

KOREAN WAR VETERANS ASSOCIATION, INC.

REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013

KOREAN WAR VETERANS ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Korean War Veterans Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Korean War Veterans Association, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities 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.

Auditors' 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 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 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.

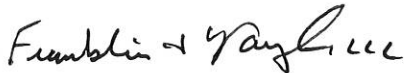
Creating Value ♦ Building Wealth ♦ Partnering for Success

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Korean War Veterans Association, Inc., as of December 31, 2014 and 2013, and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplemental schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the basic 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 been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Franklin & Vaughn, LLC

Edwardsville, Illinois

March 7, 2015

KOREAN WAR VETERANS ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>DECEMBER 31,</u>	
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 138,344	\$ 123,626
TOTAL CURRENT ASSETS	<u>\$ 138,344</u>	<u>\$ 123,626</u>
INVESTMENTS	783,735	706,902
PROPERTY AND EQUIPMENT, NET	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 922,079</u>	<u>\$ 830,528</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
ACCOUNTS PAYABLE	\$ 18,417	\$ 17,335
TOTAL CURRENT LIABILITIES	<u>\$ 18,417</u>	<u>\$ 17,335</u>
NET ASSETS:		
UNRESTRICTED	<u>\$ 903,662</u>	<u>\$ 813,193</u>
TOTAL NET ASSETS	<u>\$ 903,662</u>	<u>\$ 813,193</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 922,079</u></u>	<u><u>\$ 830,528</u></u>

The accompanying notes are an integral part of the financial statements.

KOREAN WAR VETERANS ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>DECEMBER 31,</u>	
	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES AND GAINS:		
Membership Dues	\$ 224,892	\$ 244,072
Fundraising	55,116	61,124
Donations	61,399	78,865
Advertising Income	10,497	6,443
Dividends	31,335	25,698
Convention Registration	17,267	
Realized (Losses) Gains	19,115	3,562
Unrealized Gains (Losses)	(15,656)	54,625
Miscellaneous	630	562
Total Unrestricted Revenues and Gains	<u>\$ 404,595</u>	<u>\$ 474,951</u>
EXPENSES:		
Program Services	\$ 175,982	\$ 185,436
Management and General	119,342	110,913
Fundraising	18,802	25,160
Total Expenses	<u>\$ 314,126</u>	<u>\$ 321,509</u>
CHANGE IN UNRESTRICTED NET ASSETS:	\$ 90,469	\$ 153,442
NET ASSETS, BEGINNING OF YEAR	<u>813,193</u>	<u>659,751</u>
NET ASSETS, END OF YEAR	<u><u>\$ 903,662</u></u>	<u><u>\$ 813,193</u></u>

The accompanying notes are an integral part of the financial statements.

KOREAN WAR VETERANS ASSOCIATION, INC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>DECEMBER 31,</u>	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Total Net Assets	\$ 90,469	\$ 153,442
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net Unrealized (Gain) Loss on Investments	15,656	(54,625)
Net Realized Loss (Gain) on Investments	(19,115)	(3,562)
INCREASE (DECREASE) IN OPERATING LIABILITIES:		
Accounts Payable	1,082	1,704
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 88,092</u>	<u>\$ 96,959</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	\$ 7,562	\$ 6,766
Purchase of Investments	(80,936)	(71,762)
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (73,374)</u>	<u>\$ (64,996)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	\$ 14,718	\$ 31,963
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>123,626</u>	<u>91,663</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 138,344</u></u>	<u><u>\$ 123,626</u></u>

The accompanying notes are an integral part of the financial statements.

