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**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

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

**Years Ended September 30, 2022 and 2021**

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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, 2022 and 2021, and the related statements of activities and change in net assets (deficit), functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disabled Veterans National Foundation, Inc. as of September 30, 2022 and 2021, and the change in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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

May 30, 2023

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**  
**Statements of Financial Position**  
**September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current Assets		
Cash, cash equivalents and restricted cash	\$ 3,050,086	\$ 464,179
Donation receivable	<u>72,929</u>	<u>209,391</u>
Total current assets	<u>3,123,015</u>	<u>673,570</u>
Property and Equipment		
Office furniture and equipment	145,595	119,851
Leasehold improvements	<u>17,153</u>	<u>17,153</u>
Total	162,748	137,004
Less: accumulated depreciation	<u>(127,733)</u>	<u>(116,854)</u>
Net property and equipment	<u>35,015</u>	<u>20,150</u>
Noncurrent Assets		
Investments	1,801,903	3,299,037
Security deposit	<u>17,836</u>	<u>9,946</u>
Total noncurrent assets	<u>1,819,739</u>	<u>3,308,983</u>
Total Assets	<u>\$ 4,977,769</u>	<u>\$ 4,002,703</u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
Liabilities		
Accounts payable	\$ 13,031,364	\$ 8,452,820
Grants payable	604,078	335,828
Accrued expenses	<u>58,531</u>	<u>53,974</u>
Total liabilities	<u>13,693,973</u>	<u>8,842,622</u>
Net Assets (Deficit)		
Without donor restrictions	(8,717,204)	(4,840,919)
With donor restrictions	<u>1,000</u>	<u>1,000</u>
Total net assets (deficit)	<u>(8,716,204)</u>	<u>(4,839,919)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 4,977,769</u>	<u>\$ 4,002,703</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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Public support	\$ 27,660,813	\$ -	\$ 27,660,813
In-kind contributions	547,752	-	547,752
Interest and dividend income	63,744	-	63,744
Unrealized loss on investments	(394,603)	-	(394,603)
Realized gain on investments	<u>127,121</u>	<u>-</u>	<u>127,121</u>
Total unrestricted support and revenue	<u>28,004,827</u>	<u>-</u>	<u>28,004,827</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>28,004,827</u>	<u>-</u>	<u>28,004,827</u>
<b>Expenses</b>			
Program services	6,916,937	-	6,916,937
Management and general	2,356,680	-	2,356,680
Fundraising	<u>22,607,495</u>	<u>-</u>	<u>22,607,495</u>
Total expenses	<u>31,881,112</u>	<u>-</u>	<u>31,881,112</u>
Decrease in net assets	(3,876,285)	-	(3,876,285)
Net assets (deficit) at beginning of year	<u>(4,840,919)</u>	<u>1,000</u>	<u>(4,839,919)</u>
Net Assets (Deficit) at End of Year	<u>\$ (8,717,204)</u>	<u>\$ 1,000</u>	<u>\$ (8,716,204)</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**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenue</b>			
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
Net 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
<b>Expenses</b>			
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 Functional Expenses**  
**Year Ended September 30, 2022**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2022 Total</b>
Payroll and related expenses	\$ 461,991	\$ 511,950	\$ 109,398	\$ 1,083,339
Goods and aid supplied	618,204	-	-	618,204
Grants - outside organizations	872,500	-	-	872,500
Direct mail - package costs	3,325,690	586,719	15,708,764	19,621,173
Direct mail - postage costs	1,187,957	209,628	5,616,532	7,014,117
Direct mail - caging	70,569	12,453	332,088	415,110
Advertising	-	463,990	-	463,990
Bank fees	20,786	47,223	127,965	195,974
Depreciation	-	10,879	-	10,879
IT and database management	150,733	70,931	704,508	926,172
Insurance	-	6,815	-	6,815
Legal and professional fees	3,060	84,210	971	88,241
Licenses and permits	2,652	4,337	240	7,229
Office expense	69,175	201,841	3,659	274,675
Rent	109,921	87,460	-	197,381
Telephone & communication	-	15,866	-	15,866
Travel	23,699	42,378	3,370	69,447
Total	<u>\$ 6,916,937</u>	<u>\$ 2,356,680</u>	<u>\$ 22,607,495</u>	<u>\$ 31,881,112</u>

