

VETERANS OF FOREIGN WARS OF THE UNITED STATES

FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024
AND INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

National Council of Administration of Veterans of Foreign Wars of the United States
Kansas City, Missouri

Opinion

We have audited the accompanying financial statements of Veterans of Foreign Wars of the United States (a nonprofit organization), which comprise the statements of financial position as of August 31, 2025 and 2024, and the related statements of activities and changes in net assets, 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 positions of Veterans of the United States as of August 31, 2025 and 2024, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Veterans of Foreign Wars of the United States 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 Veterans of Foreign Wars of the United States' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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 Veterans of Foreign Wars of the United States' 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 Veterans of Foreign Wars of the United States' 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.

Pickett, Chaney & McMullen CP

Overland Park, Kansas
November 21, 2025

VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENTS OF FINANCIAL POSITION AUGUST 31, 2025 AND 2024

| | 2025 | 2024 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 10,099,351 | \$ 15,032,632 |
| Investments, at fair value | 256,690,198 | 237,888,830 |
| Receivables: | | |
| Pledges receivable | 2,875,063 | 369,000 |
| Accounts receivable, net | 1,009,667 | 1,556,124 |
| Accrued interest receivable | <u>619,340</u> | <u>648,410</u> |
| Total receivables | 4,504,070 | 2,573,534 |
| Inventories, net | 3,586,164 | 3,500,512 |
| Prepaid expenses | 3,229,833 | 3,155,133 |
| Property and equipment, net | 8,227,395 | 6,722,011 |
| Pension and postretirement asset | <u>6,481,249</u> | <u>5,861,025</u> |
| TOTAL ASSETS | <u>\$ 292,818,260</u> | <u>\$ 274,733,677</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | \$ 4,298,927 | \$ 2,363,534 |
| Due to broker for pending trade settlements | 8,080,895 | 6,201,867 |
| Accrued and other liabilities | 9,634,519 | 8,907,947 |
| Life member dues for future distributions - State Depts. and Posts | 88,080,292 | 83,762,003 |
| Deferred revenue: | | |
| Life member dues - National Headquarters | 31,880,717 | 31,124,695 |
| Annual member dues | 3,943,006 | 4,071,456 |
| Other | <u>959,947</u> | <u>849,607</u> |
| Total deferred revenue | <u>36,783,670</u> | <u>36,045,758</u> |
| Total liabilities | 146,878,303 | 137,281,109 |
| NET ASSETS: | | |
| Without donor restrictions | 145,326,445 | 138,395,184 |
| Unamortized pension and post retirement liability | <u>(7,268,267)</u> | <u>(8,719,521)</u> |
| Total net assets without donor restrictions | 138,058,178 | 129,675,663 |
| With donor restrictions | <u>7,881,779</u> | <u>7,776,905</u> |
| Total net assets | <u>145,939,957</u> | <u>137,452,568</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 292,818,260</u> | <u>\$ 274,733,677</u> |

See notes to financial statements.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2025

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------|
| REVENUES AND SUPPORT: | | | |
| Contributions and gifts | \$ 80,176,967 | \$ 820,061 | \$ 80,997,028 |
| Membership dues | 6,884,608 | | 6,884,608 |
| Supply, buddy poppy, and other sales | 6,918,811 | | 6,918,811 |
| Advertising revenue | 2,104,471 | | 2,104,471 |
| Investment return, net | 12,499,599 | 334,027 | 12,833,626 |
| Other revenue | 3,630,752 | | 3,630,752 |
| Net assets released from restrictions | 1,049,214 | (1,049,214) | |
| Total revenue and support | 113,264,422 | 104,874 | 113,369,296 |
| EXPENSES: | | | |
| Program services: | | | |
| Veterans service activities | 28,811,307 | | 28,811,307 |
| Fraternal and member service activities | 18,739,549 | | 18,739,549 |
| Community service and public awareness | 15,001,154 | | 15,001,154 |
| Total program services | 62,552,010 | | 62,552,010 |
| Supporting services: | | | |
| Fundraising activities | 37,975,369 | | 37,975,369 |
| Management and general activities | 4,275,802 | | 4,275,802 |
| Membership development activities | 1,132,338 | | 1,132,338 |
| Total supporting services | 43,383,509 | | 43,383,509 |
| Total expenses | 105,935,519 | | 105,935,519 |
| CHANGE IN NET ASSETS BEFORE PENSION AND POSTRETIREMENT GAIN (LOSS) | 7,328,903 | 104,874 | 7,433,777 |
| Other components of net periodic pension costs | (397,642) | | (397,642) |
| Pension and postretirement-related changes other than net periodic pension cost | 1,451,254 | | 1,451,254 |
| CHANGE IN NET ASSETS | 8,382,515 | 104,874 | 8,487,389 |
| NET ASSETS, BEGINNING OF YEAR | 129,675,663 | 7,776,905 | 137,452,568 |
| NET ASSETS, END OF YEAR | \$ 138,058,178 | \$ 7,881,779 | \$ 145,939,957 |

See notes to financial statements.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------|
| REVENUES AND SUPPORT: | | | |
| Contributions and gifts | \$ 71,700,092 | \$ 220,536 | \$ 71,920,628 |
| Membership dues | 6,993,405 | | 6,993,405 |
| Supply, buddy poppy, and other sales | 7,157,092 | | 7,157,092 |
| Advertising revenue | 2,552,764 | | 2,552,764 |
| Investment return, net | 20,023,377 | 563,133 | 20,586,510 |
| Other revenue | 3,500,522 | | 3,500,522 |
| Net assets released from restrictions | 879,506 | (879,506) | |
| Total revenue and support | 112,806,758 | (95,837) | 112,710,921 |
| EXPENSES: | | | |
| Program services: | | | |
| Veterans service activities | 27,996,285 | | 27,996,285 |
| Fraternal and member service activities | 19,691,688 | | 19,691,688 |
| Community service and public awareness | 11,167,358 | | 11,167,358 |
| Total program services | 58,855,331 | | 58,855,331 |
| Supporting services: | | | |
| Fundraising activities | 35,257,096 | | 35,257,096 |
| Management and general activities | 3,344,229 | | 3,344,229 |
| Membership development activities | 1,223,451 | | 1,223,451 |
| Total supporting services | 39,824,776 | | 39,824,776 |
| Total expenses | 98,680,107 | | 98,680,107 |
| CHANGE IN NET ASSETS BEFORE PENSION AND POSTRETIREMENT GAIN (LOSS) | 14,126,651 | (95,837) | 14,030,814 |
| Other components of net periodic pension costs | (1,056,435) | | (1,056,435) |
| Pension and postretirement-related changes other than net periodic pension cost | 3,989,186 | | 3,989,186 |
| CHANGE IN NET ASSETS | 17,059,402 | (95,837) | 16,963,565 |
| NET ASSETS, BEGINNING OF YEAR | 112,616,261 | 7,872,742 | 120,489,003 |
| NET ASSETS, END OF YEAR | \$ 129,675,663 | \$ 7,776,905 | \$ 137,452,568 |

