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Foster
Nole &
Williams, P.A.

DISABLED VETERANS NATIONAL FOUNDATION, INC.

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

**Nine Month Period Ended September 30, 2020
and
Year Ended December 31, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
<u>Financial Statements</u>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets (Deficit)	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9



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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 September 30, 2020 and December 31, 2019 and the related statements of activities and changes in net assets (deficit), functional expenses and cash flows for the nine month and twelve month periods 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 September 30, 2020 and December 31, 2019, and the changes in its net assets (deficit), functional expenses and cash flows for the nine month and twelve month periods then ended in accordance with accounting principles generally accepted in the United States of America.

Abrams, Foster, Nole & Williams, P.A.

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

April 29, 2021

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Financial Position
September 30, 2020 and December 31, 2019

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
ASSETS		
Current Assets		
Cash, cash equivalents and restricted cash	\$ 764,700	\$ 216,622
Donation receivable	<u>76,626</u>	<u>178,756</u>
Total current assets	<u>841,326</u>	<u>395,378</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>(106,078)</u>	<u>(95,166)</u>
Net property and equipment	<u>30,926</u>	<u>41,838</u>
Noncurrent Assets		
Investments	2,216,066	2,365,406
Security deposit	<u>9,946</u>	<u>9,946</u>
Total noncurrent assets	<u>2,226,012</u>	<u>2,375,352</u>
Total Assets	<u>\$ 3,098,264</u>	<u>\$ 2,812,568</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable	\$ 8,148,211	\$ 9,132,158
Grants payable	337,418	202,268
PPP loan payable	169,600	-
Accrued expenses	<u>99,269</u>	<u>159,798</u>
Total liabilities	<u>8,754,498</u>	<u>9,494,224</u>
Net Assets (Deficit)		
Without donor restrictions	(5,657,234)	(6,682,656)
With donor restrictions	<u>1,000</u>	<u>1,000</u>
Total net assets (deficit)	<u>(5,656,234)</u>	<u>(6,681,656)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 3,098,264</u>	<u>\$ 2,812,568</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)
Nine Months Ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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
Unrealized (loss) on investments	(202,034)	-	(202,034)
Realized gain on investments	30,175	-	30,175
	<u>19,186,427</u>	<u>-</u>	<u>19,186,427</u>
Total unrestricted support and revenue			
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>19,186,427</u>	<u>-</u>	<u>19,186,427</u>
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	<u>18,161,005</u>	<u>-</u>	<u>18,161,005</u>
Increase in net assets	1,025,422	-	1,025,422
Net assets (deficit) at beginning of year	<u>(6,682,656)</u>	<u>1,000</u>	<u>(6,681,656)</u>
Net Assets (Deficit) at End of Year	<u>\$ (5,657,234)</u>	<u>\$ 1,000</u>	<u>\$ (5,656,234)</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public support	\$ 26,026,008	\$ -	\$ 26,026,008
Grant revenue	2,108	-	2,108
In-kind contributions	1,276,460	-	1,276,460
Interest and dividend income	32,498	-	32,498
Net unrealized gain on investments	229,856	-	229,856
Realized gain on investments	73,325	-	73,325
Total unrestricted support and revenue	27,640,255	-	27,640,255
Net assets released from restrictions	-	-	-
Total support and revenue	27,640,255	-	27,640,255
Expenses			
Program services	6,250,207	-	6,250,207
Management and general	2,108,278	-	2,108,278
Fundraising	19,214,844	-	19,214,844
Total expenses	27,573,329	-	27,573,329
Increase in net assets	66,926	-	66,926
Net assets (deficit) at beginning of year	(6,749,582)	1,000	(6,748,582)
Net Assets (Deficit) at End of Year	\$ (6,682,656)	\$ 1,000	\$ (6,681,656)

