

**Pentagon Memorial Fund, Inc.**

Financial Statements  
and Independent Auditors' Report

December 31, 2016 and 2015

**Pentagon Memorial Fund, Inc.**

Financial Statements  
December 31, 2016 and 2015

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Pentagon Memorial Fund, Inc.

We have audited the accompanying financial statements of Pentagon Memorial Fund, Inc. (“the Fund”), which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

### ***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 Fund as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included on page 17 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 been subjected to the auditing procedures applied in the audits 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 consolidated financial statements or to the consolidated 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 financial statements as a whole.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia  
June 16, 2017

**Pentagon Memorial Fund, Inc.**

Statements of Financial Position  
December 31, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 2,099,155	\$ 852,015
Investments	9,035,010	9,031,588
Promises to give	1,252,000	2,000
Prepaid expenses and deposits	24,879	2,216
Property and equipment, net	24,499	37,863
	<hr/>	<hr/>
Total assets	\$ 12,435,543	\$ 9,925,682
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 11,620	\$ -
	<hr/>	<hr/>
Total liabilities	11,620	-
	<hr/>	<hr/>
<b>Net Assets</b>		
Unrestricted:		
Board-designated – maintenance fund	9,035,010	9,031,588
Undesignated	1,130,646	894,094
	<hr/>	<hr/>
Total unrestricted	10,165,656	9,925,682
Temporarily restricted	2,258,267	-
	<hr/>	<hr/>
Total net assets	12,423,923	9,925,682
	<hr/>	<hr/>
Total liabilities and net assets	\$ 12,435,543	\$ 9,925,682
	<hr/> <hr/>	<hr/> <hr/>

*See accompanying notes.*

**Pentagon Memorial Fund, Inc.**

Statement of Activities  
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Operating Revenue and Support</b>			
Contributions	\$ 447,404	\$ 2,500,000	\$ 2,947,404
Contributed services	52,811	-	52,811
Net assets released from restrictions	241,733	(241,733)	-
<b>Total operating revenue and support</b>	<b>741,948</b>	<b>2,258,267</b>	<b>3,000,215</b>
<b>Expenses</b>			
Program services:			
Contributions expense – PRMR Fund	350,000	-	350,000
Education and outreach	174,045	-	174,045
Other programs	59,978	-	59,978
Contributed services	31,687	-	31,687
<b>Total program services</b>	<b>615,710</b>	<b>-</b>	<b>615,710</b>
Supporting services:			
Management and general	137,464	-	137,464
Fundraising	81,217	-	81,217
Contributed services	21,124	-	21,124
<b>Total supporting services</b>	<b>239,805</b>	<b>-</b>	<b>239,805</b>
<b>Total expenses</b>	<b>855,515</b>	<b>-</b>	<b>855,515</b>
Change in net assets from operations	(113,567)	2,258,267	2,144,700
<b>Non-Operating Activities</b>			
Interest and dividends	312,195	-	312,195
Realized gain	131,266	-	131,266
Unrealized loss	(34,943)	-	(34,943)
Investment management fees	(54,977)	-	(54,977)
<b>Change in non-operating activities</b>	<b>353,541</b>	<b>-</b>	<b>353,541</b>
<b>Change in Net Assets</b>	<b>239,974</b>	<b>2,258,267</b>	<b>2,498,241</b>
<b>Net Assets, beginning of year</b>	<b>9,925,682</b>	<b>-</b>	<b>9,925,682</b>
<b>Net Assets, end of year</b>	<b>\$ 10,165,656</b>	<b>\$ 2,258,267</b>	<b>\$ 12,423,923</b>

See accompanying notes.