See notes to financial statements.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED AUGUST 31, 2025

| | Program Services | | | Supporting Services | | | Total |
|----------------------------------|-----------------------------------|---|--|-----------------------------|---|---|------------------------------|
| | Veterans Service Activities | Fraternal and Member Service Activities | Community Service and Public Awareness | Fundraising Activities | Management and General Activities | Membership Development Activities | |
| Salaries and employment benefits | \$ 8,110,640 | \$ 5,389,727 | \$ 2,062,857 | \$ 962,980 | \$ 1,603,229 | \$ 596,248 | \$ 18,725,681 |
| Travel | 1,749,296 | 1,865,302 | 227,420 | 4,632 | 201,593 | 31,603 | 4,079,846 |
| Office expenses | 383,792 | 319,432 | 103,405 | 41,959 | 147,010 | 57,592 | 1,053,190 |
| Professional services | 472,879 | 761,006 | 567,545 | 4,818,182 | 1,840,748 | 118,237 | 8,578,597 |
| Depreciation | 428,467 | 419,001 | 83,689 | 34,636 | 93,911 | 30,011 | 1,089,715 |
| Occupancy | 860,887 | 527,406 | 116,928 | 61,707 | 87,947 | 41,640 | 1,696,515 |
| Grants and other assistance | 10,130,112 | 1,145,747 | 1,046,933 | | | | 12,322,792 |
| Advertising and promotion | 645,382 | 7,861,561 | 1,321,859 | | | 152,332 | 9,981,134 |
| Direct mail and dues notices | 5,997,916 | 360,575 | 9,452,625 | 31,999,205 | 298,765 | 102,132 | 48,211,218 |
| Miscellaneous | 31,936 | 89,792 | 17,893 | 52,068 | 2,599 | 2,543 | 196,831 |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 28,811,307</u> | <u>\$ 18,739,549</u> | <u>\$ 15,001,154</u> | <u>\$ 37,975,369</u> | <u>\$ 4,275,802</u> | <u>\$ 1,132,338</u> | <u>\$ 105,935,519</u> |

See notes to financial statements.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED AUGUST 31, 2024

| | Program Services | | | Supporting Services | | | Total |
|----------------------------------|-----------------------------------|---|--|-----------------------------|---|---|-----------------------------|
| | Veterans Service Activities | Fraternal and Member Service Activities | Community Service and Public Awareness | Fundraising Activities | Management and General Activities | Membership Development Activities | |
| Salaries and employment benefits | \$ 8,556,144 | \$ 5,820,319 | \$ 1,311,677 | \$ 545,924 | \$ 1,297,843 | \$ 528,963 | \$ 18,060,870 |
| Travel | 1,911,428 | 1,927,062 | 233,004 | 5,378 | 144,038 | 38,676 | 4,259,586 |
| Office expenses | 513,841 | 519,184 | 128,177 | 55,633 | 67,488 | 106,397 | 1,390,720 |
| Professional services | 535,097 | 557,361 | 187,572 | 4,490,542 | 1,395,245 | 89,817 | 7,255,634 |
| Depreciation | 498,929 | 428,741 | 120,275 | 42,690 | 76,179 | 37,399 | 1,204,213 |
| Occupancy | 857,358 | 426,392 | 201,937 | 63,437 | 66,394 | 44,751 | 1,660,269 |
| Grants and other assistance | 10,284,382 | 1,403,315 | 1,110,239 | | | | 12,797,936 |
| Advertising and promotion | 814,839 | 8,197,002 | 599,411 | | | 233,933 | 9,845,185 |
| Direct mail and dues notices | 3,855,157 | 238,896 | 7,224,960 | 29,950,026 | 269,135 | 117,665 | 41,655,839 |
| Miscellaneous | 169,110 | 173,416 | 50,106 | 103,466 | 27,907 | 25,850 | 549,855 |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 27,996,285</u> | <u>\$ 19,691,688</u> | <u>\$ 11,167,358</u> | <u>\$ 35,257,096</u> | <u>\$ 3,344,229</u> | <u>\$ 1,223,451</u> | <u>\$ 98,680,107</u> |

See notes to financial statements.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

| | 2025 | 2024 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 8,487,389 | \$ 16,963,565 |
| Adjustments to reconcile change in net assets to cash provided by operating activities: | | |
| Net realized and unrealized gain on investments | (13,781,358) | (24,437,459) |
| Depreciation | 1,089,715 | 1,204,213 |
| Pension and post retirement asset | (620,224) | (2,496,523) |
| Changes in: | | |
| Receivables | (1,930,536) | 3,546,769 |
| Inventories | (85,652) | (657,234) |
| Prepaid expenses | (74,700) | 366,228 |
| Accounts payable | 1,935,393 | (208,816) |
| Due to broker for pending trade settlements | 1,879,028 | (1,725,052) |
| Accrued and other liabilities | 726,572 | (220,098) |
| Life member dues for future distribution-States and Posts | 4,318,289 | 8,063,600 |
| Deferred revenue | <u>737,912</u> | <u>657,369</u> |
| Net cash provided by operating activities | 2,681,828 | 1,056,562 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (2,595,483) | (737,029) |
| Proceeds from sales of property and equipment | 384 | |
| Purchases of investments | (175,809,688) | (206,750,411) |
| Proceeds from sales or maturities of investments | <u>170,789,678</u> | <u>203,584,715</u> |
| Net cash used in investing activities | <u>(7,615,109)</u> | <u>(3,902,725)</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | (4,933,281) | (2,846,163) |
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>15,032,632</u> | <u>17,878,795</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 10,099,351</u> | <u>\$ 15,032,632</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid for income taxes and interest | <u>\$ -</u> | <u>\$ -</u> |

See notes to financial statements.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED AUGUST 31, 2025 AND 2024

1. DESCRIPTION OF THE ORGANIZATION

Nature of Activities – The Veterans of Foreign Wars of the United States (the “VFW”) was established in 1899 and chartered by Congress in 1936 and is exempt from Federal income taxes under Section 501(c)(19) of the Internal Revenue Code (the “IRC”). The VFW’s purpose is to provide fraternal, patriotic, historical, and education services; to assist worthy veterans; to perpetuate the memory and history of our dead, and to assist their widows and orphans; to maintain true allegiance to the government of the United States of America, and fidelity to its constitution and law; to foster true patriotism; to maintain and extend the institutions of American freedom; and to preserve and defend the United States from all of her enemies.

The financial statements of the VFW exclude the financial statements of the various state departments (“State Departments”), and local posts (“Posts”) affiliated with the VFW, since the VFW neither controls nor has an economic interest in such entities.

The mission of the VFW is accomplished through the following activities:

Veterans Service Activities – The VFW’s mission includes the mandate to preserve and strengthen comradeship among veterans and to provide assistance to them, their widows and orphans. To meet this obligation, VFW delivers a broad range of programs and services to veterans through a national organization structure that extends to posts in communities throughout the world. The service officer plays a key role in assisting veterans in dealing with the Department of Veterans Affairs (VA) and other agencies. These officers are formally trained and accredited to represent veterans and their family members or survivors in applying for and obtaining VA benefits. This program ensures that no veteran, family member, or survivor needs to interact with the agencies administering veteran’s programs without expert representation. In addition, professionally trained, VA accredited VFW representatives advocate directly with governmental agencies to resolve issues impacting veterans. For the 2025 federal fiscal year, the VA reported over 590,000 veterans and eligible dependents represented by VFW service officers received more than \$14.6 billion in earned benefits. Additionally, the VFW testifies before Congress over twenty times every year on important issues impacting veterans.

