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Williams, P.A.

DISABLED VETERANS NATIONAL FOUNDATION, INC.

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

**Year Ended September 30, 2021
and
Nine Month Period Ended September 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Disabled Veterans National Foundation, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and change in net assets (deficit), functional expenses, and cash flows for the year ended September 30, 2021 and nine months ended September 30, 2020, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disabled Veterans National Foundation, Inc. as of September 30, 2021 and 2020, and the change in its net assets (deficit) and its cash flows for the year ended September 30, 2021 and nine months ended September 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Disabled Veterans National Foundation, Inc. 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 Disabled Veterans National Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Certified Public Accountants & Business Advisors

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Disabled Veterans National Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Disabled Veterans National Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

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



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

August 11, 2022

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Financial Position
September 30, 2021 and 2020

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
ASSETS		
Current Assets		
Cash, cash equivalents and restricted cash	\$ 464,179	\$ 764,700
Donation receivable	<u>209,391</u>	<u>76,626</u>
Total current assets	<u>673,570</u>	<u>841,326</u>
Property and Equipment		
Office furniture and equipment	119,851	119,851
Leasehold improvements	<u>17,153</u>	<u>17,153</u>
Total	137,004	137,004
Less: accumulated depreciation	<u>(116,854)</u>	<u>(106,078)</u>
Net property and equipment	<u>20,150</u>	<u>30,926</u>
Noncurrent Assets		
Investments	3,299,037	2,216,066
Security deposit	<u>9,946</u>	<u>9,946</u>
Total noncurrent assets	<u>3,308,983</u>	<u>2,226,012</u>
Total Assets	<u>\$ 4,002,703</u>	<u>\$ 3,098,264</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable	\$ 8,452,820	\$ 8,148,211
Grants payable	335,828	337,418
PPP loan payable	-	169,600
Accrued expenses	<u>53,974</u>	<u>99,269</u>
Total liabilities	<u>8,842,622</u>	<u>8,754,498</u>
Net Assets (Deficit)		
Without donor restrictions	(4,840,919)	(5,657,234)
With donor restrictions	<u>1,000</u>	<u>1,000</u>
Total net assets (deficit)	<u>(4,839,919)</u>	<u>(5,656,234)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 4,002,703</u>	<u>\$ 3,098,264</u>

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Activities and Change in Net Assets (Deficit)
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public support	\$ 33,641,897	\$ -	\$ 33,641,897
In-kind contributions	615,419	-	615,419
PPP loan forgiveness	169,600	-	169,600
Interest and dividend income	57,845	-	57,845
Unrealized gain on investments	235,196	-	235,196
Realized gain on investments	200,811	-	200,811
Total unrestricted support and revenue	34,920,768	-	34,920,768
Net assets released from restrictions	-	-	-
Total support and revenue	34,920,768	-	34,920,768
Expenses			
Program services	6,570,917	-	6,570,917
Management and general	3,316,547	-	3,316,547
Fundraising	24,216,989	-	24,216,989
Total expenses	34,104,453	-	34,104,453
Increase in net assets	816,315	-	816,315
Net assets (deficit) at beginning of year	(5,657,234)	1,000	(5,656,234)
Net Assets (Deficit) at End of Year	\$ (4,840,919)	\$ 1,000	\$ (4,839,919)

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Activities and Change in Net Assets (Deficit)
Nine Months Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public support	\$ 18,823,272	\$ -	\$ 18,823,272
Grant revenue	3,965	-	3,965
In-kind contributions	508,272	-	508,272
Interest and dividend income	22,777	-	22,777
Net unrealized loss on investments	(202,034)	-	(202,034)
Realized gain on investments	30,175	-	30,175
	19,186,427	-	19,186,427
 Total unrestricted support and revenue	 19,186,427	 -	 19,186,427
 Net assets released from restrictions	 -	 -	 -
 Total support and revenue	 19,186,427	 -	 19,186,427
 Expenses			
Program services	3,674,726	-	3,674,726
Management and general	1,447,369	-	1,447,369
Fundraising	13,038,910	-	13,038,910
Total expenses	18,161,005	-	18,161,005
 Increase in net assets	 1,025,422	 -	 1,025,422
Net assets (deficit) at beginning of year	(6,682,656)	1,000	(6,681,656)
Net Assets (Deficit) at End of Year	\$ (5,657,234)	\$ 1,000	\$ (5,656,234)

