



Abrams
Foster
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Williams, P.A.

DISABLED VETERANS NATIONAL FOUNDATION, INC.

**Financial Statements
and
Independent Auditor's Report**

Years Ended December 31, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Disabled Veterans National Foundation, Inc.
Lanham, MD

We have audited the accompanying financial statements of Disabled Veterans National Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities and changes in net assets (deficit), functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Certified Public Accountants & Business Advisors

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disabled Veterans National Foundation, Inc. as of December 31, 2018 and 2017, and the changes in its net assets (deficit), functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Note 11 to the financial statements, the Foundation has suffered recurring losses from operations and has a net deficiency in net assets. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 11. Our opinion is not modified with respect to this matter.



Abrams, Foster, Nole & Williams, P.A.
Certified Public Accountants
Baltimore, Maryland

July 15, 2019

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash	\$ 745,955	\$ 1,391,562
Accounts receivable	72,859	57,951
Donation receivable	642,799	279,680
Total current assets	1,461,613	1,729,193
Property and Equipment		
Office furniture and equipment	119,851	119,851
Leasehold improvements	17,153	15,149
Total	137,004	135,000
Less: accumulated depreciation	(72,683)	(48,533)
Net property and equipment	64,321	86,467
Noncurrent Assets		
Investments	1,757,956	1,848,686
Security deposit	9,946	9,946
Total noncurrent assets	1,767,902	1,858,632
Total Assets	\$ 3,293,836	\$ 3,674,292
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable	\$ 9,685,692	\$ 10,098,094
Grants payable	187,018	303,414
Accrued expenses	169,708	157,584
Deferred revenue	-	60,507
Total liabilities	10,042,418	10,619,599
Net Assets (Deficit)		
Without donor restrictions	(6,749,582)	(6,946,307)
With donor restrictions	1,000	1,000
Total net assets (deficit)	(6,748,582)	(6,945,307)
Total Liabilities and Net Assets (Deficit)	\$ 3,293,836	\$ 3,674,291

“The accompanying notes are an integral part of the financial statements”

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Activities and Changes in Net Assets (Deficit)
Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Public support	\$ 25,763,871	\$ -	\$ 25,763,871
Grant revenue	190,668	-	190,668
In-kind contributions	1,688,492	-	1,688,492
Name rental revenue	160,624	-	160,624
Interest and dividend income	30,889	-	30,889
Unrealized (loss) on investments	(166,085)	-	(166,085)
Realized gain on investments	40,056	-	40,056
Total unrestricted support and revenue	<u>27,708,515</u>	<u>-</u>	<u>27,708,515</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>27,708,515</u>	<u>-</u>	<u>27,708,515</u>
Expenses			
Program services	6,726,062	-	6,726,062
Management and general	1,984,745	-	1,984,745
Fundraising	18,800,984	-	18,800,984
Total expenses	<u>27,511,790</u>	<u>-</u>	<u>27,511,791</u>
Increase in unrestricted net assets	196,725	-	196,725
Net assets (deficit) at beginning of year	<u>(6,946,307)</u>	<u>1,000</u>	<u>(6,945,307)</u>
Net Assets (Deficit) at End of Year	<u>\$ (6,749,582)</u>	<u>\$ 1,000</u>	<u>\$ (6,748,582)</u>

“The accompanying notes are an integral part of the financial statements”

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Activities and Changes in Net Assets (Deficit)
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public support	\$ 25,494,552	\$ -	\$ 25,494,552
Grant revenue	25,187	-	25,187
In-kind contributions	2,550,903	-	2,550,903
Name rental revenue	114,419	-	114,419
Interest and dividend income	60,871	-	60,871
Net unrealized gain on investments	108,932	-	108,932
Realized gain on investments	27,492	-	27,492
Total unrestricted support and revenue	28,382,356	-	28,382,356
Net assets released from restrictions	-	-	-
Total support and revenue	28,382,356	-	28,382,356
Expenses			
Program services	7,986,795	-	7,986,795
Management and general	2,400,252	-	2,400,252
Fundraising	20,973,512	-	20,973,512
Total expenses	31,360,560	-	31,360,560
Decrease net assets (deficit)	(2,978,203)	-	(2,978,203)
Net assets (deficit) at beginning of year	(3,968,104)	1,000	(3,967,104)
Net Assets (Deficit) at End of Year	\$ (6,946,307)	\$ 1,000	\$ (6,945,307)

“The accompanying notes are an integral part of the financial statements”