Fraternal and Member Service Activities – This vital component of the VFW’s operations helps the VFW accomplish its mission at state and local levels. This includes grants to VFW Posts and State Departments and providing training on leadership and administration with the information needed to mobilize volunteer efforts in communities around the world. These efforts include patriotic activities, community projects, youth activities and support of active-duty military personnel. The VFW also provides other administrative support to allow VFW Posts and State Departments to focus their resources on veteran service and community service activities. The VFW provides a magazine to members to promote historical education, and commemoration and promotion of patriotic activities. This magazine ensures members remain apprised of legislative issues concerning veterans, health problems confronting veterans, historical and commemorative events, activities provided by members in their local communities and other information to encourage members to take action.

Community Service and Public Awareness – The VFW has a comprehensive set of educational and informational programs, materials, and activities that reach out to Americans throughout the year. The major elements of Community Service include community activities, citizenship education, safety programs, and youth activities. The VFW provides educational materials that are geared to remind, educate, and inform citizens of their country’s traditions, freedoms, and the need to preserve and protect them. This includes information about honoring the flag, proper flag display, the flag history, as well as periodic distribution of free flags. The VFW also distributes information about the *Declaration of Independence*, the *Constitution*, and other important historical documents, as well as publication and dissemination of information concerning official patriotic holidays.

Management and General and Fundraising – Expenses related to providing oversight of business management, budgeting, financing and other administrative and fundraising functions of the VFW.

Membership Development Activities – Expenses related to membership development and engagement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. To ensure observance of limitations and restrictions placed on the use of resources available to the VFW, resources are classified for accounting and financial purposes into categories established according to their nature and purposes. The net assets of the VFW are reported in two categories as follows:

Without donor restrictions: These are resources that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the VFW. By action of the Council, certain net assets without donor restrictions have been designated for long-term investment or other special purposes.

With donor restrictions: These are resources whose use by the VFW is limited by donor imposed restrictions that either expire by the passage of time, can be fulfilled by actions of the VFW or include a stipulation that assets be retained and invested in perpetuity while permitting the VFW to use all or part of the investment return on these assets for specified or unspecified purposes. The VFW has no perpetually restricted net assets.

Cash and Cash Equivalents – VFW considers all unrestricted, highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash and money market accounts. The VFW places its temporary cash investments with high-credit-quality financial institutions. The VFW held cash equivalents consisting of money market funds of \$3,122,761 and \$8,101,365 as of August 31, 2025 and 2024, respectively. VFW has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Management periodically evaluates the financial stability of these financial institutions and considers the risk to be minimal.

Inventories – Inventories are stated at the lower cost or market, determined using the first-in, first-out method. The inventory reserve was approximately \$73,000 and \$71,000 as of August 31, 2025 and 2024, respectively.

Investment Valuation and Income Recognition – The VFW's Investments are carried at fair value. Investment return, which includes interest and dividends and realized and unrealized gains and losses, is included in the statements of activities and changes in net assets. Investment expenses, such as custodial fees, investment advisory fees and direct internal investment expenses are netted against investment return. Fair values are based on quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

The VFW invests in limited partnerships and mutual funds which hold various securities, including U.S. government securities, corporate debt instruments, and corporate stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Receivables – Accrued interest receivable is related to investment income the VFW has earned on its portfolio but not yet received. Unconditional pledges received are recorded at net realizable value. Accounts receivable consist of amounts owed to the VFW by customers and amounts owed to the VFW by their professional fundraiser.

Accounts receivable are shown net of an allowance for doubtful accounts. Management establishes a reserve for losses on its accounts receivable based on historic loss experience and current economic conditions. The allowance for uncollectible accounts was approximately \$97,000 and \$56,000 as of August 31, 2025 and 2024, respectively. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. All receivables are expected to be collected within one year.

Property and Equipment – Property and equipment, including improvements (with a purchase price of \$1,000 or more) are valued at cost, and depreciated or amortized over the estimated useful lives of the assets using the straight-line method. Repairs and maintenance charges that do not increase the useful lives of the assets are charged to expenses as incurred. The estimated useful lives are as follows:

| | |
|-------------------------------------|-------------|
| Buildings and building improvements | 15-30 years |
| Furniture, fixtures, and equipment | 3-5 years |

Long-Lived Assets – Management periodically reviews long-lived assets for impairment relating to events or changes in circumstances that would indicate that the carrying amount of an asset may not be recoverable. In the event a long-lived asset was determined to be impaired, such asset would be required to be written down to its fair value, with the loss recognized in the statement of activities and changes in net assets. There has been no indication of impairment of long-lived assets as of August 31, 2025 and 2024.

Revenue and Revenue Recognition – The VFW benefits from several different revenue sources, as follows:

Contributions and Gifts – The VFW recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. Contributions received are classified as net assets with donor restrictions or net assets without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction expires or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Intentions to give and conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. There were no conditional promises to give at August 31, 2025 or 2024.

Membership Dues – A portion of VFW's revenue is derived from annual membership dues paid by its members and from life membership dues. Dues revenue includes access to a multitude of benefits. Access to these benefits is voluntary and can occur during the membership period and are treated as part of the membership itself, rather than multiple performance obligations. Annual dues are collected in advance and are recognized as revenue ratably over the term of the membership period. Life member dues are recognized ratably over the estimated actuarially determined life of the member.

A portion of the annual and life membership dues collected by the VFW are for the benefit of State Departments and Posts. These amounts are not considered revenue for the VFW and are recognized as a liability in the statements of financial position. Amounts received for life memberships are held in the Life Membership Fund, and subject to annual spending and distribution policies as established by the National Council of Administration.

Supply, Buddy Poppy, and Other Sales – Revenue is recognized upon shipment of goods to the customer, which is when customers are billed.

Advertising Revenue – Revenue is recognized when a customer's advertisement is printed in the publication. Advertising revenue is billed to the customer in advance of the first placement.

Rental Income – Revenue is generated by tenants from the rental of office space. Revenue is recognized on a monthly, straight-line basis over the terms of the lease.

Revenue Disaggregation – The VFW disaggregates revenue from contracts with customers into major revenue streams and the timing of recognizing revenue. Revenue generated from annual and life membership dues and rental income are primarily recognized over the performance obligation period, while the revenue generated from supply, buddy poppy and other product sales and advertising is recognized at a point-in-time. The revenue disaggregated by the timing of recognition for the years ended August 31, 2025 and 2024, are as follows:

| | 2025 | 2024 |
|---------------|----------------------|----------------------|
| Point-in-time | \$ 10,591,463 | \$ 11,214,512 |
| Over time | <u>8,947,179</u> | <u>8,989,271</u> |
| | <u>\$ 19,538,642</u> | <u>\$ 20,203,783</u> |

Contract Balances – The timing of revenue recognition, billings and cash collections results in contract assets, receivables and contract liabilities. Contract assets would exist when the entity has a contract with a customer for which revenue has been recognized but customer payment is contingent on a future event. VFW revenue is based on delivered goods and services and is generally limited to amounts that are not contingent on future events, therefore, not resulting in a contract asset being recognized. The VFW records receivables when the right to consideration becomes unconditional. There were no contract assets at August 31, 2025 or 2024.