**Pentagon Memorial Fund, Inc.**

Statement of Activities  
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
<b>Operating Revenue and Support</b>			
Contributions	\$ 84,126	\$ -	\$ 84,126
Contributed services	124,361	-	124,361
Net assets released from restrictions	350,000	(350,000)	-
<b>Total operating revenue and support</b>	<b>558,487</b>	<b>(350,000)</b>	<b>208,487</b>
<b>Expenses</b>			
Program services:			
Contributions expense – PRMR Fund	350,000	-	350,000
Education and outreach	170,374	-	170,374
Other programs	120,626	-	120,626
Contributed services	76,005	-	76,005
<b>Total program services</b>	<b>717,005</b>	<b>-</b>	<b>717,005</b>
Supporting services:			
Management and general	125,134	-	125,134
Fundraising	35,075	-	35,075
Contributed services	48,356	-	48,356
<b>Total supporting services</b>	<b>208,565</b>	<b>-</b>	<b>208,565</b>
<b>Total expenses</b>	<b>925,570</b>	<b>-</b>	<b>925,570</b>
<b>Change in net assets from operations</b>	<b>(367,083)</b>	<b>(350,000)</b>	<b>(717,083)</b>
<b>Non-Operating Activities</b>			
Interest and dividends	403,796	-	403,796
Realized gain	76,946	-	76,946
Unrealized loss	(606,007)	-	(606,007)
Investment management fees	(57,215)	-	(57,215)
<b>Change in non-operating activities</b>	<b>(182,480)</b>	<b>-</b>	<b>(182,480)</b>
<b>Change in Net Assets</b>	<b>(549,563)</b>	<b>(350,000)</b>	<b>(899,563)</b>
<b>Net Assets, beginning of year</b>	<b>10,475,245</b>	<b>350,000</b>	<b>10,825,245</b>
<b>Net Assets, end of year</b>	<b>\$ 9,925,682</b>	<b>\$ -</b>	<b>\$ 9,925,682</b>

See accompanying notes.

**Pentagon Memorial Fund, Inc.**

Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 2,498,241	\$ (899,563)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized (gain) loss	(96,323)	529,061
Depreciation	13,364	2,227
Change in operating assets and liabilities:		
(Increase) decrease in promises to give	(1,250,000)	350,000
(Increase) decrease in prepaid expenses and deposits	(22,663)	21,734
Increase in accounts payable and accrued expenses	11,620	-
	1,154,239	3,459
Net cash provided by operating activities		
<b>Cash Flows from Investing Activities</b>		
Sales of investments	3,533,529	2,106,171
Purchases of investments	(3,440,628)	(2,102,673)
Purchase of property and equipment	-	(40,090)
	92,901	(36,592)
Net cash provided by (used in) investing activities		
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,247,140	(33,133)
<b>Cash and Cash Equivalents, beginning of year</b>	852,015	885,148
<b>Cash and Cash Equivalents, end of year</b>	\$ 2,099,155	\$ 852,015

*See accompanying notes.*



## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2016 and 2015

### **1. Nature of Operations**

Pentagon Memorial Fund, Inc. (“the Fund”) was incorporated on May 21, 2003, as a not-for-profit, nonstock Virginia corporation and is qualified as tax-exempt under Section 501(c)(3) of the Internal Revenue Code (IRC). The Fund was organized by families of the victims of the terrorist attack on the Pentagon on September 11, 2001, to fund the design, construction, maintenance, and continuing educational activities surrounding a lasting memorial to the 184 individuals who lost their lives at the Pentagon.

The construction of a permanent memorial to the Pentagon victims of September 11, 2001, was authorized by Section 2864 of Public Law 107-107, wherein the Secretary of Defense is authorized to accept contributions for the purposes of (i) establishing the Pentagon Memorial and (ii) repairing the damage to the Pentagon caused by the terrorist attack. Furthermore, Section 2864(c) provides that these contributions must be deposited in the Pentagon Reservation Maintenance Revolving Fund (“the PRMR Fund”) and shall be available for expenditures only for the two purposes specified. Accordingly, amounts raised by the Fund in excess of the reasonable and necessary costs of its operations will be used to fund the construction and maintenance of the planned memorial through contributions to the PRMR Fund established for these purposes. The PRMR Fund has received and will continue to receive contributions directly from contributors, which will not be reflected in the Fund.

### **2. Summary of Significant Accounting Policies**

#### Basis of Accounting and Presentation

The Fund’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Fund’s operations. Board-designated funds totaled \$9,035,010 and \$9,031,588 for the years ended December 31, 2016 and 2015, respectively. See Note 7.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Fund or the passage of time. All temporarily restricted net assets were time restricted and totaled \$2,258,267 and \$0 at December 31, 2016 and 2015, respectively. See Note 8.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2016 and 2015

### **2. Summary of Significant Accounting Policies (continued)**

#### Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash Equivalents

The Fund considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition are amounts designated by the Board of Directors for long-term purposes.

