

Pentagon Memorial Fund, Inc.

Financial Statements
and Independent Auditor's Report

December 31, 2021 and 2020

Pentagon Memorial Fund, Inc.

Financial Statements
December 31, 2021 and 2020

Contents

Independent Auditor's Report.....	1-2
<i>Financial Statements</i>	
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Functional Expenses	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-21

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Vienna, Virginia
July 26, 2022

Pentagon Memorial Fund, Inc.

Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 452,920	\$ 270,349
Investments	10,208,747	9,441,975
Grants and contributions receivable	1,050,000	1,757,412
Prepaid expenses	2,420	4,532
Visitor Education Center – Preconstruction Phase	4,548,319	3,054,247
Intangible assets, net	<u>525,052</u>	<u>28,750</u>
Total assets	<u>\$ 16,787,458</u>	<u>\$ 14,557,265</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 55,461</u>	<u>\$ 123,186</u>
Total liabilities	<u>55,461</u>	<u>123,186</u>
Net Assets		
Without donor restrictions:		
Undesignated	6,523,250	4,992,104
Board-designated – maintenance fund	<u>10,208,747</u>	<u>9,441,975</u>
Total net assets	<u>16,731,997</u>	<u>14,434,079</u>
Total liabilities and net assets	<u>\$ 16,787,458</u>	<u>\$ 14,557,265</u>

Pentagon Memorial Fund, Inc.

Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions		Total
	Undesignated	Board- Designated	
Operating Revenue and Support			
Grants and contributions	\$ 2,347,587	\$ -	\$ 2,347,587
In-kind contributions	617,414	-	617,414
Total operating revenue and support	2,965,001	-	2,965,001
Expenses			
Program services	981,791	-	981,791
Supporting services:			
Management and general	217,557	-	217,557
Fundraising	584,594	-	584,594
Total supporting services	802,151	-	802,151
Total expenses	1,783,942	-	1,783,942
Change in net assets from operations	1,181,059	-	1,181,059
Non-Operating Activities			
Interest and dividends	87	211,236	211,323
Realized gain	-	223,420	223,420
Unrealized gain	-	732,055	732,055
Investment management fees	-	(49,939)	(49,939)
Transfer to undesignated funds	350,000	(350,000)	-
Change in non-operating activities	350,087	766,772	1,116,859
Change in Net Assets	1,531,146	766,772	2,297,918
Net Assets , beginning of year	4,992,104	9,441,975	14,434,079
Net Assets , end of year	\$ 6,523,250	\$ 10,208,747	\$ 16,731,997

Pentagon Memorial Fund, Inc.

Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions		With Donor Restrictions	Total
	Undesignated	Board- Designated		
Operating Revenue and Support				
Grants and contributions	\$ 1,551,092	\$ -	\$ -	\$ 1,551,092
In-kind contributions	80,784	-	-	80,784
Net assets released from restrictions	597,468	-	(597,468)	-
Total operating revenue and support	2,229,344	-	(597,468)	1,631,876
Expenses				
Program services	842,162	-	-	842,162
Supporting services:				
Management and general	174,641	-	-	174,641
Fundraising	284,342	-	-	284,342
Total supporting services	458,983	-	-	458,983
Total expenses	1,301,145	-	-	1,301,145
Change in net assets from operations	928,199	-	(597,468)	330,731
Non-Operating Activities				
Interest and dividends	65	224,400	-	224,465
Realized loss	-	(155,415)	-	(155,415)
Unrealized gain	-	931,619	-	931,619
Investment management fees	-	(46,996)	-	(46,996)
Transfer to undesignated funds	950,000	(950,000)	-	-
Change in non-operating activities	950,065	3,608	-	953,673
Change in Net Assets	1,878,264	3,608	(597,468)	1,284,404
Net Assets, beginning of year	3,113,840	9,438,367	597,468	13,149,675
Net Assets, end of year	\$ 4,992,104	\$ 9,441,975	\$ -	\$ 14,434,079

Pentagon Memorial Fund, Inc.