Contract liabilities include life membership dues, annual membership dues and other unearned revenue when the VFW receives payment from customers before revenue is recognized. Contract liabilities are shown in deferred revenue as follows:

| | 2025 | 2024 | 2023 |
|--|----------------------|----------------------|----------------------|
| Life member dues - National Headquarters | \$ 31,880,717 | \$ 31,124,695 | \$ 30,291,655 |
| Annual membership dues | 3,943,006 | 4,071,456 | 4,095,899 |
| Other | <u>959,947</u> | <u>849,607</u> | <u>1,000,835</u> |
| | <u>\$ 36,783,670</u> | <u>\$ 36,045,758</u> | <u>\$ 35,388,389</u> |

Payment Terms – The majority of the payment terms of the VFW's revenue streams are billed in advance of the performance obligation including life and annual membership dues, advertising, and sale of products.

Income Taxes – VFW is exempt from income taxes under Section 501(c)(19) of the IRC and a similar provision of state law. VFW may be subject to federal income taxes on the net income from certain activities that generated unrelated business income. VFW records any interest and penalties related to income taxes as a part of management and general expenses. Taxable income arising from the operation of these activities is not significant. Accordingly, no uncertain tax positions, or interest and penalties related to uncertain tax positions, have been noted and no amounts have been recorded at August 31, 2025 or 2024.

VFW is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The VFW incurs expenses that directly relate to, and can be assigned to, specific programs or supporting activities. The VFW also conducts activities attributable to more than one functional category. These costs which are not specifically attributable to a specific activity, for example, salaries and employee benefits, depreciation, and office expenses are allocated by management on a consistent basis among the activities impacted, based on either financial or non-financial data, such as estimates of time and effort incurred by personnel.

The VFW allocates joint advertising costs that meet the criteria for purpose, audience and content between fundraising and program expenses. Accordingly, the VFW allocates joint costs that benefit program activities and include a fundraising appeal. The VFW has various calls to action to enlist the public to take actions to support our veterans and display their patriotic support, and to encourage the public to take an opportunity to thank veterans for their sacrifices in serving our country. These joint costs are incurred through certain direct mail campaigns.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in these financial statements include the actuarial calculations of the pension benefits, postretirement benefits, the Life Membership Fund, and useful lives of property and equipment.

Date of Management’s Review – Subsequent events have been evaluated through November 21, 2025, the date that these financial statements were available to be issued, and there were no material events or transactions requiring additional disclosure or recognition in the financial statements.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the VFW’s financial assets available to meet general expenditures within one year at August 31:

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Financial assets at year-end: | | |
| Cash and cash equivalents | \$ 10,099,351 | \$ 15,032,632 |
| Investments | 256,690,198 | 237,888,830 |
| Receivables | <u>4,504,070</u> | <u>2,573,534</u> |
| Total financial assets | 271,293,619 | 255,494,996 |
| Amounts not available to be used within one year: | | |
| Life Membership financial assets | 137,503,659 | 129,394,776 |
| Council-designated and other assets | 33,531,285 | 31,838,138 |
| Net assets with donor restrictions | <u>5,947,014</u> | <u>6,397,378</u> |
| Total financial assets not available within one year | <u>176,981,958</u> | <u>167,630,292</u> |
| Financial assets available to meet general expenditures within a year | <u>\$ 94,311,661</u> | <u>\$ 87,864,704</u> |

The VFW regularly monitors the availability of resources required to meet its operating needs, while also striving to maximize the investment of its available funds. Excess cash is invested in marketable debt and equity securities or mutual funds that are highly liquid and can be converted to cash in a short period of time. The VFW manages cash flows on a weekly basis and has the ability to access the funds in investments as needed.

In addition to financial assets available to meet general expenditures over the next twelve months, the VFW operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The VFW receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

4. INVESTMENTS

Investments, at fair value were as follows as of August 31:

| | 2025 | 2024 |
|----------------------------------|-----------------------|-----------------------|
| Equity securities | \$ 45,219,562 | \$ 47,351,802 |
| Mutual funds | 90,680,406 | 75,106,090 |
| Limited partnership interests | 32,250,004 | 30,873,468 |
| Fixed income: | | |
| Government or agency securities | 43,056,114 | 39,880,740 |
| Corporate bonds | <u>45,484,112</u> | <u>44,676,730</u> |
| Total investments, at fair value | <u>\$ 256,690,198</u> | <u>\$ 237,888,830</u> |

Investments by fund are as follows at August 31:

| | 2025 | 2024 |
|---|-----------------------|-----------------------|
| National HQ and Community & Veterans Service Funds and other funds | \$ 120,906,206 | \$ 113,360,819 |
| Life Membership Fund | <u>135,783,992</u> | <u>124,528,011</u> |
| Total investments, by fund | <u>\$ 256,690,198</u> | <u>\$ 237,888,830</u> |

The following table summarizes the net investment return as included in the Statement of Activities for the year ended August 31:

| | 2025 | 2024 |
|----------------------------|----------------------|----------------------|
| Interest and dividends | \$ 4,240,611 | \$ 4,147,261 |
| Appreciation in fair value | 8,999,084 | 16,827,074 |
| Investment expenses | <u>(406,069)</u> | <u>(387,825)</u> |
| | <u>\$ 12,833,626</u> | <u>\$ 20,586,510</u> |

5. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or most advantageous market, at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. FASB ASC 820, *Fair Value Measurements*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices for identical assets in active markets that the plan has the ability to access.

Level 2 – Inputs other than Level 1 inputs which are either directly or indirectly observable.

Level 3 – Unobservable inputs developed using management's estimates and assumptions, which reflect those which market participants would use.

The VFW evaluates its hierarchy disclosure for each reporting period. Based on various factors, it is possible that an asset or liability may be classified differently from one reporting period to another. However, the VFW expects the changes in classifications between different levels will be rare. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2025 and 2024:

Money market funds – Valued based on quoted market prices of highly rated short-term issuance managed with the primary goal of preserving principal while providing reasonable yield. It is possible for the value of these funds to be valued below one U.S. dollar.

Mutual funds and equity securities – Valued based on quoted market prices of the underlying assets.

Government or agency securities – Valued using recent trade information for identical or similar securities using feeds from a number of live data sources including active market makers and inter-dealer brokers.

Corporate bonds – Value determined through evaluated bid prices based on recent trading activity. If no active market is available, other relevant information, including market interest rate curves and referenced credit spreads, and estimated prepayment rates, where applicable, are used for valuation purposes as provided by third-party pricing services.