#### Investments

Investments are stated at fair value. Realized and unrealized gains and losses are included in the accompanying statements of activities.

#### Promises to Give

Promises to give represent unconditional pledges and are recorded at net realizable value. Promises to give are recognized as contribution revenue in the period promised. Promises to give due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. No discount was recorded on multi-year promises to give during the years ended December 31, 2016 and 2015, due to immateriality. No allowance for doubtful accounts is recorded as management believes that all receivables are fully collectible.

#### Property and Equipment

Property and equipment acquisitions with a cost greater than \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is three years for equipment assets. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Expenditures for repairs and maintenance are expensed as incurred.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2016 and 2015

### **2. Summary of Significant Accounting Policies (continued)**

#### Revenue Recognition

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor 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. Donor-restricted contributions whose restrictions are met in the same accounting period are reported as unrestricted contributions.

Conditional promises to give are not recognized until they become unconditional (that is, when the conditions are substantially met).

Contributed services meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*, and are recorded at fair market value at the time of donation, using the applicable billing rates. See Note 9 for additional information.

Revenue from all other sources is recognized when earned.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Measure of Operations

Interest and dividends, realized and unrealized gains and losses, and investment management fees are considered non-operating activity. The Fund does not consider these items to be part of normal operating activities and, accordingly, separately identifies them in the accompanying statements of activities.

## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2016 and 2015

### **2. Summary of Significant Accounting Policies (continued)**

#### Recently Issued Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

#### Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through June 16, 2017, the date the financial statements were available to be issued.

### **3. Concentrations of Risk**

#### Credit Risk

Financial instruments that potentially subject the Fund to significant concentrations of credit risk consist primarily of cash and cash equivalents, and investments. The Fund maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, may exceed insurable limits under the Federal Depository Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Fund has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

#### Revenue Risk

During the year ended December 31, 2016, approximately 83% of the Fund's support was received from a single donor, in the amount of \$2,500,000.

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 4. Investments and Fair Value Measurements

Investment income (loss) consists of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 312,195	\$ 403,796
Realized gain	131,266	76,946
Unrealized loss	(34,943)	(606,007)
Investment management fees	<u>(54,977)</u>	<u>(57,215)</u>
Total investment income (loss)	<u>\$ 353,541</u>	<u>\$ (182,480)</u>

The Fund follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs.

The Fund recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Fund uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 4. Investments and Fair Value Measurements (continued)

The following table presents the Fund's fair value hierarchy for those assets measured on a recurring basis at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 1,354	\$ -	\$ -	\$ 1,354
Bond mutual funds:				
Nontraditional	629,548	-	-	629,548
Multisector	266,736	-	-	266,736
Intermediate-term	2,719,614	-	-	2,719,614
Emerging markets	260,516	-	-	260,516
Equity mutual funds:				
Large value	612,179	-	-	612,179
Multialternative	361,487	-	-	361,487
Large blend	1,127,318	-	-	1,127,318
Small growth	135,891	-	-	135,891
Bank loan	154,283	-	-	154,283
Real estate	293,449	-	-	293,449
Foreign large blend	1,042,918	-	-	1,042,918
Small blend	249,419	-	-	249,419
Large growth	351,175	-	-	351,175
Mid-cap growth	329,218	-	-	329,218
Foreign large growth	245,323	-	-	245,323
Mid-cap blend	142,577	-	-	142,577
Diversified emerging markets	112,005	-	-	112,005
Total investments	\$ 9,035,010	\$ -	\$ -	\$ 9,035,010

**Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2016 and 2015

**4. Investments and Fair Value Measurements (continued)**

The following table presents the Fund's fair value hierarchy for those assets measured on a recurring basis at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 4,416	\$ -	\$ -	\$ 4,416
Bond mutual funds:				
Nontraditional	818,648	-	-	818,648
Multisector	301,147	-	-	301,147
Bank loan	149,266	-	-	149,266
Intermediate-term	1,830,223	-	-	1,830,223
Emerging markets	153,095	-	-	153,095
Short-term	154,297	-	-	154,297
Equity mutual funds:				
Large value	708,479	-	-	708,479
Multialternative	421,682	-	-	421,682
Large blend	1,383,133	-	-	1,383,133
Small growth	267,082	-	-	267,082
Bank loan	157,154	-	-	157,154
Real estate	318,324	-	-	318,324
Foreign large blend	879,725	-	-	879,725
Small blend	224,900	-	-	224,900
Large growth	463,810	-	-	463,810
Mid-cap growth	297,836	-	-	297,836
Foreign large growth	364,503	-	-	364,503
Mid-cap blend	133,868	-	-	133,868
Total investments	\$ 9,031,588	\$ -	\$ -	\$ 9,031,588

**5. Promises to Give**

Promises to give are as follows at December 31:

	2016	2015
Receivable in less than one year	\$ 627,000	\$ 2,000
Receivable in one to five years	625,000	-
Total promises to give	\$ 1,252,000	\$ 2,000

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 40,090	\$ 40,090
Less: accumulated depreciation	<u>(15,591)</u>	<u>(2,227)</u>
Property and equipment, net	<u>\$ 24,499</u>	<u>\$ 37,863</u>

### 7. Board-Designated Endowment

During the year ended December 31, 2009, the Fund established an unrestricted quasi-endowment fund for the purpose of maintaining the Pentagon Memorial. Accordingly, the fund is not subject to the Commonwealth of Virginia's Uniform Prudent Management of Institutional Funds Act. The investment objectives of the fund are long-term growth of capital, preservation of purchasing power, and preservation of capital. In order to achieve these objectives, a majority of the endowment funds is diversified among mutual funds and money market accounts. The spending policy established for the fund, which is for yearly maintenance payments to the PRMR Fund, is 4% of the average market value of the fund over the trailing three years, with the initial value assumed to be \$9,000,000.

Composition of endowment fund and changes in endowment net assets were as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Board-designated endowment fund, beginning	\$ 9,031,588	\$ 9,564,147
Net investment income (loss):		
Interest	312,076	403,717
Net realized and unrealized gain (loss)	96,323	(529,061)
Investment fees	<u>(54,977)</u>	<u>(57,215)</u>
Net investment income (loss)	<u>353,422</u>	<u>(182,559)</u>
Payment of endowment funds	<u>(350,000)</u>	<u>(350,000)</u>
Board-designated endowment fund, ending	<u>\$ 9,035,010</u>	<u>\$ 9,031,588</u>



## **Pentagon Memorial Fund, Inc.**

Notes to Financial Statements  
December 31, 2016 and 2015

### **8. Temporarily Restricted Net Assets**

At December 31, 2016, temporarily restricted net assets, which totaled \$2,258,267, were all program-restricted for the 9/11 Pentagon Visitor Education Center (“the Center”). There were no temporarily restricted net assets at December 31, 2015.

### **9. Commitments**

#### 9/11 Pentagon Visitor Education Center

It is the Fund’s intention to establish the Center, which will use educational programming to help visitors of the Pentagon Memorial understand and appreciate the historical significance of 9/11. On January 20, 2015, the Fund and the U.S. Department of Defense (“the Department”) signed a license agreement commencing on January 23, 2015 and expiring on January 22, 2023, for use of real property whereby the Fund is granted certain restricted access to a parcel of land in the Commonwealth of Virginia for purposes of performing preliminary professional studies to determine if the premises is appropriate for the construction and operation of the Center. Under the terms of the contract, there is no financial commitment required from the Fund for the duration of this initial license agreement. During the years ended December 31, 2016 and 2015, the Fund incurred expenditures totaling \$1,960 and \$72,812, respectively, related to the pre-construction activities with consultants and potential donors related to the Center.

During 2016, the Fund focused on refining its vision for the planned construction of the Center, securing exhibit content and raising awareness and funds for the project. It is anticipated that the Department and the Fund may enter into a long-term lease of the premises for construction of the Center if the parcel of land is deemed to be a suitable location, but as of June 16, 2017, the organizations had not signed a binding agreement to this effect.