Statements of Functional Expenses
For the Years Ended December 31, 2021 and 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Fundraising consultants	\$ -	\$ -	\$ 376,700	\$ 376,700	\$ -	\$ -	\$ 167,250	\$ 167,250
Contribution to PRMR Fund	350,000	-	-	350,000	350,000	-	-	350,000
Payroll, benefits, and taxes	116,901	87,676	87,676	292,253	113,657	85,243	85,242	284,142
VEC design fees	270,696	-	-	270,696	265,252	-	-	265,252
Advertising	-	-	109,951	109,951	-	-	28,004	28,004
Legal	63,822	11,967	3,989	79,778	54,275	10,176	3,392	67,843
Advocacy services	52,014	9,753	3,251	65,018	-	-	-	-
Amortization	40,802	14,370	2,550	57,722	-	1,250	-	1,250
Accounting and audit fees	-	57,139	-	57,139	-	61,982	-	61,982
Marketing and communications	56,700	-	-	56,700	21,000	-	-	21,000
Website management and hosting	23,180	3,723	-	26,903	30,695	804	-	31,499
Office expenses	-	20,139	-	20,139	-	4,623	-	4,623
Rent and storage	7,632	6,383	477	14,492	7,264	6,878	454	14,596
Insurance	-	3,405	-	3,405	-	3,620	-	3,620
Travel, meeting, and events	44	3,002	-	3,046	19	65	-	84
Total Expenses	\$ 981,791	\$ 217,557	\$ 584,594	\$ 1,783,942	\$ 842,162	\$ 174,641	\$ 284,342	\$ 1,301,145

See accompanying notes.

Pentagon Memorial Fund, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 2,297,918	\$ 1,284,404
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gain on investments	(955,475)	(776,204)
Contributed intangible assets	(459,024)	-
Amortization	57,722	1,250
Change in operating assets and liabilities:		
Decrease (increase) in grants and contributions receivable	707,412	(1,233,334)
Decrease (increase) in prepaid expenses	2,112	(52)
Decrease in accounts payable and accrued expenses	(67,725)	(263,198)
	1,582,940	(987,134)
Cash Flows from Investing Activities		
Proceeds from sales of investments	2,468,736	2,550,248
Purchases of investments	(2,630,033)	(2,727,652)
Short term investments, net	350,000	950,000
Purchases of intangible assets	(95,000)	(30,000)
Building preconstruction costs	(1,494,072)	(837,767)
	(1,400,369)	(95,171)
Net Increase (Decrease) in Cash and Cash Equivalents	182,571	(1,082,305)
Cash and Cash Equivalents, beginning of year	270,349	1,352,654
Cash and Cash Equivalents, end of year	\$ 452,920	\$ 270,349

See accompanying notes.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

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 associated with a lasting memorial to the 184 individuals who lost their lives at the Pentagon.

Since opening to the public on September 11, 2008, research showed that there is a unique teachable opportunity at the Pentagon Memorial to explain the events on 9/11, the significance of the Pentagon Memorial, and the historic response that continues to this day. Based on this research, the Fund has focused its efforts on education outreach through the design and construction of the 9/11 Pentagon Memorial Visitor Education Center (VEC) to complement the Pentagon Memorial.

The VEC will be a space where visitors from around the world can learn about the events of September 11, 2001, the lives lost that day, and the historic significance of the Pentagon Memorial site. The funds raised by the Fund will be used to create a self-sustaining, multi-purpose building for education, conferences, and special events. The VEC is meant to complement and enhance the visitor’s experience to the 9/11 Pentagon Memorial. The VEC will feature exhibits, conference space, children’s area, food and refreshments, general facility space, gift shop, and other areas to help visitors understand and appreciate the historic events that took place that day, connect with those who experienced them, and learn why those events are relevant today.

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for a Board-designated endowment.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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, along with investment management fees, are included in the accompanying statements of activities.

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional receivables and are recorded at net realizable value. Grants and contributions are recognized as revenue in the period promised. Grants and contributions 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 grants and contributions during the years ended December 31, 2021 and 2020, due to immateriality. No allowance for doubtful receivables is recorded as management believes that all receivables are fully collectible.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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 and amortization is computed using the straight-line method over the estimated useful lives of the assets, which is three years. Upon disposal of depreciable assets, the cost and related accumulated depreciation and amortization 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.

Building costs consist of capitalized costs related to the planned construction of the VEC during the preconstruction phase, including professional fees, such as design and architectural services. As of December 31, 2021, construction of the VEC had not yet commenced, and capitalized building costs were not yet being depreciated.

Intangible Assets

Intangible assets acquisitions with a cost greater than \$5,000 and a projected useful life exceeding one year are capitalized and recorded at cost. The Fund capitalizes certain costs associated with the development of its website and intangible products for use at the VEC, such as videos. Amortization is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to eight years. Upon disposal of amortizable assets, the cost and related accumulated amortization are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Costs related to the planning stages of development projects, as well as ongoing operating and support costs of various intangibles, are expensed as incurred.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Fund reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Fund's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

The Fund receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. The Fund discounts the promises to give using an appropriate discount rate over the contribution period, if material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Fund is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Contributed services meeting the criteria for recognition are recorded at fair market value at the time of receipt. These services consist primarily of legal, accounting, and other professional services. The value of these donated services is included in the accompanying financial statements as both revenue and expense in the amounts of \$148,850 and \$71,704 for the years ended December 31, 2021 and 2020, respectively.