Limited partnership interests – Valued at net asset value (“NAV”) per share. The fund’s NAV is calculated on the basis of pricing information obtained from various sources, including pricing vendors, one or more broker/dealers as directed by the fund (or its investment manager), and administrators of funds in which the fund may be invested. Management obtains and considers the fund’s audited financial statements when evaluating the overall reasonableness of the recorded value. Audited information is typically available annually, based on the partnerships’ or investments’ year-end. The financial statements of these investments are audited annually by independent auditors. The VFW’s financial assets measured at fair value on a recurring basis, were as follows:

| | Fair Value Measurements Using: | | | Total |
|--------------------------------------|---|----------------------|----------------|-----------------------|
| | Level 1 | Level 2 | Level 3 | |
| August 31, 2025: | | | | |
| Money market funds | \$ 9,399,350 | | | \$ 9,399,350 |
| Equity securities | 45,219,562 | | | 45,219,562 |
| Mutual funds | 90,680,406 | | | 90,680,406 |
| Fixed income: | | | | |
| Government or agency securities | | \$ 43,056,114 | | 43,056,114 |
| Corporate bonds | | 45,484,112 | | 45,484,112 |
| Total assets in fair value hierarchy | <u>\$ 145,299,318</u> | <u>\$ 88,540,226</u> | <u>\$ -</u> | 233,839,544 |
| Investments measured at NAV: | | | | |
| Limited partnership interest | | | | <u>32,250,004</u> |
| Total assets at fair value | | | | <u>\$ 266,089,548</u> |

| | Fair Value Measurements Using: | | | Total |
|---|---|-----------------------------|--------------------|------------------------------|
| | Level 1 | Level 2 | Level 3 | |
| August 31, 2024: | | | | |
| Money market funds | \$ 14,303,232 | | | \$ 14,303,232 |
| Equity securities | 47,351,802 | | | 47,351,802 |
| Mutual funds | 75,106,090 | | | 75,106,090 |
| Fixed income: | | | | |
| Government or agency securities | | \$ 39,880,740 | | 39,880,740 |
| Corporate bonds | | 44,676,730 | | 44,676,730 |
| Total assets in fair value hierarchy | <u>\$ 136,761,124</u> | <u>\$ 84,557,470</u> | <u>\$ -</u> | 221,318,594 |
| Investments measured at NAV: | | | | |
| Limited partnership interest | | | | <u>30,873,468</u> |
| Total assets at fair value | | | | <u>\$ 252,192,062</u> |

The following table presents investments valued at NAV at August 31:

| | | Fair Value | Redemption Frequency | Redemption Notice Period | Unfunded Commitments |
|------------------------------|------------|----------------------|---------------------------------|-------------------------------------|---------------------------------|
| August 31, 2025: | | | | | |
| Limited partnership interest | (a) | \$ 29,842,413 | Monthly | 5 days | None |
| Limited partnership interest | (b) | <u>2,407,591</u> | Semi-annual | 180 days | None |
| | | <u>\$ 32,250,004</u> | | | |
| August 31, 2024: | | | | | |
| Limited partnership interest | (a) | \$ 27,841,977 | Monthly | 5 days | None |
| Limited partnership interest | (b) | <u>3,031,491</u> | Semi-annual | 180 days | None |
| | | <u>\$ 30,873,468</u> | | | |

(a) The fund's objective is to seek long-term capital appreciation by investing primarily in equity securities or depository receipts of large non-U.S. domiciled companies. Using a bottom-up, clearly defined investment process, the fund seeks to identify companies with attractive fundamentals and a high probability for superior future growth. A Limited Partner ordinarily may withdraw all or a portion of its capital account from the fund upon at least five business days' prior to written notice to the General Partner. The payment of partial withdrawals is generally made within 30 days of the effective withdrawal date; however, in the event a Partner withdraws 90% or more of the funds from the Partner's capital account, a portion (generally not to exceed 5%) of the withdrawal payment may be retained by the General Partner pending final reconciliation of valuations from the withdrawal date.

(b) The fund is a diversified and multi-strategy fixed income fund making investments in primarily private credit investments and managing fund liquidity through semi-liquid fixed income and high yield bonds. Fund withdrawals are subject to a 180-day notice period, and investors may submit withdrawal requests on a semi-annual basis (June 30 and December 31). Each Limited Partner's initial capital contribution to a Fund shall be subjected to a 12-month lock-up period (Lock-Up Period) during which such capital (and any earnings thereon) may not be withdrawn from such fund unless the Lock-Up Period is waived or reduced by the General Partner. After the end of each quarter, and upon each subscription and withdrawal, the Manager will prepare valuation reports in respect of all new fund investments for each fund and updates of all reports prepared in respect of previously acquired investments for each Fund. The Valuation Agent and the Administrator shall provide the valuations of each Fund's portfolio to the Manager and shall conduct independent market and company research as they deem appropriate to verify such valuation determinations.

6. PROPERTY AND EQUIPMENT

Components of property and equipment were as follows at August 31:

| | 2025 | 2024 |
|-------------------------------------|---------------------|---------------------|
| Land | \$ 1,435,663 | \$ 1,435,663 |
| Buildings and building improvements | 22,188,123 | 19,896,855 |
| Furniture, fixtures, and equipment | <u>13,263,713</u> | <u>13,345,412</u> |
| Total property and equipment | 36,887,499 | 34,677,930 |
| Less accumulated depreciation | <u>(28,660,104)</u> | <u>(27,955,919)</u> |
| Property and equipment, net | <u>\$ 8,227,395</u> | <u>\$ 6,722,011</u> |

Total depreciation expense was \$1,089,715 and \$1,204,213 the years ended August 31, 2025 and 2024, respectively.

7. LIFE MEMBERSHIP FUND

The Life Membership Fund includes the accumulated investment earnings and the undistributed life membership dues received from life members of the VFW. All life member dues and income earned from the investment of life member dues received are to be used solely for the payment of annual amounts to National Headquarters, State Departments, and Posts on behalf of life members and for administrative expenses of the Life Membership Fund. Accordingly, a significant portion of the Life Membership Fund represents funds held by the VFW on behalf of the State Departments and Posts. Such amounts are included in "life member dues for future distributions – State Departments and Posts" in the accompanying statements of financial position. Annual distributions from the Life Member Fund are made to State Departments, Posts and the National Headquarters based on policies established by the National Council of Administration in accordance with the bylaws of the VFW.

Generally, in the earlier years of a life membership agreement, the amounts recognized as revenue from the amortization of the life membership dues and investment income on such funds by National Headquarters will exceed the amount of cash which may be transferred to National Headquarters. This results in the recognition of net assets attributable to National Headquarters within the Life Membership Fund.

Major activity within the Life Membership Fund is as follows as of and for the year ended August 31:

| | 2025 | | | |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | Life Membership | | | |
| | Obligation to | Deferred | Net Assets | |
| | State Depts. | Revenue | National | Total |
| | and Posts | National | National | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Balance, September 1, 2024 | \$ 83,762,003 | \$31,124,695 | \$12,667,325 | \$ 127,554,023 |
| Life membership dues received | 6,096,552 | 3,395,359 | | 9,491,911 |
| Investment return, net | 6,778,331 | | 3,775,063 | 10,553,394 |
| Amortization of life member dues | | (2,639,337) | 2,639,337 | |
| Distribution of membership dues | (8,236,389) | | (4,587,100) | (12,823,489) |
| Supporting services expenses | <u>(320,205)</u> | | <u>(178,332)</u> | <u>(498,537)</u> |
| Balance, August 31, 2025 | <u>\$ 88,080,292</u> | <u>\$31,880,717</u> | <u>\$ 14,316,293</u> | <u>\$ 134,277,302</u> |

2024
Life Membership

| | Obligation to State Depts. and Posts | Deferred Revenue National | Net Assets National | Total |
|-------------------------------------|---|--|--------------------------------|-----------------------|
| Balance, September 1, 2023 | \$ 75,698,403 | \$ 30,291,655 | \$ 9,062,700 | \$ 115,052,758 |
| Life membership dues received | 6,184,899 | 3,437,973 | | 9,622,872 |
| Investment return, net | 9,714,614 | | 5,400,021 | 15,114,635 |
| Amortization of life member dues | | (2,560,320) | 2,560,320 | |
| Distribution of membership dues | (7,512,459) | | (4,175,919) | (11,688,378) |
| Change in deferred installment fees | | (44,613) | | (44,613) |
| Supporting services expenses | (323,454) | | (179,797) | (503,251) |
| Balance, August 31, 2024 | <u>\$ 83,762,003</u> | <u>\$ 31,124,695</u> | <u>\$ 12,667,325</u> | <u>\$ 127,554,023</u> |

8. NET ASSETS

The National Headquarters & Community & Veterans Service Fund is a resource of the VFW that provides the funds necessary to operate the VFW, including the VFW magazine, perform fundraising activities, promote, and maintain membership and carry out VFW's programmatic activities. Additional net assets without donor restrictions include the Life Membership Fund, and net assets which have been designated by the National Council of Administration (the "Council") for specific purposes.

