

KOREAN WAR VETERANS ASSOCIATION, INC.

REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017

KOREAN WAR VETERANS ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S 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, 2018 and 2017, and the related statements of activities, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Korean War Veterans Association, Inc. as of December 31, 2018 and 2017, 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.

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Change in Functional Expense Classification

As discussed in Note 12 to the financial statements, during 2018 management re-classified certain expenses from Management and General to Program Services in the statements of functional expenses as presented for the years ended December 31, 2018 and December 31, 2017. Our opinion is not modified with respect to this matter.

Franklin & Vaughn LLC

Franklin & Vaughn, LLC

St. Louis, Missouri

February 25, 2019

KOREAN WAR VETERANS ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>DECEMBER 31,</u>	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 73,153	\$ 62,052
ACCOUNTS RECEIVABLE	30,000	-
TOTAL CURRENT ASSETS	<u>103,153</u>	<u>62,052</u>
INVESTMENTS	739,774	876,004
PREPAID EXPENSES	-	4,000
PROPERTY AND EQUIPMENT, NET	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 842,927</u></u>	<u><u>\$ 942,056</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS:		
WITHOUT DONOR RESTRICTIONS	842,927	942,056
WITH DONOR RESTRICTIONS	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>842,927</u>	<u>942,056</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 842,927</u></u>	<u><u>\$ 942,056</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, 2018 AND 2017 (MEMORANDUM ONLY)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL 2018	TOTAL (MEMORANDUM ONLY) 2017
REVENUES AND GAINS:				
Membership Dues	\$ 163,629	\$ -	\$ 163,629	\$ 177,876
Fundraising	67,129		67,129	70,051
Donations	38,953	60,000	98,953	74,766
Royalty Income	30,000		30,000	-
Advertising Income	8,161		8,161	10,260
Convention Registration	11,560		11,560	20,081
Dividends, net of Fees	21,273		21,273	21,608
Realized Gains	5,592		5,592	3,848
Unrealized (Losses) Gains	(63,095)		(63,095)	58,576
Interest	13		13	45
Miscellaneous	2,584		2,584	777
Net Assets Released from Restrictions	60,000	(60,000)	-	-
Total Revenues, Gains, and other Support	345,799	-	345,799	437,888
EXPENSES:				
Program Services	343,390		343,390	336,570
Management and General	88,129		88,129	82,113
Fundraising	13,409		13,409	13,630
Total Expenses	444,928	-	444,928	432,313
CHANGE IN NET ASSETS:	(99,129)	-	(99,129)	5,575
NET ASSETS, BEGINNING OF YEAR	942,056	-	942,056	936,481
NET ASSETS, END OF YEAR	\$ 842,927	\$ -	\$ 842,927	\$ 942,056

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

KOREAN WAR VETERANS ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>WITHOUT DONOR</u>	<u>WITH DONOR</u>	<u>TOTAL</u>
	<u>RESTRICTIONS</u>	<u>RESTRICTIONS</u>	<u>2017</u>
REVENUES AND GAINS:			
Membership Dues	\$ 177,876	\$ -	\$ 177,876
Fundraising	70,051		70,051
Donations	20,844	53,922	74,766
Advertising Income	10,260		10,260
Convention Registration	20,081		20,081
Dividends, net of Fees	21,608		21,608
Realized Gains	3,848		3,848
Unrealized Gains	58,576		58,576
Interest	45		45
Miscellaneous	777		777
Net Assets Released from Restrictions	65,224	(65,224)	-
Total Revenues, Gains, and other Support	<u>449,190</u>	<u>(11,302)</u>	<u>437,888</u>
EXPENSES:			
Program Services	336,570		336,570
Management and General	82,113		82,113
Fundraising	13,630		13,630
Total Expenses	<u>432,313</u>	<u>-</u>	<u>432,313</u>
CHANGE IN NET ASSETS:			
	16,877	(11,302)	5,575
NET ASSETS, BEGINNING OF YEAR	<u>925,179</u>	<u>11,302</u>	<u>936,481</u>
NET ASSETS, END OF YEAR	<u>\$ 942,056</u>	<u>\$ -</u>	<u>\$ 942,056</u>

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

KOREAN WAR VETERANS ASSOCIATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (MEMORANDUM ONLY)

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL 2018	TOTAL (MEMORANDUM ONLY) 2017
Bank Charges	\$ -	\$ 2,859	\$ -	\$ 2,859	\$ 2,087
Committees	11,325			11,325	1,521
Contract Labor	31,011	56,218	580	87,809	81,250
Elections					23
<i>Graybeards</i>	117,997			117,997	123,236
Headquarter Expense		13,516		13,516	13,975
Insurance		5,929		5,929	5,929
Meetings & Travel	71,055			71,055	71,818
Membership	2,940			2,940	4,063
Memorials	6,852			6,852	51,000
Other			10,653	10,653	10,752
Postage	10,739		2,176	12,915	11,457
Professional Fees		9,607		9,607	8,485
Scholarships	60,000			60,000	20,000
Telephone	933			933	830
Website	30,538			30,538	25,887
Total Expense	\$ 343,390	\$ 88,129	\$ 13,409	\$ 444,928	\$ 432,313
Percentage	77%	20%	3%	100%	100%