“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
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.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (3,876,285)	\$ 816,315
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,879	10,776
Forgiveness of PPP loans payable	-	(169,600)
Unrealized loss (gain) on investments	394,603	(235,196)
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Donation receivable	136,462	(132,765)
Increase (decrease) in liabilities		
Accounts payable	4,578,544	304,609
Grants payable	268,250	(1,590)
Accrued salaries and related expenses	4,557	(45,296)
Total adjustments	<u>5,385,405</u>	<u>(269,062)</u>
Net cash provided by operating activities	<u>1,509,120</u>	<u>547,253</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(25,744)	-
Sale of investments	1,666,209	927,842
Purchase of investments	<u>(549,528)</u>	<u>(1,773,934)</u>
Net cash provided (used) by investing activities	<u>1,090,937</u>	<u>(846,092)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	2,600,057	(298,839)
Cash, cash equivalents and restricted cash at beginning of year	<u>564,448</u>	<u>863,287</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 3,164,505</u>	<u>\$ 564,448</u>

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

# DISABLED VETERANS NATIONAL FOUNDATION, INC.

## Notes to Financial Statements

September 30, 2022 and 2021

### 1. NATURE OF ACTIVITIES

Disabled Veterans National Foundation, Inc. (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.

**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.

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**  
**Notes to Financial Statements**  
**September 30, 2022 and 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

B. Basis of Presentation (continued)

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 September 30, 2022 and 2021, 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.

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:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 3,050,086	\$ 464,179
Cash held in investments	114,419	100,269
Total cash, cash equivalents and restricted cash	<b>\$ 3,164,505</b>	<b>\$ 564,448</b>

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, 2022 and 2021. Fair values are estimated based on current market rates, prices or liquidation values.

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**  
**Notes to Financial Statements**  
**September 30, 2022 and 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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.

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

I. Property and Equipment (continued)

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 \$10,879 and \$10,776 for the years ended September 30, 2022 and 2021, 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.

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 \$463,990 and \$467,330 for the years ended September 30, 2022 and 2021, respectively, which included GIK Google Grant contributions of \$463,990 and \$467,330, respectively.

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 years ended September 30, 2022 and 2021.

**3. AVAILABILITY AND LIQUIDITY**

The following represents the Foundation's financial assets at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash, cash equivalents and restricted cash equivalents	\$ 3,164,505	\$ 664,717
Donation receivable	72,929	209,391
Investments	<u>1,687,484</u>	<u>3,198,768</u>
Total financial assets	4,924,918	4,072,876
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>\$ 4,923,918</u>	<u>\$ 4,071,876</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 \$1,902,988 and \$151,386 for the years ended September 30, 2022 and 2021, 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.

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**4. CONCENTRATION OF CREDIT RISK (Continued)**

The total payable to vendors at September 30, 2022 and 2021 was \$13,031,364 and \$8,452,820, 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.

**5. INVESTMENTS**

During the years ended September 30, 2022 and 2021, 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, 2022 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 114,419	\$ 114,419	\$ -
Equity securities	1,621,009	1,348,246	(272,763)
Bonds	<u>461,078</u>	<u>339,238</u>	<u>(121,840)</u>
Total	<u>\$ 2,196,506</u>	<u>\$ 1,801,903</u>	<u>\$ (394,603)</u>

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>



**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**6. 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, 2022 and 2021, respectively.

*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, 2022 and 2021**

**6. 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, 2022:

**FAIR VALUE MEASUREMENTS USING:**

<b>Description</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
Cash	\$ 114,419	\$ 114,419	\$ -
Equity securities	1,348,246	1,348,246	-
Bonds	<u>339,238</u>	<u>-</u>	<u>339,238</u>
Total	<u>\$ 1,801,903</u>	<u>\$ 1,462,665</u>	<u>\$ 339,238</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, 2021:

**FAIR VALUE MEASUREMENTS USING:**

<b>Description</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
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>

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**7. GRANTS PAYABLE**

During the years ended September 30, 2022 and 2021, the Foundation awarded \$872,500 and \$680,672, respectively, in grants to various veteran organizations. Grants payable at September 30, 2022 and 2021 was \$604,078 and \$335,828, respectively.