Net assets without donor restrictions were as follows as of August 31:

| | 2025 | 2024 |
|---|-----------------------|-----------------------|
| National Headquarters & Community & Veterans Service Fund | \$ 87,843,170 | \$ 82,793,424 |
| Life Membership Fund | 14,316,293 | 12,667,325 |
| Council-designated funds for the following purposes: | | |
| Veterans service activities | 27,620,281 | 26,874,036 |
| Fraternal and member service activities | 6,317,916 | 5,334,895 |
| Community service and public awareness | <u>1,960,518</u> | <u>2,005,983</u> |
| Total net assets without donor restrictions | <u>\$ 138,058,178</u> | <u>\$ 129,675,663</u> |

Net assets with donor restrictions were held for the following purposes as of August 31:

| | 2025 | 2024 |
|---|---------------------|---------------------|
| Veteran service activities: | | |
| Veterans assistance | \$ 2,896,459 | \$ 2,967,906 |
| Veteran recognition | 17,922 | 18,867 |
| Community service and public awareness: | | |
| Communication and promotion | 377,789 | 444,792 |
| Scholarships and youth activities | <u>4,589,609</u> | <u>4,345,340</u> |
| | <u>\$ 7,881,779</u> | <u>\$ 7,776,905</u> |

Net assets were released from restriction by satisfying the restricted purposes as stipulated by the donors as follows for the year ended August 31:

| | 2025 | 2024 |
|---|---------------------|-------------------|
| Veteran service activities: | | |
| Veterans assistance | \$ 865,408 | \$ 583,259 |
| Veteran recognition | 945 | 7,683 |
| Community service and public awareness: | | |
| Communication and promotion | 67,003 | 146,324 |
| Scholarships and youth activities | 115,858 | 142,240 |
| | <u>\$ 1,049,214</u> | <u>\$ 879,506</u> |

9. ALLOCATION OF JOINT COSTS

The VFW conducted activities that included requests for contributions, as well as programmatic components. Those activities primarily consisted of direct-mail campaigns. The costs of conducting those activities which are not specifically attributable to particular components of the activities (the joint costs) were allocated as follows for the year ended August 31:

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Program services: | | |
| Veterans service activities | \$ 5,737,397 | \$ 3,709,890 |
| Community services and public awareness | 9,036,335 | 6,945,542 |
| Supporting services: | | |
| Fundraising activities | 27,702,101 | 26,351,874 |
| Management and general | 290,571 | 258,704 |
| | <u>\$ 42,766,404</u> | <u>\$ 37,266,010</u> |

10. MARKETING SERVICE AGREEMENT

The VFW has entered into an agreement with a professional fundraising contractor to conduct a series of campaigns to enhance the mission, programs, and public awareness of the VFW. As a part of this agreement, the contractor has certain performance standards that must be achieved with respect to net income, cost ratios, acquisition of non-member donors and cash flows. With respect to net income, the contractor must attain a minimum net income on the direct mail campaigns and other programs covered by this agreement. If the contractor fails to meet the net income performance standard, then the contractor shall provide VFW with payments in an amount sufficient to cause the net income performance standards to be met. The net income performance standard was \$17,000,000 and \$19,288,999 for the fiscal years ended August 31, 2025 and 2024.

The net income performance standard was not met for the fiscal year ended August 31, 2024, and the VFW recorded a receivable in the amount of \$879,752. The balance was collected subsequent to the fiscal 2024 year end.

11. CONTINGENCIES

The VFW is a party to various legal actions rising in the ordinary course of its operations. In management's opinion, the VFW has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially affect the VFW's financial position, changes in net assets, or cash flows.

12. RELATED PARTY TRANSACTIONS

The VFW incurs certain expenses on behalf of the VFW Foundation. The total amount charged by the VFW for these reimbursable expenses amounted to \$959,445 and \$908,900 for the years ended August 31, 2025 and 2024, respectively. In addition, the VFW Foundation leases office space from the VFW and incurred rental expense under this lease of \$43,647 and \$43,212 for the years ended August 31, 2025 and 2024, respectively. The VFW Foundation also pays the VFW for certain accounting, human resource and legal services provided by the VFW employees. The VFW Foundation paid the VFW \$75,000 and \$60,000 for these services for each of the years ended August 31, 2025 and 2024, respectively.

The VFW Foundation provides certain contributions to the VFW. The total amount of contributions from the VFW Foundation to the VFW amounted to \$5,606,270 and \$3,231,160 for the years ended August 31, 2025 and 2024, respectively. As of August 31, 2025 and 2024, the VFW has recorded a receivable from the VFW Foundation in the amount of \$211,324 and \$62,723, respectively.

13. LEASING ACTIVITIES

The VFW leases office space under non-cancelable operating lease agreements with related parties and unrelated third parties. The original leases range from 1 to 5 years. Rental income was approximately \$1,199,000 and \$1,155,000 for the years ended August 31, 2025 and 2024, respectively. Future minimum lease payments expected to be received under the original terms of the leases are as follows:

| | Minimum Lease Payments |
|------|-----------------------------------|
| 2026 | \$ 845,495 |
| 2027 | 761,849 |
| 2028 | 604,709 |
| 2029 | 328,072 |
| 2030 | 47,107 |
| | <u>\$ 2,587,232</u> |

14. EMPLOYEE BENEFIT PLANS

The VFW has a defined benefit pension plan covering employees who have completed certain minimum service requirements. The VFW's funding policy is to contribute at least the amount required under the Employee Retirement Income Security Act ("ERISA"), as amended. Effective September 1, 2008, the VFW froze the benefit accrual on the traditional defined benefit pension plan and established a cash balance plan. Effective September 1, 2020, the cash balance pension plan is subject to a soft freeze by the VFW, whereby no employees hired from that date forward would become eligible for the plan.

The VFW also has a plan that provides medical and dental benefits for certain retired employees and their spouses (the postretirement plan). Retirees are eligible for the plan if they have at least 15 years of employment service (service with at least 1,000 hours annually), the employee is eligible for retirement under the "Rule of 80" provision as set forth in the VFW Retirement Plan, and the retiree moves directly from active to retired status. Employees who retired prior to November 1, 1994, will be provided with only the medical portion of benefits. Spouses are eligible for medical and dental benefits only with respect to those eligible retirees retiring after September 1, 2002. Coverage for the spouse terminates when the spouse reaches the age of 65. The amount provided to the postretirement plan by the VFW for each eligible retiree and spouse is limited to an amount equal to 80% of the 1995 premiums. Effective September 1, 2011, the postretirement plan is subject to a soft freeze, whereby no employees hired from that date forward would become eligible for the plan.