The Fund receives donated space for operations from an Officer of the Fund that is recorded at estimated fair market value by the Fund at the time of receipt. Total in-kind rent and facilities donations, which are included in the accompanying statements of activities and statements of functional expenses, totaled \$9,540 and \$9,080 for the years ended December 31, 2021 and 2020, respectively.

During the year ended December 31, 2021, the Fund received donated professional services for production of a video for display and exhibition at the VEC with an estimated fair market value of \$459,024, which is included in in-kind contributions in the accompanying statement of activities for the year ended December 31, 2021. The cost of production of the video is also included in intangible assets in the accompanying statements of financial position as of December 31, 2021.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. 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 activities. 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.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (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 2022.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separated from contributions of cash and other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective in 2022 and is not expected to have a significant impact on the Fund's financial statements.

Subsequent Events

In preparing these financial statements, the Fund has evaluated events and transactions for potential recognition or disclosure through July 26, 2022, the date the financial statements were available to be issued.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

3. Liquidity and Availability

The Fund monitors the balance of its cash and cash equivalents on hand, with a goal to maintain balances at levels sufficient to meet at least 90 days of normal operating expenses. The Fund structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Fund considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. In addition, as part of its liquidity management, the Fund invests the excess of its short-term operating needs in highly liquid securities and investments.

The Fund has financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures as of December 31, as shown below:

	2021	2020
Cash and cash equivalents	\$ 452,920	\$ 270,349
Investments	10,208,747	9,441,975
Grants and contributions receivable – current portion	1,050,000	1,732,412
Less: accounts payable and accrued expenses	<u>(55,461)</u>	<u>(123,186)</u>
Total available for general expenditures	<u>\$ 11,656,206</u>	<u>\$ 11,321,550</u>

4. 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 Deposit 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.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

4. Concentrations of Risk (continued)

Revenue Risk

For the years ended December 31, 2021 and 2020, a substantial portion of the Fund's revenue was generated from two donors and one donor, respectively. The contributions totaled 49% and 58% of the Fund's total revenue and support for the years ended December 31, 2021 and 2020, respectively. A potential reduction or change in funding from these donors in the future could significantly impact the Fund's ability to carry out its current program activities.

5. Investments and Fair Value Measurements

Investment return consists of the following for the years ended December 31:

	2021	2020
Interest and dividends	\$ 211,323	\$ 224,465
Realized gain (loss)	223,420	(155,415)
Unrealized gain	732,055	931,619
Investment management fees	(49,939)	(46,996)
Total investment return	<u>\$ 1,116,859</u>	<u>\$ 953,673</u>

The Fund follows FASB Accounting Standards Codification 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, 2021 and 2020

5. 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, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 335,237	\$ -	\$ -	\$ 335,237
Bond funds:				
Nontraditional	674,449	-	-	674,449
Closed-end fund	402,649	-	-	402,649
Equity funds:				
Large growth	1,983,648	-	-	1,983,648
Large value	1,705,231	-	-	1,705,231
Foreign large blend	1,619,315	-	-	1,619,315
Intermediate-term bond	1,394,172	-	-	1,394,172
Mid-cap blend	597,299	-	-	597,299
Diversified emerging markets	440,749	-	-	440,749
Real estate	347,187	-	-	347,187
Closed-end fund	263,378	-	-	263,378
Small blend	243,563	-	-	243,563
Emerging markets bond	201,870	-	-	201,870
Total investments	<u>\$ 10,208,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,208,747</u>

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

5. 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, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 618,092	\$ -	\$ -	\$ 618,092
Bond funds:				
Nontraditional	680,929	-	-	680,929
Closed-end fund	226,349	-	-	226,349
Equity funds:				
Intermediate-term bond	1,480,802	-	-	1,480,802
Large growth	1,349,664	-	-	1,349,664
Foreign large blend	1,272,431	-	-	1,272,431
Large value	1,152,435	-	-	1,152,435
Real estate	738,364	-	-	738,364
Closed-end fund	630,716	-	-	630,716
Mid-cap blend	500,800	-	-	500,800
Diversified emerging markets	409,092	-	-	409,092
Emerging markets bond	192,527	-	-	192,527
Small blend	189,774	-	-	189,774
Total investments	<u>\$ 9,441,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,441,975</u>

6. Grants and Contributions Receivable

Grants and contributions receivable are promised as follows at December 31:

	2021	2020
Receivable in less than one year	\$ 1,050,000	\$ 1,732,412
Receivable in one to two years	-	25,000
Total grants and contributions receivable	<u>\$ 1,050,000</u>	<u>\$ 1,757,412</u>

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

7. Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures, and equipment	\$ 40,090	\$ 40,090
Less: accumulated depreciation	<u>(40,090)</u>	<u>(40,090)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

Building costs related to the preconstruction phase of the 9/11 VEC amounted to \$4,548,319 and \$3,054,247 at December 31, 2021 and 2020, respectively. As of December 31, 2021, construction of the VEC had not yet commenced, and capitalized building costs were not yet being depreciated.

