642
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Net Assets:

Without donor restrictions	589,750
With donor restrictions	<u>15,508</u>
Total net assets	<u>605,258</u>

Total Liabilities and Net Assets	<u>\$ 657,900</u>
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THE WORLD WAR II FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019



Change in Net Assets Without Donor Restrictions:	
Revenue and support:	
Contributions	\$ 790,476
Admissions and DVD sales	54,705
Other income	17,004
Net assets released from restrictions	431,992
Total revenue and support	1,294,177
Expenses:	
Program services	969,895
General and administrative	127,463
Fundraising	40,067
Total expenses	1,137,425
Change in net assets without donor restrictions	156,752
Change in Net Assets With Donor Restrictions:	
Contributions	447,500
Net assets released from restrictions	(431,992)
Change in net assets with donor restrictions	15,508
Change in total net assets	172,260
Net Assets, beginning of year	432,998
Net Assets, end of year	\$ 605,258

THE WORLD WAR II FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019



	Program Services	General and Administrative	Fundraising	Total
Salaries and related expenses:				
Salaries and wages	\$ 161,554	\$ 40,388	\$ -	\$ 201,942
Employee benefits and payroll taxes	17,722	4,431	-	22,153
Total salaries and related expenses	179,276	44,819	-	224,095
Operating expenses:				
Advertising	10,526	-	-	10,526
Contributions	10,075	-	-	10,075
Documentary production	394,670	-	40,067	434,737
Dues and fees	2,022	505	-	2,527
Insurance	3,966	991	-	4,957
Marketing and promotions	322,257	-	-	322,257
Office expenses	2,167	8,667	-	10,834
Printing and publication	4,117	1,029	-	5,146
Professional and consulting fees	-	39,421	-	39,421
Rent	31,045	26,200	-	57,245
Supplies	-	2,029	-	2,029
Utilities	-	2,688	-	2,688
Total operating expenses before depreciation	960,121	126,349	40,067	1,126,537
Depreciation	9,774	1,114	-	10,888
Total expenses	\$ 969,895	\$ 127,463	\$ 40,067	\$ 1,137,425

THE WORLD WAR II FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019



Cash Flows from Operating Activities:	
Change in total net assets	\$ 172,260
Adjustments to reconcile change in total net assets to net cash provided by operating activities:	
Depreciation	10,888
Changes in operating assets and liabilities:	
Contributions receivable	85,536
Accounts payable and accrued expenses	52,837
Net cash provided by operating activities	<u>321,521</u>
Cash Flows from Investing Activities:	
Purchases of fixed assets	(21,370)
Other assets	(152,768)
Net cash used by investing activities	<u>(174,138)</u>
Cash Flows from Financing Activities:	
Repayments on loan payable	(8,000)
Net cash used by financing activities	<u>(8,000)</u>
Net Increase in Cash and Cash Equivalents	139,383
Cash and Cash Equivalents, beginning of year	<u>133,488</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 272,871</u></u>

THE WORLD WAR II FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019



1. Nature of Operations

The World War II Foundation (the Foundation) is a not-for-profit organization, incorporated on February 4, 2011. The Foundation's mission is to produce educational films and create initiatives recognizing the bravery and enormous contributions made by the men and women of the United States military during World War II so that future generations of Americans appreciate the determination and sacrifices that enable perpetuation of our basic freedoms.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

The Foundation prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

As of December 31, 2019, net assets with donor restrictions were restricted for payments of employee benefits.

Cash and Cash Equivalents

The Foundation considers all cash balances and highly liquid investments with original maturities of three months or less to be cash equivalents.

THE WORLD WAR II FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019



Contributions Receivable

The Foundation carries its contributions receivable at net realizable value. On a periodic basis, the Foundation evaluates its receivables and establishes an allowance for doubtful accounts based on the history of collections and current credit conditions. At year-end, management has determined that no allowance for doubtful accounts is necessary.

The Foundation does not accrue interest on receivables. A receivable is considered past due if payment has not been received within stated terms. The Foundation will then exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectible and charged against the allowance for doubtful accounts.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from five to fifteen years.

Other Assets

Other assets consist of security deposits, art pieces and relics. Art pieces and relics are recorded at cost if purchased, or fair value if contributed.

Revenue and Support Recognition

Contributions and Other income

The Foundation recognizes contributions and other income in the fiscal year in which the contribution is received. Contributions and other income are recorded as net assets either with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Admissions and DVD Sales

Revenue received from admissions and sale of merchandise is recognized at the point of sale.