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Functional Expenses
Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>
Goods and aid supplied	\$ 1,723,839	\$ -	\$ -	\$ 1,723,839
Grants - individuals	4,328	-	-	4,328
Grants - outside organizations	750,000	-	-	750,000
Direct mail - package costs	2,838,991	500,771	13,359,018	16,698,780
Direct mail - postage costs	913,618	161,219	4,299,377	5,374,214
Direct mail - caging	90,025	22,799	451,298	564,122
Advertising	-	272,883	-	272,883
Bank fees	73,852	13,033	299,232	386,117
Depreciation	-	24,150	-	24,150
IT and database management	52,463	32,155	229,321	313,939
Insurance	-	14,445	-	14,445
Legal and professional fees	8,519	104,913	1,717	115,149
License & permits	-	745	-	745
List management fees	678	120	3,191	3,989
Meeting expense	120	-	-	120
Office expense	28,921	45,653	2,235	76,809
Payroll and related expenses	196,668	623,939	151,884	972,491
Rent	24,093	71,653	-	95,746
Telephone & communication	1,364	44,985	504	46,853
Travel	18,583	51,281	3,207	73,071
Total	<u>\$ 6,726,062</u>	<u>\$ 1,984,745</u>	<u>\$ 18,800,984</u>	<u>\$ 27,511,790</u>

“The accompanying notes are an integral part of the financial statements”

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Functional Expenses
Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>
Goods and aid supplied	\$ 2,387,066	\$ -	\$ -	\$ 2,387,066
Grants - individuals	11,773	-	-	11,773
Grants - outside organizations	942,890	-	-	942,890
Direct mail - package costs	3,010,552	532,493	14,172,171	17,715,216
Direct mail - postage costs	1,065,319	187,997	4,991,205	6,244,521
Direct mail - caging	96,382	17,009	475,615	589,006
Advertising	-	477,364	-	477,364
Bank fees	36,219	11,193	170,441	217,853
Depreciation	-	21,848	-	21,848
IT and database management	193,949	48,141	939,619	1,181,709
Insurance	-	8,460	-	8,460
Legal and professional fees	9,706	92,483	245	102,434
License & permits	-	3,858	-	3,858
List management fees	260	46	1,222	1,528
Meeting expense	240	-	-	240
Office expense	40,856	62,242	4,655	107,753
Payroll and related expenses	169,593	692,759	204,670	1,067,022
Rent	6,086	102,540	-	108,626
Telephone & communication	2,081	61,451	9,792	73,324
Travel	13,823	80,368	3,877	98,068
Total	<u>\$ 7,986,795</u>	<u>\$ 2,400,252</u>	<u>\$ 20,973,512</u>	<u>\$ 31,360,560</u>

“The accompanying notes are an integral part of the financial statements”

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 196,725	\$ (2,978,203)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,150	21,848
Realized and unrealize (loss) on investments	126,029	(136,424)
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(14,908)	(19,807)
Donation receivable	(363,119)	(59,737)
Prepaid expenses	-	4,946
Security deposit	-	2,231
Increase (decrease) in liabilities		
Accounts payable	(412,402)	2,038,964
Grants payable	(116,396)	274,414
Accrued salaries and related expenses	12,124	(7,963)
Deferred revenue	(60,507)	60,507
Total adjustments	<u>(805,029)</u>	<u>2,178,979</u>
Net cash (used) provided by operating activities	<u>(608,304)</u>	<u>(799,224)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(20,268)
Leashold improvements	(2,004)	(1,705)
Sale of investments	762,679	615,408
Purchase of investments	<u>(797,978)</u>	<u>(829,150)</u>
Net cash (used) by investing activities	<u>(37,303)</u>	<u>(235,715)</u>
Net (decrease) in cash	(645,606)	(1,034,939)
Cash at beginning of year	<u>1,391,562</u>	<u>2,426,501</u>
Cash at End of Year	<u>\$ 745,955</u>	<u>\$ 1,391,562</u>

“The accompanying notes are an integral part of the financial statements”

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

1. NATURE OF ACTIVITIES

Disabled Veterans National Foundation (the Foundation) is a not-for-profit corporation with the aim to celebrate, commemorate, promote and recognize the contributions and work of both men and women in service in the military in the past and present by promoting the service of future generations. The Foundation provides critically needed support to disabled and at-risk veterans who leave the military wounded. This is accomplished by the exchanging of ideas and information to ensure effectiveness in providing the services to veterans whether disabled or not; furthermore, to identify issues of concern to all veterans by appropriate means and develop recommendations to address those goals through legislative, programmatic, and outreach activities. Additionally, the Foundation provides support directly and indirectly to veterans and their families in need.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America (GAAP).