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Functional Expenses
Year Ended September 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>
Payroll and related expenses	\$ 396,625	\$ 483,221	\$ 111,049	\$ 990,895
Goods and aid supplied	289,833	17,816	209,735	517,384
Grants - outside organizations	680,672	-	-	680,672
Direct mail - package costs	3,483,144	1,601,660	16,391,258	21,476,062
Direct mail - postage costs	1,251,415	220,837	5,886,013	7,358,265
Direct mail - caging	114,719	13,713	365,682	494,114
Advertising	-	467,330	-	467,330
Bank fees	32,096	43,099	175,249	250,444
Depreciation	-	10,776	-	10,776
IT and database management	227,275	104,685	930,944	1,262,904
Insurance	-	13,963	-	13,963
Legal and professional fees	1,792	37,195	-	38,987
List management fees	31,250	5,515	147,059	183,824
Office expense	8,765	176,501	-	185,266
Rent	50,513	72,533	-	123,046
Telephone & communication	1,202	30,606	-	31,808
Travel	1,616	17,097	-	18,713
	<u>1,616</u>	<u>17,097</u>	<u>-</u>	<u>18,713</u>
Total	<u>\$ 6,570,917</u>	<u>\$ 3,316,547</u>	<u>\$ 24,216,989</u>	<u>\$ 34,104,453</u>

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Functional Expenses
Nine Months Ended September 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>
Payroll and related expenses	\$ 253,625	\$ 317,412	\$ 73,981	\$ 645,018
Goods and aid supplied	189,934	-	-	189,934
Grants - outside organizations	401,006	-	-	401,006
Direct mail - package costs	1,832,953	323,463	8,625,662	10,782,078
Direct mail - postage costs	713,258	125,870	3,433,028	4,272,156
Direct mail - caging	56,035	9,889	263,691	329,615
Advertising	-	423,909	-	423,909
Bank fees	24,735	4,365	116,399	145,499
Depreciation	-	10,912	-	10,912
IT and database management	93,852	41,187	387,538	522,577
Insurance	-	54,747	-	54,747
Legal and professional fees	5,210	23,540	-	28,750
List management fees	27,584	4,868	129,807	162,259
Office expense	15,268	22,642	8,139	46,049
Rent	52,767	53,192	-	105,959
Telephone & communication	-	22,964	-	22,964
Travel	8,499	8,409	665	17,573
	<u>8,499</u>	<u>8,409</u>	<u>665</u>	<u>17,573</u>
Total	<u>\$ 3,674,726</u>	<u>\$ 1,447,369</u>	<u>\$ 13,038,910</u>	<u>\$ 18,161,005</u>

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Cash Flows
Year Ended September 30, 2021
and
Nine Months Ended September 30, 2020

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 816,315	\$ 1,025,422
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,776	10,912
Forgiveness of PPP loans payable	(169,600)	-
Unrealized (gain) loss on investments	(235,196)	202,134
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Donation receivable	(132,765)	102,130
Increase (decrease) in liabilities		
Accounts payable	304,609	(983,946)
Grants payable	(1,590)	135,150
Accrued salaries and related expenses	(45,296)	(60,530)
Total adjustments	<u>(269,062)</u>	<u>(594,150)</u>
Net cash provided by operating activities	<u>547,253</u>	<u>431,272</u>
Cash Flows from Investing Activities		
Sale of investments	927,842	886,942
Purchase of investments	<u>(1,773,934)</u>	<u>(960,836)</u>
Net cash (used) by investing activities	<u>(846,092)</u>	<u>(73,894)</u>
Cash Flows from Financing Activities		
Proceeds from PPP loan payable	<u>-</u>	<u>169,600</u>
Net cash provided by financing activities	<u>-</u>	<u>169,600</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(298,839)	526,978
Cash, cash equivalents and restricted cash at beginning of year	<u>863,287</u>	<u>336,309</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 564,448</u>	<u>\$ 863,287</u>

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

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. Basis of Presentation

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.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (continued)

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 year ended September 30, 2021 and nine months ended September 30, 2020, the Foundation has \$1,000 in net assets with donor restrictions.