Income Taxes

The Foundation is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Management believes that the Foundation operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Foundation annually files IRS Form 990 - *Return of Organization Exempt From Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities, generally for a period of three years after they were filed. The Foundation currently has no tax examinations in progress.

THE WORLD WAR II FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019



Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2019 was \$10,526.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort.

Estimates and Assumptions

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

The following is a recent authoritative pronouncement that could impact the accounting, reporting, and/or disclosure of financial information by the Foundation. The Foundation is currently in the process of evaluating the impact of adoption on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods beginning after December 15, 2021. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Foundation's year ending December 31, 2022, with early adoption permitted.

THE WORLD WAR II FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019



3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2019:

Financial assets:	
Cash and cash equivalents	\$ 272,871
Contributions receivable	15,000
Financial assets at December 31, 2019	<u>287,871</u>
Less financial assets unavailable for general expenditure:	
Net assets with donor restrictions	<u>15,508</u>
Financial assets available to meet general expenditure needs within one year	<u><u>\$ 272,363</u></u>

The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Fixed Assets

Fixed assets consisted of the following:

Furniture, fixtures and equipment	\$ 86,635
Leasehold improvements	36,701
	<u>123,336</u>
Less accumulated depreciation	<u>11,589</u>
Total fixed assets, net	<u><u>\$ 111,747</u></u>

5. Commitments

The Foundation leases its office space under an escalating operating lease agreement that expires May 31, 2023, with two 5-year renewal options. Total lease expense under this agreement for the year ended December 31, 2019 was \$26,200, which is recorded on a straight-line basis.

THE WORLD WAR II FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019



Approximate future minimum lease payments under the operating lease are as follows:

<u>Year Ending</u>	
December 31, 2020	\$ 31,150
December 31, 2021	33,450
December 31, 2022	35,250
December 31, 2023	<u>15,000</u>
Total	<u><u>\$ 114,850</u></u>

6. Concentrations

The financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents.

The Foundation maintains its operating accounts in two financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Foundation's cash balances may exceed this limit. Cash balances in excess of \$250,000 are generally uninsured.

7. Related Party Transactions

The Foundation has retained media production services from Tim Gray Media, Inc. (the Company) who has a relationship to the Foundation. The president of the Foundation is also the president and founder of the Company. During the year ended December 31, 2019, approximately \$171,500 was paid to the Company.

8. Subsequent Events

Subsequent to year-end, the COVID-19 outbreak in the United States has resulted in a disruption in operations. These recent developments could result in delays in receiving funds, and a reduction in program services and related revenue. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the Foundation's operations continue, it is possible that this outbreak could negatively impact future operating results; however, the related financial impact and duration cannot be reasonably estimated at this time.

THE WORLD WAR II FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2019



On April 27, 2020, the Foundation received loan proceeds (Loan) of \$40,000 under the Paycheck Protection Program (PPP), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in response to the COVID-19 outbreak. Proceeds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations, provided the related agreements were effective prior to February 15, 2020. The Loan is set to mature on April 27, 2022 and bears interest at a rate of 1% per annum, payable monthly. The Loan may be prepaid by the Foundation at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The commencement date for loan payments and a potential revised maturity date will be determined upon the ultimate notification of loan forgiveness from the lending institution. The Foundation intends to use the entire Loan proceeds in accordance with the Loan terms and to apply for forgiveness from the lender. No assurance is provided that the Foundation will obtain forgiveness of the loan, in whole or in part.

Management has evaluated subsequent events through November 5, 2020, which is the date these financial statements were available to be issued, and they determined that there are no additional items to disclose other than those noted herein.

**THE WORLD WAR II FOUNDATION
PROGRAM ACCOMPLISHMENTS (UNAUDITED)
Year Ended December 31, 2019**

The documentary films produced by the Foundation are donated to American Public Television so that the personal stories of the men and women who served in World War II are available to not only a global television audience for free, but also to schools, libraries, researchers and others. Those films have aired on more than 125 local public television outlets and the PBS Global cable channel to audiences totaling in the millions. All its films are also available for viewing with lesson plans on the website: www.wwiifoundation.org. Additionally, the Foundation hosts an annual international World War II documentary film festival in Normandy, France, and recently embarked on a first-of-its-kind initiative to film 360-degree virtual reality experiences of the major battlefields of World War II. In 2019, the Foundation opened its Global Education Center in South Kingstown, RI. The 3,000 square foot Center includes thousands of hands-on artifacts from WWII, including a rare metal slab from the USS Arizona, as well as a theater and library. A virtual tour of the center on the Foundation website enables remote visitors to experience the center's artifacts and history lessons.