B. New Accounting Pronouncement

The Foundation is required to report its financial statements in accordance with Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. The ASU has been applied retrospectively to the prior year presented. A footnote on liquidity has also been added (See Note 3).

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Foundation or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

For the years ended December 31, 2018 and 2017, the Foundation has \$1,000 in net assets with donor restrictions.

D. Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

E. Financial Instruments

Financial instruments consist of cash and investments. The carrying value of the Foundation's financial instruments in the accompanying statements of financial position approximated their respective estimated fair values as of December 31, 2018 and 2017. Fair values are estimated based on current market rates, prices or liquidation values.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Functional Allocation of Expenses

Costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between program services, management and general and fundraising based on evaluations of the related activities. Management and general expenses include expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

G. Income Tax Status

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, with the exception of unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements. An informational return Form 990 is filed annually. The IRS has authority to request an audit of any previous three years' tax filings. The Foundation is no longer subject to federal tax examination by tax authorities for years prior to 2014. The Foundation has not taken any questionable tax positions.

H. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

I. Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

J. Property and Equipment

Property and equipment with a cost of \$1,500 or more are capitalized at cost. Depreciation is provided on a straight-line basis over the estimated useful life of the capitalized assets as follows:

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Property and Equipment (continued)

<u>Category</u>	<u>Life in Years</u>
Office Furniture & Equipment	5-7
Leasehold Improvements	5

Depreciation expense was \$24,150 and \$21,848 for the years ended December 31, 2018 and 2017, respectively.

K. Revenue Recognition

Contributions are recognized as revenues in the period received and are recorded as unrestricted, temporarily, and permanently restricted support depending on the existence or nature of any donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of the contribution.

L. Donated Services

Donated services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Foundation. Services provided by volunteers throughout the year are not recognized as contributions in the financial statements since these services are not susceptible to objective measurement or valuation.

M. Gifts-In-Kind

Gifts-in-kind (GIK) received through private donations are recorded and valued as revenue at their estimated fair value based upon the Foundation's estimate of the wholesale values that would be received for selling the goods in their principal market. GIK expenses are recorded when the goods are shipped for program use.

GIK received through a Google grant are recorded as revenue and advertising expense on a monthly basis based upon the amount of usage.

N. Advertising

Advertising costs are expensed as incurred and were \$272,883 and \$477,364 for the years ended December 31, 2018 and 2017, respectively, which included GIK expenses of \$272,883 and \$477,364, respectively.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Donation Receivable

Donation receivable represents amounts contributed by donors and received subsequent to year end and are fully collectible. Therefore, management has determined no allowance for uncollectible donations is considered necessary for the years ended December 31, 2018 and 2017.

3. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year end:		
Cash	\$ 745,955	\$ 1,391,562
Accounts receivable	72,859	57,951
Donation receivable	642,799	279,680
Investments	<u>1,757,956</u>	<u>1,848,686</u>
Total financial assets	3,219,569	3,577,879
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(1,000)</u>	<u>(1,000)</u>
Financial assets available to meet general expenses over the next twelve months	<u>\$ 3,218,569</u>	<u>\$ 3,576,879</u>

The Foundation's goal is to generally maintain financial assets to meet 90 days of operating expenses.

4. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts that exceed the \$250,000 federally insured limit by \$495,955 and \$1,141,562 for the years ended December 31, 2018 and 2017, respectively. The cash account maintained by the brokerage firm is secured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the securities are insured by the SIPC up to \$500,000. The risk is managed by maintaining all deposits in high quality financial institutions. The SIPC insurance does not protect against market losses. The Foundation has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk related to cash.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

4. CONCENTRATION OF CREDIT RISK (Continued)

The Foundation uses Direct Mail Processors, Inc. to provide donation processing, data entry and other related services; Innovairre Communications for its direct donor mail marketing; and Vera Data for its donor database management.

The total payable to vendors for the years ended December 31, 2018 and 2017 was \$9,685,692 and \$10,098,094, respectively. While there has been no indication that this production vendor will stop providing credit, limit or reduce the credit facility provided to the Foundation, any reduction in credit could have a material impact on the financial condition of the Foundation.

5. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2018 and 2017 consist of Name Rental income receivable in the amounts of \$72,859 and \$57,951, respectively. Management considers all receivables collectible, therefore, no allowance for uncollectible accounts have been recorded.