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

KOREAN WAR VETERANS ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM</u> <u>SERVICES</u>	<u>MANAGEMENT</u> <u>AND</u> <u>GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u> <u>2017</u>
Bank Charges	\$ -	\$ 2,087	\$ -	\$ 2,087
Committees	1,521			1,521
Contract Labor	29,072	51,614	564	81,250
Elections		23		23
<i>Graybeards</i>	123,236			123,236
Headquarter Expense		13,975		13,975
Insurance		5,929		5,929
Meetings & Travel	71,818			71,818
Membership	4,063			4,063
Memorials	51,000			51,000
Other			10,752	10,752
Postage	9,143		2,314	11,457
Professional Fees		8,485		8,485
Scholarships	20,000			20,000
Telephone	830			830
Website	25,887			25,887
Total Expense	<u>\$ 336,570</u>	<u>\$ 82,113</u>	<u>\$ 13,630</u>	<u>\$ 432,313</u>
Percentage	78%	19%	3%	100%

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
	<u>Total</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Receipts from Membership Dues	\$ 163,629	\$ 177,876
Cash Receipts from Fundraising	67,129	70,051
Cash Receipts from Donations	92,953	74,766
Cash Receipts from Advertising Income	8,161	10,260
Cash Receipts from Convention Registration	11,560	20,081
Other Cash Receipts	2,597	822
Cash Payments to Vendors for Program Services	(272,335)	(266,770)
Cash Payments to Vendors for Management and General	(149,184)	(161,599)
Cash Payments to Vendors for Fundraising	(13,409)	(13,630)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(88,899)</u>	<u>(88,143)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale or Redemption of Investments	100,000	46,150
Purchase of Investments	-	(4,403)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>100,000</u>	<u>41,747</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,101	(46,396)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>62,052</u>	<u>108,448</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 73,153</u>	<u>\$ 62,052</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, 2018 AND 2017

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 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 statement of cash flows, the Association uses the direct method of reporting net cash flows from operating activities, and considers all cash and checking accounts not held within a brokerage account 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.

Property and Equipment

Property 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 property and

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property 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 Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14, which the Association implemented in 2018, amends the standards for the presentation and accompanying disclosures of the financial statements of not-for-profit entities. The most significant changes to the Association's financial statements and related disclosures include changes in net asset classifications, additional disclosures about the liquidity and availability of its resources, and reclassifications of amounts previously reported to maintain consistency between years. None of these changes impacted total net assets or the overall presentation of the financial statements taken as a whole.

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions

Net assets whose use by the Association has been limited by donors to a specific time period or purpose. As of December 31, 2018 and 2017, there were no net assets with donor restrictions.

Accrued Compensated Absences

The Association has no full-time employees that are eligible for compensated absences. Accordingly, no accrual was recorded at December 31, 2018 and 2017.

Donated Services

Many volunteers donate significant amounts of their time on an ongoing basis to perform the Association's duties. No amounts have been included in the accompanying statements of activities to value these donated services, as no objective basis is available to measure the value of such services and their inclusion in the financial statements would not provide meaningful information regarding the Association's activities.

Revenue and Expense Recognition

Membership dues, fundraising and other program service fees are recorded as revenues when payment is received and expenses are recorded when an obligation is incurred. No future goods, services or privileges are received in exchange for membership dues; the primary purpose of the dues is to maintain the legacy of the Association and to provide intangible economic benefits to the member. Donations without and with restrictions are recorded as revenues when received.

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017.

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) 2015 - 2018.

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association has \$812,927 of financial assets, consisting of \$73,153 of cash and cash equivalents and \$739,774 of investments, available as of December 31, 2018 to meet cash needs within one year for general expenditures, which average far less annually than this total. None of these financial assets are subject to donor restrictions. As part of its liquidity management, the Association invests excess cash and structures its financial assets to be available as general expenditures, liabilities, and other obligations become due.

NOTE 4. INVESTMENTS AND PORTFOLIO INCOME

The fair market value of investments held by the Association at December 31, 2018 and 2017 include:

	<u>2018</u>	<u>2017</u>
<u>Description</u>		
Cash and Money Market	\$ 8,071	\$ 11,965
Mutual Funds	523,939	577,743
Exchange Traded & Closed End Funds	207,764	286,296
Total Investments	<u>\$ 739,774</u>	<u>\$ 876,004</u>

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 4. INVESTMENTS AND PORTFOLIO INCOME (CONTINUED)

Total portfolio income for the years ended December 31, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Dividends	\$ 27,269	\$ 25,874
Realized Gains	5,592	3,848
Unrealized (Losses) Gains	<u>(63,095)</u>	<u>58,576</u>
	<u>\$ (30,234)</u>	<u>\$ 88,298</u>

Investment expenses incurred to produce the portfolio income totaled \$5,996 and \$4,266 for the years ended December 31, 2018 and December 31, 2017, respectively.