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1. NATURE OF OPERATIONS

The Korean War Veterans Association, Inc. (Association) is a perpetual non-profit corporation issued a Certificate of Incorporation by the State of New York. The purpose of the Association is to organize, promote, and maintain for benevolent and charitable purposes an Association of persons who have seen honorable service within Korea any time beginning September 3, 1945 to present or outside Korea beginning June 25, 1950 to January 31, 1955, and certain other veterans and persons, with the qualifications for membership per the Bylaws. The Association is organized to grant charters to groups at large, provide a means of contact and communication among the members of the Association, and to establish and maintain a national headquarters. The Association promotes the establishment of war and other memorials commemorative of any persons or persons who served in the Korean War and aids needy Association members and their families. The Association is also organized to recognize the achievements of those who served in the armed services of the United States and the United Nations Command during the Korean War era. Through its "Tell America Program", the association conducts programs at the local schools to help today's students understand the true meaning of the freedoms that we all enjoy in this country.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the combined statement of cash flows, the Association uses the indirect method of reporting net cash flows from operating activities, and considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and investments in debt securities are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change of net assets. There are no known material unrecorded permanent market value declines in marketable securities.

Furniture and Equipment

Furniture and equipment are carried at cost at the date of acquisition if purchased or, if donated, at the approximate fair value at the date of donation. The Association capitalizes acquisitions of furniture and

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and Equipment (Continued)

equipment in excess of \$500. Lesser amounts are expensed. Depreciation and amortization is computed using the straight-line method over the estimated economic useful lives of the assets (5-7 years).

When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of activities.

Financial Statement Presentation

Financial statement presentation follows the recommendation of FASB Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Association is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows.

Unrestricted Board Designated Net Assets

Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time period or purpose. As of December 31, 2014 and 2013, there were no temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are those whose use by the Association has been restricted by donors requiring that they be maintained permanently by the Association. Generally the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2014 and 2013, there were no permanently restricted net assets.

Accrued Compensated Absences

The Association has no full-time employees that are eligible for compensated absences. Accordingly, no accrual was recorded at December 31, 2014 and 2013.

Revenue and Expense Recognition

Program services fees and unrestricted revenues are recorded when earned and expenses are recorded when incurred. Unrestricted contributions restricted by donor or grantor for particular operating purposes are deemed to be earned and reported as support when received.

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Expense Recognition (Continued)

Dues are assessed on a yearly basis based on the member's anniversary date. Revenues of the *Graybeards* magazine are from nonmember subscriptions and advertising. Advertising revenues are recorded when earned. Members automatically receive a magazine subscription, but none of the membership dues are allocated to magazine revenues for financial statement purposes.

Functional Expenses

The costs of the Association's programs and supporting services have been reported on a functional basis. Allocations of certain costs have been made between the various programs and supporting services based on estimates made by management.

Income Tax Status

The Association is exempt from income taxes under section 501(c)(19) of the Internal Revenue Code per a determination letter dated September 15, 1986. The Association has unrelated business income from the *Graybeards* magazine operations that would be subject to income taxes. However, the magazine incurred a loss for the years ending December 31, 2014 and 2013.

The major taxing jurisdictions applicable to the Association's business affairs, for which tax returns have been filed, remain open and available for audit. Tax examinations are often complex, as tax authorities may disagree with the treatment of items reported by the Association, and such disagreements can take years to resolve. The Association establishes liabilities for possible assessments by taxing authorities for known tax exposures to the extent that a reasonable tax provision can be estimated. The normal statutory period impacting unaudited years is as follows: Federal (US) 2011 - 2014.

NOTE 3. INVESTMENTS AND PORTFOLIO INCOME

Investments held by the Association at December 31, 2014 and 2013:

<u>Description</u>	<u>Market Value</u>	
	<u>2014</u>	<u>2013</u>
Cash and Money Market	\$ 5,519	\$ 38,505
Mutual Funds	282,302	263,863
Equities	156,695	104,439
Exchange Traded Funds	38,342	31,257
Unit Investment Trust	300,877	268,838
Total Investments	<u>\$ 783,735</u>	<u>\$ 706,902</u>

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3. INVESTMENTS AND PORTFOLIO INCOME (CONTINUED)

Total portfolio income for the years ended December 31, 2014 and 2013 consists of the following:

	<u>2014</u>	<u>2013</u>
Unrealized Gain (Loss) on Investments	\$ (15,656)	\$ 54,625
Dividend Distributions	31,335	25,698
Realized (Loss) Gain on Investments	<u>19,115</u>	<u>3,562</u>
	<u>\$ 34,794</u>	<u>\$ 83,885</u>

NOTE 4. FAIR VALUES OF FINANCIAL INSTRUMENTS

ASC 820 - Fair Value Measurements and Disclosures, establishes a three-level valuation of hierarchy for disclosures of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 - Unobservable inputs

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: valued at the net asset value of shares held by the plan at year end.

Fixed income and equity securities: valued at the closing price reported in the New York Stock Exchange.

Cash and money market fund: valued at the net asset value of shares held by the plan at year end.

Financial instruments at fair values as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 5,519	\$	\$	\$ 5,519
Mutual Funds	282,302			282,302
Equities	156,695			156,695
Exchange Traded Funds	38,342			38,342
Unit Investment Trusts	<u>300,877</u>			<u>300,877</u>
Total Assets at Fair Value	<u>\$ 783,735</u>	<u>\$</u>	<u>\$</u>	<u>\$ 783,735</u>

Financial instruments at fair values as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 38,505	\$	\$	\$ 38,505
Mutual Funds	263,863			263,863
Equities	104,439			104,439
Exchange Traded Funds	31,257			31,257
Unit Investment Trusts	<u>268,838</u>			<u>268,838</u>
Total Assets at Fair Value	<u>\$ 706,902</u>	<u>\$</u>	<u>\$</u>	<u>\$ 706,902</u>

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 5 FIXED ASSETS

Fixed assets consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and Equipment	\$ 5,298	\$ 5,298
Less: Accumulated Depreciation and Amortization	<u>(5,298)</u>	<u>(5,298)</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>

Depreciation charged to expense in 2014 and 2013 was \$0 and \$0, respectively.

NOTE 6 CONCENTRATIONS OF CREDIT RISK

The Association maintains cash funds in a financial institution. The account balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014 and 2013 there were no uninsured balances.

Financial instruments that potentially subject the Association to credit risk consist primarily of investments in money market, bonds, and mutual funds. Future changes in economic conditions may make the investments less valuable.

Veterans who served in Korea during the Korean War have continued to decline and the average age of those that have served and are members is seventy-five plus years. The continued successful operation of the Association is dependent on recruitment of members that have served since the war and are currently serving.

NOTE 7. SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, *Subsequent Events*, the Association has evaluated subsequent events occurring between the end of its most recent fiscal year and March 7, 2015, the date the financial statements were made available. All subsequent events requiring recognition as of March 7, 2015 have been incorporated into these financial statements.

KOREAN WAR VETERANS ASSOCIATION, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>PROGRAM</u> <u>SERVICES</u>	<u>MANAGEMENT</u> <u>&</u> <u>GENERAL</u>	<u>FUNDRAISING</u>	<u>2014</u>	<u>2013</u>
<i>Graybeards</i>	\$ 133,846			\$ 133,846	\$ 132,953
Meetings & Travel		\$ 52,125		52,125	50,015
Contract Labor	25,409	11,250	\$ 551	37,210	22,641
Professional Fees		12,001		12,001	17,249
Website		13,734		13,734	12,534
Postage	10,723		7,582	18,305	12,819
Insurance		5,809		5,809	5,718
Elections		5,030		5,030	5,106
Other	1,555	4,192	10,669	16,416	28,215
Headquarter Expense		12,182		12,182	27,647
Membership	3,697			3,697	2,864
Committees		1,676		1,676	1,749
Telephone	752			752	1,236
Bank Charges		1,343		1,343	763
Total Expense	<u>\$ 175,982</u>	<u>\$ 119,342</u>	<u>\$ 18,802</u>	<u>\$ 314,126</u>	<u>\$ 321,509</u>
Percentage	56%	38%	6%	100%	100%