C. Cash, Cash Equivalents and Restricted Cash

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

The Foundation adopted the requirements in accordance with Accounting Standards Board's Accounting Standards Update No. 2016-15-*Not-for-Profit Entities* (Topic 230): *Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15). This update addresses diversity in presentation of the Statement of Cash Flows. Cash, cash equivalents, restricted cash, and restricted cash equivalents that are presented in more than one line on the statements of financial position are now required to either be presented on the face of the statements of cash flows or disclosed in the notes to the financial statements.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash, Cash Equivalents and Restricted Cash (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	September 30, 2021	September 30, 2020
Cash and cash equivalents	\$ 464,179	\$ 764,700
Cash held in investments	100,269	98,587
Total cash, cash equivalents and restricted cash	\$ 564,448	\$ 863,287

D. 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 September 30, 2021 and 2020. Fair values are estimated based on current market rates, prices or liquidation values.

E. 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.

F. Income Tax Status

Under the provisions of Section 501(c)(3) of the Internal Revenue Code, the Foundation is exempt from Federal and state income taxes, except for unrelated business income, if any. Accordingly, no provision for income taxes has been made in the accompanying financial statements. An informational tax return Form 990 is filed annually.

The Internal Revenue Service has not examined (audited) any income tax returns of the Foundation, thus the previous three years are subject to examination. The Foundation has not taken any questionable tax positions.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. 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.

I. 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:

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

Depreciation expense was \$10,776 and \$10,912 for the year ended September 30, 2021 and the nine months ended September 30, 2020, respectively.

J. Revenue Recognition

Contributions are recognized as revenues in the period received and are recorded as without donor restrictions and with donor restrictions 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.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. 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.

M. Advertising

Advertising costs are expensed as incurred and were \$467,330 and \$423,909 for the year ended September 30, 2021 and nine months ended September 30, 2020, respectively, which included GIK Google Grant contributions of \$467,330 and \$423,909, respectively.

N. 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 year ended September 30, 2021 and the nine months ended September 30, 2020.

3. FISCAL YEAR CHANGE

On November 14, 2020, the Board of Directors voted to change the Foundation's reporting year from a calendar year end of December 31, to a fiscal year end of September 30. As a result, the Financial Statements presented includes the year ended September 30, 2021 and the nine months ended September 30, 2020.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

4. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at September 30, 2021 and September 30, 2020:

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>
Financial assets at year end:		
Cash, cash equivalents and restricted cash equivalents	\$ 564,448	\$ 863,287
Donation receivable	209,391	76,626
Investments	<u>3,198,768</u>	<u>2,117,479</u>
Total financial assets	3,972,607	3,057,392
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>\$ 3,971,607</u>	<u>\$ 3,056,392</u>

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

5. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts that exceed the \$250,000 federally insured limit by \$151,386 and \$478,298 for the year ended September 30, 2021 and nine months ended September 30, 2020, 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.

The Foundation uses PEP Response Systems to process donations, 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 at September 30, 2021 and the nine months ended September 30, 2020 was \$8,452,820 and \$8,148,211, respectively. While there has been no indication that the production vendors 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.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

6. INVESTMENTS

During the year ended September 30, 2021 and the nine months ended September 30, 2020, 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 September 30, 2021 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 100,269	\$ 100,269	\$ -
Equity securities	2,205,553	2,491,867	286,314
Bonds	<u>758,019</u>	<u>706,901</u>	<u>(51,118)</u>
Total	<u>\$ 3,063,841</u>	<u>\$ 3,299,037</u>	<u>\$ 235,196</u>

An analysis of the investments held at September 30, 2020 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 98,587	\$ 98,587	\$ -
Equity securities	1,530,700	1,359,460	(171,240)
Bonds	<u>788,813</u>	<u>758,019</u>	<u>(30,794)</u>
Total	<u>\$ 2,418,100</u>	<u>\$ 2,216,066</u>	<u>\$ (202,034)</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

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.

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 the year ended September 30, 2021 and the nine months ended September 30, 2020.