NOTE 5. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Association has established 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, 2018 include:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 8,071			\$ 8,071
Mutual Funds	523,939			523,939
Exchange Traded & Closed End Funds	<u>207,764</u>			<u>207,764</u>
Total Assets at Fair Value	<u>\$ 739,774</u>			<u>\$ 739,774</u>

Financial instruments at fair values as of December 31, 2017 include:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 11,965			\$ 11,965
Mutual Funds	577,743			577,743
Exchange Traded & Closed End Funds	<u>286,296</u>			<u>286,296</u>
Total Assets at Fair Value	<u>\$ 876,004</u>			<u>\$ 876,004</u>

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6. ACCOUNTS RECEIVABLE

Subsequent to December 31, 2018, the Association received a \$30,000 royalty payment from an organization that prepared a directory for the Association. The directory was issued by the organization in early 2018; however, payment to the Association was delayed until after the end of the reporting period. An Accounts Receivable has been reported in the accompanying statement of financial position and related royalty income has been reported in the accompanying statement of activities to reflect the fact that the earnings process for this transaction was completed by the Association in 2018.

NOTE 7. PREPAID EXPENSES

During 2017, the Association incurred an obligation of \$4,000 that pertained to deposits on meeting rooms for Association events that occurred in 2018. Accordingly, this amount was classified as an asset on the December 31, 2017 statement of financial position and was subsequently re-classified to an expense and reported as a reduction in net assets on the statement of activities for the year ended December 31, 2018.

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Property 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 2018 and 2017 was \$0 and \$0, respectively.

NOTE 9. CONCENTRATIONS OF CREDIT RISK AND UNCERTAINTIES

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, 2018 and 2017 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 in number and the average age of those members is eighty plus years. Membership dues revenue for the Association has declined for at least the past seven years. The future success of the Association is dependent upon recruitment of members that have served since the Korean Armistice Agreement signed on July 27, 1953. The Armistice Agreement was designed to “insure a complete cessation of hostilities and of all acts of armed force in Korea until a final peaceful settlement is achieved.” No “final peaceful settlement” has yet been achieved.

KOREAN WAR VETERANS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 10. SCHOLARSHIP PROGRAM

During 2017 and 2018, the Association continued an agreement with a South Korean organization, American Veterans of Korea Foundation (AVKF), to select direct descendants of Korean War Veterans to receive college scholarships. The students must be at least high school seniors planning to attend a college or university who demonstrate an affinity towards the Korean War Veterans, and a desire to learn and understand the legacy of the Korean War Veteran. AVKF funds the scholarships and the Association awarded ten scholarships in the amount of \$2,000 each during 2017 and fifteen scholarships in the amount of \$2,000 each during 2018.

During 2018, the Association entered into an agreement with the General Walton Walker Memorial Foundation (Foundation) to select direct descendants of veterans of Korea who are also members in good standing with the Association to receive college scholarships. The students must be at least high school seniors planning to attend a college or university who demonstrate an interest in and a desire to combat the threat posed by the North Korean regime. The Foundation funds the scholarships and the Association awarded fifteen scholarships in the amount of \$2,000 each during 2018.

NOTE 11. MEMORIALS

During 2017, the Association was selected, from a group of thirty-three Veterans Service Organizations, to host the National Veterans Day events in Washington, D.C. for the President of the United States. Most of the logistical and financial responsibilities become the responsibility of the host Veterans Service Organization which serves as that particular year's designee organization. To help subsidize the financial burden of this event, the Association conducted a fundraising campaign. Both the Fundraising Revenues and the Memorials Expenses related to this event have been incorporated into these financial statements for the year ended December 31, 2017.

NOTE 12. CHANGE IN FUNCTIONAL EXPENSE CLASSIFICATION

During 2018, the Association re-classified its Meetings & Travel expenses from Management and General to Program Services in the statements of functional expenses as presented for the years ended December 31, 2018 and December 31, 2017 to more accurately reflect the appropriate function of these expenses. Total expenses affected by this re-classification were \$71,055 and \$71,818 in 2018 and 2017, respectively. This re-classification did not impact the change in net assets reported by the Association for 2018 and 2017.

NOTE 13. SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring between December 31, 2018 and February 25, 2019, the date the financial statements were available to be issued. All subsequent events requiring disclosure and recognition as of February 25, 2019 have been incorporated into these financial statements.