“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	396,006	-	-	396,006
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	98,852	41,187	387,538	527,577
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
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.
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Payroll and related expenses	\$ 222,469	\$ 631,214	\$ 102,648	\$ 956,331
Goods and aid supplied	1,099,456	-	-	1,099,456
Grants - individuals	13,179	-	-	13,179
Grants - outside organizations	757,984	-	-	757,984
Direct mail - package costs	3,000,245	529,455	14,292,801	17,822,501
Direct mail - postage costs	830,781	146,608	3,909,558	4,886,947
Direct mail - caging	72,111	12,725	339,345	424,181
Advertising	-	367,778	-	367,778
Bank fees	34,389	6,069	161,830	202,288
Depreciation	-	22,482	-	22,482
IT and database management	103,317	47,964	401,886	553,167
Insurance	-	3,275	-	3,275
Legal and professional fees	8,852	90,836	-	99,688
License & permits	-	2,049	-	2,049
Office expense	10,002	96,382	1,562	107,946
Rent	53,994	71,245	-	125,239
Telephone & communication	-	47,982	-	47,982
Travel	43,428	32,214	5,214	80,856
Total	<u>\$ 6,250,207</u>	<u>\$ 2,108,278</u>	<u>\$ 19,214,844</u>	<u>\$ 27,573,329</u>

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Cash Flows
Nine Months Ended September 30, 2020
and
Year Ended December 31, 2019

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,025,422	\$ 66,926
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,912	22,482
Realized and unrealized loss (gain) on investments	171,859	(303,181)
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	-	72,859
Donation receivable	102,130	464,043
Increase (decrease) in liabilities		
Accounts payable	(983,947)	(553,533)
Grants payable	135,150	15,250
Accrued salaries and related expenses	(60,530)	(9,911)
Total adjustments	<u>(624,425)</u>	<u>(291,990)</u>
Net cash provided (used) by operating activities	<u>400,997</u>	<u>(225,064)</u>
Cash Flows from Investing Activities		
Sale of investments	886,942	830,343
Purchase of investments	<u>(930,561)</u>	<u>(1,083,267)</u>
Net cash (used) by investing activities	<u>(43,619)</u>	<u>(252,924)</u>
Cash Flows from Financing Activities		
Proceeds from PPP loan payable	<u>169,600</u>	<u>-</u>
Net cash provided by financing activities	<u>169,600</u>	<u>-</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	526,978	(477,988)
Cash, cash equivalents and restricted cash at beginning of year	<u>336,309</u>	<u>814,297</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 863,287</u>	<u>\$ 336,309</u>

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2020 and December 31, 2019

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.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2020 and December 31, 2019

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 nine month period ended September 30, 2020 and year ended December 31, 2019, the Foundation has \$1,000 in net assets with donor restrictions.

D. 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 retroactively 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, 2020 and December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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, 2020	December 31, 2019
Cash and cash equivalents	\$ 764,700	\$ 216,622
Cash held in investments	98,587	119,687
Total cash, cash equivalents and restricted cash	\$ 863,287	\$ 336,309

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 September 30, 2020 and December 31, 2019. Fair values are estimated based on current market rates, prices or liquidation values.

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

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, 2020 and December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

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

Depreciation expense was \$10,912 and \$22,482 for the nine months ended September 30, 2020 and year ended December 31, 2019, respectively.

K. 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, 2020 and December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$423,909 and \$367,778 for the nine months ended September 30, 2020 and year ended December 31, 2019, respectively, which included GIK expenses of \$423,909 and \$367,778, respectively.

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 nine months ended September 30, 2020 and year ended December 31, 2019, respectively.

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 new fiscal year ended September 30, 2020 and the previous calendar year ended December 31, 2019.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2020 and December 31, 2019

4. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Financial assets at year end:		
Cash	\$ 764,700	\$ 216,622
Donation receivable	76,626	178,756
Investments	<u>2,216,066</u>	<u>2,365,406</u>
Total financial assets	3,057,392	2,760,783
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>\$ 3,056,392</u>	<u>\$ 2,759,783</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 \$514,700 and \$0 for the nine months ended September 30, 2020 and the year ended December 31, 2019, 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 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 nine month period ended September 30, 2020 and year ended December 31, 2019 was \$8,148,212 and \$9,132,158, 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, 2020 and December 31, 2019