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.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2021 and 2020

7. FAIR VALUE MEASUREMENT (Continued)

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 September 30, 2021:

FAIR VALUE MEASUREMENTS USING:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	\$ 100,269	\$ 100,269	\$ -
Equity securities	2,491,867	2,491,867	-
Bonds	<u>706,901</u>	<u>-</u>	<u>706,901</u>
Total	<u>\$ 3,299,037</u>	<u>\$ 2,592,136</u>	<u>\$ 706,901</u>

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 September 30, 2020:

FAIR VALUE MEASUREMENTS USING:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	\$ 98,587	\$ 98,587	\$ -
Equity securities	1,359,460	1,359,460	-
Bonds	<u>758,019</u>	<u>-</u>	<u>758,019</u>
Total	<u>\$ 2,216,066</u>	<u>\$ 1,458,047</u>	<u>\$ 758,019</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
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8. GRANTS PAYABLE

During the year ended September 30, 2021 and, the nine months ended September 30, 2020, the Foundation awarded \$680,672 and \$401,006, respectively, in grants to various veteran organizations. Grants payable at September 30, 2021 and 2020 was \$335,828 and \$337,418, 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 \$(4,840,919) and \$(5,657,234) at September 30, 2021 and 2020, respectively.

On September 18, 2021, the Board of Directors voted to allocate two-thirds of the \$400,000 undistributed Disney Estate donation and fifty percent of its online revenue to reduce the Foundation’s net assets(deficit) without donor restrictions for the fiscal year ending September 30, 2022.

11. LEASE COMMITMENT

The Foundation signed a lease agreement for office space located in Lanham, MD, which commenced on March 29, 2019 for the monthly amount of \$8,078

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>September 30,</u>	<u>Amount</u>
2022	\$ 96,936
2023	<u>99,841</u>
Total	<u><u>\$ 196,777</u></u>

Rent expense which includes operating and tax escalations amounted to \$66,626 and \$49,122 for the year ended September 30, 2021 and the nine months ended September 30, 2020, respectively.

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12. OPERATING LEASES

In October 2018, the Foundation signed the first amendment to the original operating storage rental lease to relocate to another unit and extend the lease term from December 1, 2019 to January 31, 2021. Monthly payments are \$3,365 for the first 12 months and \$3,466 for the remainder of the lease. The second amendment to the lease was signed on September 23, 2020 and commences on February 1, 2021. The lease term was extended to January 31, 2022 for monthly payments of \$3,570. The lease was not extended past the January 31, 2022 date.

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>September 30,</u>	<u>Amount</u>
2022	\$ 14,280
Total	<u>\$ 14,280</u>

Storage rental expense amounted to \$48,916 and \$51,443 for the year ended September 30, 2021 and the nine months ended September 30, 2020, respectively.

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 year ended September 30, 2021 and the nine months ended September 30, 2020 inclusive of service warranties was \$5,907 and \$4,070, respectively.

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

<u>September 30,</u>	<u>Amount</u>
2022	\$ 3,336
2023	<u>2,780</u>
Total	<u>\$ 6,116</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
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13. 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 year ended September 30, 2021 and the nine months ended September 30, 2020 was \$13,140 and \$0, respectively. Included in the Foundation's 2021 contribution was \$3,571 for the year ended September 30, 2021 and \$9,569 for the nine months ended September 30, 2020. As of September 30, 2021, the Foundation's board of directors had not yet decided on the employer's additional contribution for 2021.

14. 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 year ended September 30, 2021 and the nine months ended September 30, 2020 were allocated as follows:

	September 30, 2021	September 30, 2020
Fundraising	\$ 24,007,254	\$ 13,038,910
Program	5,549,899	3,036,019
Management and general	2,734,129	904,609
Total	\$ 32,291,282	\$ 16,979,538

15. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Foundation applied for and received a \$169,600 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received and accrues interest at one percent, but payments are not required to begin for six months after the funding of the loan. The Foundation is eligible for loan forgiveness of up to 100 percent of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The entire PPP Loan was forgiven on July 21, 2021.

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16. SUSEQUENT EVENTS

Management continues to evaluate the effects of the COVID-19 matter, considering the facts and circumstances related to the impact of the virus on the Foundation, the specific impact is still not readily determinable as of the date of the financial statements.

The Foundation has evaluated subsequent events through August 11, 2022, the date the consolidated financial statements were available to be issued and determined except for the information disclosed above in Notes 10 and 12, all material transactions or events that require recognition in the financial statements or disclosures of the Foundation have been evaluated in accordance with FASB ASC 855.



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