6. INVESTMENTS

During the years ended December 31, 2018 and 2017, the Foundation received investment donations consisting of cash and marketable securities which were recorded at fair value on the date of donation. Unrealized gains and losses are included in the change in net assets in the statements of activities. Market risk could occur and is dependent on the future changes in market price of the various investments held.

An analysis of the investments held at December 31, 2018 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 68,342	\$ 68,342	\$ -
Equity securities	1,152,614	1,049,455	(103,159)
Bonds	<u>703,085</u>	<u>640,159</u>	<u>(62,926)</u>
Total	<u>\$ 1,924,041</u>	<u>\$ 1,757,956</u>	<u>\$ (166,085)</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

6. INVESTMENTS (Continued)

An analysis of the investments held at December 31, 2017 is as follows:

	Cost	Fair Market Value	Unrealized Gain (Loss)
Cash	\$ 53,128	\$ 53,128	\$ -
Equity securities	1,046,624	1,154,529	107,905
Bonds	640,002	641,029	1,027
Total	\$ 1,739,754	\$ 1,848,686	\$ 108,932

7. FAIR VALUE MEASUREMENT

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 at the measurement date. Generally accepted accounting principles in the United States (GAAP) establish a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. That hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (“Level 1”) and the lowest priority to unobservable inputs (“Level 3”).

The three levels are described below:

Level 1

Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2

Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3

Inputs that are unobservable inputs that are supported by little or no market activity and that are significant to the measurement of the assets or liabilities.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

7. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in the methodologies used as of December 31, 2018 and 2017.

Cash: Valued at the closing price on the active market on which cash is traded and categorized within Level 1.

Equity Securities: Valued at the closing price on the active market on which the individual securities are traded and categorized within Level 1.

Bonds: Bonds generally do not trade in active markets on the measurement date. Therefore, they are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer. These funds are generally categorized within Level 2 where observable and Level 3 where unobservable.

Fair Value Measurement

The following presents the Foundation's fair value measurements of investments recognized in the accompanying statements of financial position that are measured on a recurring basis and the level within the fair value hierarchy as of December 31, 2018:

FAIR VALUE MEASUREMENTS USING:

Description	2018 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	\$ 68,342	\$ 68,342	\$ -
Equity securities	1,049,455	1,049,455	-
Bonds	<u>640,159</u>	<u>-</u>	<u>640,159</u>
Total	<u>\$1,757,956</u>	<u>\$ 1,117,797</u>	<u>\$ 640,159</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

7. FAIR VALUE MEASUREMENT(Continued)

The following presents the Foundation’s fair value measurements of investments recognized in the accompanying statements of financial position that are measured on a recurring basis and the level within the fair value hierarchy as of December 31, 2017:

FAIR VALUE MEASUREMENTS USING:

Description	2017 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	\$ 53,128	\$ 53,128	\$ -
Equity securities	1,154,529	1,154,529	-
Bonds	<u>641,029</u>	<u>-</u>	<u>641,029</u>
Total	<u>\$1,848,686</u>	<u>\$ 1,207,657</u>	<u>\$ 641,029</u>

8. GRANTS PAYABLE

During the year ended December 31, 2018, the Foundation awarded \$866,396 grants to various veteran organizations. Grants payable at December 31, 2018 and 2017 was \$187,018 and \$303,414, respectively.

9. NAME RENTAL REVENUE

Revenue generated from the use of the Foundation’s donor list by other charities is recorded in these financial statements at gross. Associated brokerage and other administrative fees are recorded as expenses in the statement of activities.

10. NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS

Net assets (deficit) without donor restrictions consist of revenue received without donor-imposed restrictions, net of expenses. These net assets are available for the operation of the Foundation and include both internally-designated and undesignated resources. The net assets (deficit) without donor restrictions were \$(6,748,582) and \$(6,946,307) at December 31, 2018 and 2017, respectively.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2018 and 2017

11. GOING CONCERN MATTERS

As shown in the accompanying financial statements, the Foundation had a net gain of \$196,725 and a net loss of (\$2,978,203) during fiscal years ended December 31, 2018 and 2017, respectively. The Foundation's total liabilities exceeds its total assets for the years ended December 31, 2018 and 2017 by \$6,748,582 and \$6,945,307, respectively.

The Foundation's vendor accounts payable to its direct mail vendors decreased by \$375,675 for the year ending December 31, 2018 and increased by \$2,038,964 for the year ending December 31, 2017. The Foundation's direct mail campaign costs is the major contributing factor to its net asset (deficit) without donor restrictions.