8. Intangible Assets

Intangible assets consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Website	\$ 125,000	\$ 30,000
Video	<u>459,024</u>	<u>-</u>
Total intangible assets	584,024	30,000
Less: accumulated amortization	<u>(58,972)</u>	<u>(1,250)</u>
Intangible assets, net	<u>\$ 525,052</u>	<u>\$ 28,750</u>

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

8. Intangible Assets (continued)

Amortization expense for each year of the estimated remaining lives is estimated to be as follows for the years ending December 31:

	Website	Video	Total
2022	\$ 15,625	\$ 153,008	\$ 168,633
2023	15,625	153,008	168,633
2024	15,625	102,005	117,630
2025	15,625	-	15,625
2026	15,625	-	15,625
Thereafter	38,906	-	38,906
Total amortization	<u>\$ 117,031</u>	<u>\$ 408,021</u>	<u>\$ 525,052</u>

9. Board-Designated Endowment

During the year ended December 31, 2009, the Fund established a quasi-endowment fund without donor restrictions 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 are diversified among mutual funds and money market accounts.

The spending policy established for the fund, which is for yearly maintenance payments to the U.S. Department of Defense, is approximately 4% of the average market value of the fund over the trailing three years, with the initial value assumed to be \$9,000,000.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

9. Board-Designated Endowment (continued)

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

	<u>2021</u>	<u>2020</u>
Board-designated endowment fund, beginning	\$ 9,441,975	\$ 9,438,367
Investment return:		
Interest and dividends	211,236	224,400
Realized gain (loss)	223,420	(155,415)
Unrealized gain	732,055	931,619
Investment management fees	<u>(49,939)</u>	<u>(46,996)</u>
Total investment return	<u>1,116,772</u>	<u>953,608</u>
Transfer to undesignated funds	-	(600,000)
Payment of endowment funds	<u>(350,000)</u>	<u>(350,000)</u>
Board-designated endowment fund, ending	<u>\$ 10,208,747</u>	<u>\$ 9,441,975</u>

10. Commitments and Contingencies

9/11 Pentagon Memorial Visitor Education Center

It is the Fund's intention to establish the VEC, 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 are appropriate for the construction and operation of the VEC. Under the terms of the contract, there is no financial commitment required from the Fund for the duration of this initial license agreement.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

10. Commitments and Contingencies (continued)

9/11 Pentagon Memorial Visitor Education Center (continued)

During 2021 and 2020, the Fund focused on refining its vision for the planned construction of the VEC, securing exhibit content and raising awareness and funds for the project. It is anticipated that the Department and the Fund will enter into a long-term lease agreement for the land to be used for constructing the VEC. The Fund will pursue a long-term lease agreement with the Department once the boundaries for the parcel of land, intended to be used for the location of the VEC, have been suitably defined based on the other construction projects related to the Arlington National Cemetery's Southern Expansion Project. As of July 26, 2022, the Fund had not signed a binding agreement to this effect.

License Agreement

The Fund has a license agreement for the use of office space and equipment through December 31, 2022. The use of the facilities is donated to the Fund, and the value of the donated rent and facilities is included in in-kind contributions in the accompanying statements of activities.

Employment Contract

The Fund has a signed employment agreement with the Executive Director through December 31, 2022 that renews automatically for one-year increments unless terminated by either party. The agreement contains terms that require payments to the Executive Director upon the occurrence of certain contractual events.

11. Retirement Plan

During 2020, the Fund began maintaining a SIMPLE IRA plan for its employees. The plan is available to all eligible employees, and permits employee contributions of pre-tax salary, up to limits established by law. The plan also permits a discretionary employer matching contribution up to a specified dollar amount or percentage of a participating employee's compensation, as determined by the Fund. For the years ended December 31, 2021 and 2020, the retirement plan expense totaled \$6,337 and \$6,963, respectively.

Pentagon Memorial Fund, Inc.

Notes to Financial Statements
December 31, 2021 and 2020

12. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Fund allocates the majority of its expenses utilizing a direct allocation methodology, recording expenses to their specific function based on the actual time spent per natural expense category. In-kind contributed expenses are allocated across functions utilizing an estimated calculation on the basis of time and effort.

13. 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, 2021 and 2020, 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.