6. INVESTMENTS

During the nine months ended September 30, 2020 and year ended December 31, 2019, 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, 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>

An analysis of the investments held at December 31, 2019 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 119,687	\$ 119,687	\$ -
Equity securities	1,235,714	1,456,906	221,192
Bonds	<u>780,149</u>	<u>788,813</u>	<u>8,664</u>
Total	<u>\$ 2,135,550</u>	<u>\$ 2,365,406</u>	<u>\$ 229,856</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2020 and December 31, 2019

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 nine months ended September 30, 2020 and the year ended December 31, 2019.

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, 2020 and December 31, 2019

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, 2020:

FAIR VALUE MEASUREMENTS USING:

Description	September 30, 2020 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>

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, 2019:

FAIR VALUE MEASUREMENTS USING:

Description	December 31, 2019 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	\$ 119,687	\$ 119,687	\$ -
Equity securities	1,456,906	1,456,906	-
Bonds	<u>788,813</u>	<u>-</u>	<u>788,813</u>
Total	<u>\$ 2,365,406</u>	<u>\$ 1,576,593</u>	<u>\$ 788,813</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2020 and December 31, 2019

8. GRANTS PAYABLE

During the nine months ended September 30, 2020 and year ended December 31, 2019, the Foundation awarded \$395,000 and \$339,050, respectively in grants to various veteran organizations. Grants payable at September 30, 2020 and the year ended December 31, 2019 was \$337,418 and \$202,268, 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 \$(5,657,234) and \$(6,682,656) at September 30, 2020 and December 31, 2019, respectively.

11. LEASE COMMITMENT

The Foundation signed a lease agreement for office space located in Lanham, MD, which commenced on January 1, 2017 for the monthly amount of \$4,946.

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>
2021	\$ 66,319
2022	<u>16,701</u>
Total	<u>\$ 83,020</u>

Rent expense which includes operating and tax escalations amounted to \$49,122 and \$63,347 for the nine months ended September 30, 2020 and year ended December 31, 2019, respectively.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2020 and December 31, 2019

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 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>
2021	\$ 42,225
2022	<u>14,282</u>
Total	<u>\$ 56,507</u>

Storage rental expense amounted to \$51,443 and \$53,994 for the nine month period ended September 30, 2020 and year ended December 31, 2019, 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 nine month period ended September 30, 2020 and year ended December 31, 2019 inclusive of service warranties was \$4,070 and \$7,897, respectively.

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

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2021	\$ 3,336
2022	3,336
2023	<u>2,780</u>
Total	<u>\$ 9,452</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2020 and December 31, 2019

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 nine months ended September 30, 2020 and year ended December 31, 2019 was \$0 and \$13,159, respectively. The Foundation did not contribute to the plan for the nine months ended September 30, 2020.

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 nine months ended September 30, 2020 and year ended December 31, 2019 were allocated as follows:

	September 30, 2020	December 31, 2019
Fundraising	\$ 13,038,910	\$ 19,214,843
Program	3,036,019	4,325,595
Management and general	904,609	1,641,449
Total	\$ 16,979,538	\$ 25,181,887

15. SUSEQUENT EVENTS

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 30, 2020, Governor Larry Hogan ordered the closure of the physical location of every “non-life sustaining” (“non-essential”) business for what may be an extended period of time. The Foundation had to close its physical locations and employees were to work remotely, if possible. Future potential impacts may include an impairment of the Foundation’s ability to obtain contributions and volunteers and continued disruptions or restrictions on employees’ ability to work. The future effects of these issues are unknown.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
September 30, 2020 and December 31, 2019

15. SUSEQUENT EVENTS (Continued)

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 Foundation made the 2020 employer contribution to the SIMPLE IRA plan in February 2021. As of September 30, 2020, the Foundation's board of directors had not yet decided on the employer contribution percentage.

The Foundation has evaluated subsequent events through April 29, 2021, the date the consolidated financial statements were available to be issued and determined 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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