#### License Agreement

The Fund renewed its license agreement for the use of office space and equipment in January 2016 through July 2016. In June 2016, the Fund renewed the agreement again through January 31, 2017. The office space is donated to the Fund, and the corresponding valuation of space and usage are included in contributed services in the accompanying statements of activities. Subsequent to year-end, the Fund renewed the license agreement through April 30, 2017.

## Pentagon Memorial Fund, Inc.

Notes to Financial Statements  
December 31, 2016 and 2015

### 10. Contributed Services

Contributed services are as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Program:		
Design and support services	\$ 7,900	\$ 70,680
Donated services/space for meeting	<u>-</u>	<u>5,325</u>
Total program	<u>7,900</u>	<u>76,005</u>
Management and general:		
Office space	10,060	12,783
Legal	31,351	33,073
Audit and accounting services	<u>3,500</u>	<u>2,500</u>
Total management and general	<u>44,911</u>	<u>48,356</u>
Total contributed services	<u>\$ 52,811</u>	<u>\$ 124,361</u>

### 11. Management, Administration, and Outreach Fees

The Fund has in place an agreement with a consulting company, CAA Consulting, to provide various services including professional management, office administration, outreach and communications, and operations. Under the terms of the contract, the Fund paid for management and administration services in the amounts of \$22,812 per month during both years ended December 31, 2016 and 2015. Either party may terminate the agreement by notifying the other in writing 90 days prior to termination. Fees paid under this contract for the years ended December 31, 2016 and 2015 were \$273,739 and \$272,843, respectively.

### 12. Income Taxes

The Fund is recognized as a tax-exempt organization under IRC Section 501(c)(3) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense is recorded in the accompanying financial statements, as there was no significant unrelated business income. No provision for income taxes has been made for the years ended December 31, 2016 and 2015, as the Fund had no unrelated business income. Management has evaluated the Fund's tax positions and concluded that the financial statements do not include any uncertain tax positions.

## **SUPPLEMENTARY INFORMATION**

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**Pentagon Memorial Fund, Inc.**

Schedules of Functional Expenses  
For the Years Ended December 31, 2016 and 2015

	2016				2015			
	Program	G&A	Fundraising	Total	Program	G&A	Fundraising	Total
Accounting	\$ -	\$ 19,647	\$ -	\$ 19,647	\$ -	\$ 17,788	\$ -	\$ 17,788
Advertising	-	-	173	173	-	-	-	-
Audio tour hosting	4,680	-	-	4,680	4,680	-	-	4,680
Bank fees	-	409	-	409	-	215	-	215
Community partnerships	1,964	-	-	1,964	-	-	-	-
Contribution to PRMR Fund	350,000	-	-	350,000	350,000	-	-	350,000
Depreciation	-	13,364	-	13,364	-	2,227	-	2,227
Docent program	2,533	-	-	2,533	2,040	-	-	2,040
Development	1,500	-	-	1,500	-	-	-	-
Education outreach	1,628	-	-	1,628	-	-	-	-
Fees for services	-	-	46,620	46,620	-	-	7,767	7,767
Information technology	580	378	-	958	750	-	-	750
In-kind contributed services	31,687	15,843	5,281	52,811	76,005	48,356	-	124,361
Insurance	-	2,994	-	2,994	-	2,814	-	2,814
Meetings	49,772	-	-	49,772	33,322	-	-	33,322
Miscellaneous	-	1,008	4,965	5,973	10,557	1,324	24	11,905
Occupancy	-	4,032	-	4,032	-	4,210	-	4,210
Office expenses	280	10,320	2,085	12,685	378	14,703	-	15,081
Operational support	164,243	82,122	27,374	273,739	163,706	81,853	27,284	272,843
Production/syndication	-	-	-	-	69	-	-	69
Supporting services	-	3,190	-	3,190	-	-	-	-
Travel	4,883	-	-	4,883	2,686	-	-	2,686
Visitor Education Center	1,960	-	-	1,960	72,812	-	-	72,812
<b>Total Expenses</b>	<b>\$ 615,710</b>	<b>\$ 153,307</b>	<b>\$ 86,498</b>	<b>\$ 855,515</b>	<b>\$ 717,005</b>	<b>\$ 173,490</b>	<b>\$ 35,075</b>	<b>\$ 925,570</b>