The following describes management's plans and updates to alleviate substantial doubt about the Foundation's ability to continue as a going concern for the years ended December 31, 2018 and 2017, respectively.

Management created a three year Deficit Reduction Plan for the year ended December 31, 2017 which includes working with its vendors by reducing its production costs by \$3.2 million annually and in addition; by receiving \$1.3 million in cost concessions over the next two years of less data segmentation expenses, as well as restructuring of its model to reflect its three year deficit reduction plan.

The deficit reduction plan includes decreasing its operational cost footprint without any program impact, reduction of cost in production services and reduction in digital expenditures. In 2018, the Foundation established additional revenue streams outside of direct mail with the utilization of online giving and attracting corporate, private and planned giving donors and reduced its overall operational costs by \$3.8 million.

12. LEASE COMMITMENT

The Foundation leased office space in Washington, DC under a monthly operating lease agreement for the amount of \$7,671. The Foundation's lease in Washington terminated effective June 2017 for which management decided to continue paying the lease until termination. The Foundation signed a new lease agreement for office space located in Lanham, MD, which commenced on January 1, 2017 for the monthly amount of \$4,946.

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12. LEASE COMMITMENT (Continued)

The following is a schedule of future minimum rental payments under the lease and does not include operating and tax escalations that are adjusted on a periodic basis:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 62,971
2020	64,860
2021	66,806
2022	<u>68,810</u>
Total	<u>\$ 263,447</u>

Rent expense which includes operating and tax escalations amounted to \$66,231 and \$97,913 for the years ended December 31, 2018 and 2017, respectively.

13. OPERATING LEASES

In October 2017, the Foundation entered into an operating storage rental lease with a lease term of 14 months in Lanham, Maryland for monthly amount of \$1,802. In October 2018, the Foundation signed an amended operating storage rental lease to relocate to another unit and extend the lease term. The amended lease commenced on December 1, 2018 and the lease term was extended to January 31, 2021 for monthly payments of \$3,277.

The following is a schedule of future minimum rental payments under the lease and does not include operating expenses that are adjusted on a periodic basis:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 32,767
2020	40,500
2021	<u>3,477</u>
Total	<u>\$ 76,744</u>

Storage rental expense amounted to \$24,093 and \$6,086 for the years ended December 31, 2018 and 2017, respectively.

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13. OPERATING LEASES (Continued)

In August 2013, the Foundation entered into a non-cancellable operating copier lease with a lease term of 60 months and monthly payments of \$316. The lease ended July 2018. In August 2018, the Foundation entered into a non-cancellable operating copier lease with a lease term of 60 months and monthly payments of \$278.

Lease expense for the years ended December 31, 2018 and 2017 inclusive of service warranties was \$5,422 and \$4,627, respectively.

Future minimum lease payments under the existing lease are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2019	\$ 4,278
2020	3,336
2021	3,336
2022	3,336
2023	<u>1,946</u>
Total	<u>\$ 16,232</u>

14. PENSION PLAN

The Foundation sponsors an Individual Retirement Account (IRA) based plan that gives small employers a simplified method to make contributions toward their employees' retirement. Under a SIMPLE IRA plan, employees may choose to make salary reduction contributions and the employer makes matching or non-elective contributions. All contributions are made directly to an Individual Retirement Account or Individual Retirement Annuity set up for each employee (a SIMPLE IRA). SIMPLE IRA plans are maintained on a calendar year basis.

The SIMPLE IRA plan was established to cover all full-time employees who elect to participate in the plan. The Foundation elected to make matching contributions up to three percent of total compensation for eligible participants. Pension expense for the years ended December 31, 2018 and 2017 was \$11,071 and \$9,261, respectively.

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15. ALLOCATION OF JOINT COSTS

The Foundation conducts direct mail campaign activities which included requests for contributions, as well as program and management and general components. The costs of conducting the direct mail campaign activities for the years ended December 31, 2018 and 2017 were allocated as follows:

	2018	2017
Fundraising	\$ 18,800,983	\$ 20,973,512
Program	4,223,683	4,638,740
Management and general	1,600,867	1,786,182
Total	\$ 24,625,534	\$ 27,398,434

16. SUSEQUENT EVENTS

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification ASC-855, the Foundation has evaluated subsequent events through July 15, 2019 the date the financial statements were available to be issued. No events require recognition in the financial statements or disclosures of the Foundation.



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