The funded status as of August 31, 2025, reconciled with the components of net periodic expense and amounts reflected in the financial statements, are as follows:

| | <u>Postretirement</u> | <u>Pension</u> | <u>Total</u> |
|--|-----------------------|-----------------------------|---------------------|
| Change in benefit obligation: | | | |
| Benefit obligation at beginning of year | 910,407 | 36,445,644 | 37,356,051 |
| Service cost | 5,931 | 427,457 | 433,388 |
| Interest cost | 43,727 | 1,717,024 | 1,760,751 |
| Actuarial gain | (262,863) | (1,638,430) | (1,901,293) |
| Benefits and expenses paid | (66,147) | (3,022,377) | (3,088,524) |
| Retiree contributions | <u>42,780</u> | <u> </u> | <u>42,780</u> |
| Change in benefit obligation | <u>(236,572)</u> | <u>(2,516,326)</u> | <u>(2,752,898)</u> |
| Projected benefit obligation at end of year | 673,835 | 33,929,318 | 34,603,153 |
| Change in plan assets: | | | |
| Fair value of plan assets at beginning of year | 3,502,861 | 39,714,215 | 43,217,076 |
| Net investment gain | 368,947 | 544,123 | 913,070 |
| Retiree contributions | 42,780 | <u> </u> | 42,780 |
| Benefits paid | (47,510) | (3,022,377) | (3,069,887) |
| Expenses paid | <u>(18,637)</u> | <u> </u> | <u>(18,637)</u> |
| Change in value of plan assets | <u>345,580</u> | <u>(2,478,254)</u> | <u>(2,132,674)</u> |
| Fair value of plan assets at end of year | <u>3,848,441</u> | <u>37,235,961</u> | <u>41,084,402</u> |
| Funded status at end of year | <u>\$ 3,174,606</u> | <u>\$ 3,306,643</u> | <u>\$ 6,481,249</u> |
| Amounts recognized in unamortized pension and postretirement asset - | | | |
| Net actuarial (gain) loss | <u>\$ (1,208,825)</u> | <u>\$ 8,477,092</u> | <u>\$ 7,268,267</u> |

The funded status as of August 31, 2024, reconciled with the components of net periodic expense and amounts reflected in the financial statements, are as follows:

| | <u>Postretirement</u> | <u>Pension</u> | <u>Total</u> |
|--|-----------------------|---------------------|---------------------|
| Change in benefit obligation: | | | |
| Benefit obligation at beginning of year | 1,111,588 | 37,831,658 | 38,943,246 |
| Service cost | 6,699 | 429,529 | 436,228 |
| Interest cost | 57,584 | 1,931,877 | 1,989,461 |
| Actuarial gain | (234,321) | (721,868) | (956,189) |
| Benefits and expenses paid | (85,788) | (3,025,552) | (3,111,340) |
| Retiree contributions | 54,645 | | 54,645 |
| Change in benefit obligation | <u>(201,181)</u> | <u>(1,386,014)</u> | <u>(1,587,195)</u> |
| Projected benefit obligation at end of year | 910,407 | 36,445,644 | 37,356,051 |
| Change in plan assets: | | | |
| Fair value of plan assets at beginning of year | 3,024,601 | 39,283,147 | 42,307,748 |
| Net investment gain | 509,403 | 3,456,620 | 3,966,023 |
| Retiree contributions | 54,645 | | 54,645 |
| Benefits paid | (67,800) | (3,025,552) | (3,093,352) |
| Expenses paid | (17,988) | | (17,988) |
| Change in value of plan assets | <u>478,260</u> | <u>431,068</u> | <u>909,328</u> |
| Fair value of plan assets at end of year | <u>3,502,861</u> | <u>39,714,215</u> | <u>43,217,076</u> |
| Funded status at end of year | <u>\$ 2,592,454</u> | <u>\$ 3,268,571</u> | <u>\$ 5,861,025</u> |
| Amounts recognized in unamortized pension and postretirement asset - | | | |
| Net actuarial (gain) loss | <u>\$ (907,800)</u> | <u>\$ 9,627,321</u> | <u>\$ 8,719,521</u> |

The components of net periodic pension cost for the postretirement and pension plans, were as follows as of August 31:

| | <u>2025</u> | | <u>2024</u> | |
|--------------------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | <u>Postretirement</u> | <u>Pension</u> | <u>Postretirement</u> | <u>Pension</u> |
| Components of net periodic cost: | | | | |
| Service cost | \$ 5,931 | \$ 427,457 | \$ 6,699 | \$ 429,529 |
| Interest cost | 43,727 | 1,717,024 | 57,584 | 1,931,877 |
| Expected return on assets | (236,769) | (1,928,663) | (186,542) | (2,138,967) |
| Recognized net actuarial (gain) loss | <u>(94,016)</u> | <u>896,339</u> | <u>(9,424)</u> | <u>1,401,907</u> |
| Net periodic cost (credit) | <u>\$ (281,127)</u> | <u>\$ 1,112,157</u> | <u>\$ (131,683)</u> | <u>\$ 1,624,346</u> |

Weighted-average assumptions were used to determine benefit obligations and net periodic postretirement and pension cost in the accompanying financial statements as follows as of August 31:

| | 2025 | | 2024 | |
|---|----------------|--------------|----------------|--------------|
| | Postretirement | Pension | Postretirement | Pension |
| Weighted-average assumptions: | | | | |
| Used to determine benefit obligation: | | | | |
| Discount rate | 5.33% | 5.24% | 4.94% | 4.93% |
| Rate of compensation, increased based on age-graded scale | N/A | 2.5% to 7.5% | N/A | 2.5% to 7.5% |
| Used to determine net periodic benefit cost: | | | | |
| Discount rate | 4.94% | 4.93% | 5.34% | 5.34% |
| Expected return on assets | 6.82% | 5.12% | 6.25% | 5.75% |

Primarily all the assets for the postretirement and pension plans are held by a trustee. Various fund managers have been retained to make investment decisions within the guidelines specified by the VFW. The guidelines permit investments in both equity and fixed income securities, including common stocks, corporate bonds and debentures, and U.S. government securities. Additionally, each plan permits an allocation to alternative funds that include real estate. The portfolio should be diversified, not only by asset class, but within asset classes as well. The purpose of asset diversification is to control risk by providing reasonable assurance that the performance of a single security, class of securities, or investment style does not affect the portfolio's aggregate results disproportionately. For the postretirement plan, asset allocation is primarily based on a strategy to provide stable earnings, while permitting the plan to recognize potentially higher returns through the investment in equity securities. For the pension plan, asset allocation is being phased into a liability driven investment strategy that moves the assets to fixed income securities that have durations that match the projected future obligations of the plan. This strategy helps mitigate the interest rate risks associated with pension plans.

The actual asset allocation and the target asset allocation for the VFW's plan assets were as follows:

| | Postretirement | | Pension | |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Actual Asset Allocation | Target Asset Allocation | Actual Asset Allocation | Target Asset Allocation |
| August 31, 2025: | | | | |
| Equity securities | 58% | 40% to 60% | 9% | 0% to 25% |
| Debt securities | 39% | 35% to 55% | 88% | 0% to 100% |
| Alternative and other investments | 0% | 0% to 15% | 0% | 0% to 15% |
| Cash and cash equivalents | 3% | 0% to 10% | 3% | 0% to 5% |
| August 31, 2024: | | | | |
| Equity securities | 60% | 40% to 60% | 10% | 0% to 25% |
| Debt securities | 36% | 35% to 55% | 87% | 0% to 100% |
| Alternative and other investments | 0% | 0% to 15% | 0% | 0% to 15% |
| Cash and cash equivalents | 4% | 0% to 10% | 3% | 0% to 5% |

For the year ending August 31, 2026, the VFW does not expect to contribute to the postretirement or pension plans. Benefit payments, which reflect expected future service, are expected to be paid as follows:

| <u>Years Ending</u> | <u>Postretirement</u> | <u>Pension</u> | <u>Total</u> |
|---------------------|-----------------------|---------------------|---------------------|
| 2026 | \$ 38,349 | \$ 4,045,340 | \$ 4,083,689 |
| 2027 | 45,849 | 3,319,453 | 3,365,302 |
| 2028 | 50,912 | 3,244,797 | 3,295,709 |
| 2029 | 56,348 | 3,124,859 | 3,181,207 |
| 2030 | 55,906 | 3,104,229 | 3,160,135 |
| 2031-2035 | <u>284,260</u> | <u>13,734,460</u> | <u>14,018,720</u> |
| | <u>\$ 531,624</u> | <u>\$30,573,138</u> | <u>\$31,104,762</u> |

No healthcare cost trend is applied to the postretirement plan because the VFW contributes a fixed amount toward the cost of healthcare coverage. Due to the postretirement plan design, retirees will absorb all future changes in healthcare costs; therefore, there is no effect on the VFW's accumulated postretirement benefit obligation or expense due to healthcare cost trend rate changes.

The entirety of the pension plan's investment is in the VFW Employees' Retirement Plan Trust ("Trust"), which was established for the investment of assets of the pension plan and the 17 VFW State Departments and the Auxiliary, which also participate in the plan. Each participating retirement plan has an undivided interest in the Trust. The assets of the Trust were held by U.S. Bank (the "Custodian") for the years ended August 31, 2025 and 2024.

The value of the pension plan's interest in the Trust is based on the beginning of year value of the plan's interest in the Trust plus actual contributions and allocated investment income less actual distributions and allocated administrative expenses. The VFW's interest in the net assets of the Trust was \$37,235,961, or approximately 83%, and \$39,714,215, or approximately 82% at August 31, 2025 and 2024, respectively. There are no restrictions on the redemption of the VFW's interest in the net assets of the Trust as of August 31, 2025. Investment income and administrative expenses relating to the Trust are allocated to the individual plans based upon average monthly balance of investments of each plan.

The fair value hierarchy for classifying fair value measurements of assets and liabilities as set forth in ASC 820 is disclosed in Note 5.

The Trust's assets measured at fair value on a recurring basis, subject to the disclosure requirements of ASC 715, *Compensation – Retirement Benefits*, were as follows at August 31:

| | Fair Value Measurements Using: | | | Total |
|--------------------------------------|---|----------------------|----------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| August 31, 2025: | | | | |
| Money market funds | \$ 1,434,964 | | | \$ 1,434,964 |
| Mutual funds | 4,972,529 | | | 4,972,529 |
| Government or agency securities | | \$ 10,423,869 | | 10,423,869 |
| Corporate bonds | | 25,788,736 | | 25,788,736 |
| | <u>6,407,493</u> | <u>\$ 36,212,605</u> | <u>\$ -</u> | <u>42,620,098</u> |
| Total assets in fair value hierarchy | | | | |
| Investments measured at NAV: | | | | |
| Limited partnership interest | | | | <u>2,425,349</u> |
| | | | | <u>\$ 45,045,447</u> |
| August 31, 2024: | | | | |
| Money market funds | \$ 1,234,248 | | | \$ 1,234,248 |
| Mutual funds | 4,629,336 | | | 4,629,336 |
| Government or agency securities | | \$ 16,943,809 | | 16,943,809 |
| Corporate bonds | | 22,290,339 | | 22,290,339 |
| | <u>5,863,584</u> | <u>\$ 39,234,148</u> | <u>\$ -</u> | <u>45,097,732</u> |
| Total assets in fair value hierarchy | | | | |
| Investments measured at NAV: | | | | |
| Limited partnership interest | | | | <u>3,176,083</u> |
| | | | | <u>\$ 48,273,815</u> |

The postretirement plan's assets measured at fair value on a recurring basis, subject to the disclosure requirements of ASC 715, *Compensation – Retirement Benefits*, were as follows at August 31:

| | Fair Value Measurements Using: | | | Total |
|--------------------------------------|---|---------------------|----------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| August 31, 2025: | | | | |
| Money market funds | \$ 126,961 | | | \$ 126,961 |
| Mutual funds | 2,381,952 | | | 2,381,952 |
| Government or agency securities | | \$ 721,382 | | 721,382 |
| Corporate bonds | | 607,285 | | 607,285 |
| | <u>2,508,913</u> | <u>\$ 1,328,667</u> | <u>\$ -</u> | <u>\$ 3,837,580</u> |
| Total assets in fair value hierarchy | | | | |
| August 31, 2024: | | | | |
| Money market funds | \$ 126,207 | | | \$ 126,207 |
| Mutual funds | 2,257,258 | | | 2,257,258 |
| Government or agency securities | | \$ 612,467 | | 612,467 |
| Corporate bonds | | 499,117 | | 499,117 |
| | <u>2,383,465</u> | <u>\$ 1,111,584</u> | <u>\$ -</u> | <u>\$ 3,495,049</u> |
| Total assets in fair value hierarchy | | | | |

The VFW has a severance pay plan, which provides benefits to employees upon termination who have been employed for at least 10 years. Effective January 1, 2020, the severance pay plan was subject to a soft freeze, whereby no employees hired from that date forward would become eligible for the plan. Effective September 1, 2023, the VFW froze the benefit accrual on the severance pay plan, and employees that were vested in the plan were provided with the option of having their accrued benefit paid out immediately, or upon separation from the VFW. The estimated remaining liability for those employees that elected to have their balance paid out upon separation was \$30,157 and \$58,245 as of August 31, 2025 and 2024, respectively. The related liability is reflected in the statements of financial position within accrued and other liabilities

The VFW has an executive severance payment plan, which provides benefits to employees upon termination who occupy an executive position at the time of termination. The estimated liability for such benefits as of August 31, 2025 and 2024, was \$474,259 and \$360,183, respectively. As of August 31, 2025 and 2024, \$474,259 and \$360,183, respectively, has been placed in a separate investment account to fund the vested portion of such liability. The related assets and liability are reflected in the statements of financial position as investments and accrued and other liabilities, respectively.

The VFW has a contributory savings plan (a "401(k) plan") available to employees in which they may defer a percentage of their salary. The VFW makes contributions to the plan based upon guidelines set forth in the plan. Total contributions made by the VFW were \$617,710 and \$614,046 for the fiscal years ended August 31, 2025 and 2024, respectively.