**8. 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 \$(8,717,204) and \$(4,840,919) at September 30, 2022 and 2021, 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 ended September 30, 2022.

The following is Management's three year Deficit Reduction Strategy Plan:

The Disabled Veterans National Foundation (DVNF) recognizes the existing negative Fund Balance. The Executive Management team and Board of Directors continue to engage in discussions centered around the reduction of the negative fund balance and an increase in organizational profitability year over year. Please see the funding strategy below:

**1. DVNF's Fundraising Plan:** The Foundation is working to develop a comprehensive fundraising strategy. The goal is to reduce the liabilities accrued by the direct mail plan and reliance on direct mail as a revenue source while increasing revenue earned through other sources.

- **Direct Mail Program:** As DVNF's largest expense, the Foundation is working to reduce the annual expenses incurred. To reduce the expenses for the 2023 fiscal year, the direct mail acquisition program was reduced. In fiscal year 2022, the Foundation's acquisition program costs were \$7.5 million dollars. In 2023, the acquisition program costs are estimated to be \$4.6 million dollars. That is a reduction of \$2.9 million dollars which will result in decreased costs compared to the prior year. DVNF received \$2 million in credits for 2022 and expects to receive additional credits to reduce outstanding liabilities.

**Corporate Donors/Foundation Relationships:** In fiscal year 2022, DVNF raised \$150K through partnerships with other foundations. The Foundation has received a pledge of \$150K from its partner for the 2023 fiscal year. The Foundation will continue to cultivate partnerships with other foundations and corporate partners to increase the revenue for the 2023 fiscal year.

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**8. NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS (Continued)**

**1. DVNF's Fundraising Plan: (continued)**

- **Improved Online Fundraising:** Over the past 2 years, DVNF has consistently increased the number of monthly donors in addition to the revenue earned through online donations. In 2022 the online revenue was \$1.4 million which was an increase of \$300K over the previous year. The organization plans to increase the amount of revenue earned in the current fiscal year to help bridge the gap between expenses and revenue.
- **New Programs with Fundraising platforms** (Online fundraising platforms that directly support our program activities).
- **Fundraising Events:** In 2022 our Pikes Peak fundraiser earned more than \$29K. As this fundraiser was a success for the organization, we plan to hold this event in August of 2023. We plan to increase the amount raised by at least 5 percent.

**2. Adjustments in Direct Mail:** The Foundation will continue to reduce its acquisition program compared to previous years. Although this aspect of the direct mail plan is used to increase the number of donors over time, it generally operates at a loss. Acquisition reduction will reduce financial losses and increase profitability. In addition to the reduction in the acquisition mail program, the Director of Direct Mail consistently evaluates the costs and revenue associated with the mailing program and makes the appropriate adjustments accordingly to ensure all aspects of the program stay within the approved budget.

**3. Payment Towards Accrued Debt:** The projected net for the mail program in 2023 is \$3.3 million dollars. The organization budgeted \$3.2 million in operations expenses. The resulting surplus of \$199K will be used to pay any accrued direct mail debt.

**4. Continue to Cultivate Revenue Streams Outside of Direct Mail:** The Foundation recognizes the importance of obtaining revenue from other sources. Detailed below are the streams of revenue the Foundation continues to pursue.

- **Corporate Donor Initiative:** DVNF's Director of Corporate and Foundation Relations, John Paruch is tasked with creating partnerships with corporations around the nation who are interested in supporting veteran organizations. These corporations are asked to support DVNF monetarily and through in-kind donations. The funds donated by DVNF's corporate partners are used to support the Foundation's programs, leaving other funds for the deficit reduction plan.

DISABLED VETERANS NATIONAL FOUNDATION, INC.

Notes to Financial Statements

September 30, 2022 and 2021

8. NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS (Continued)

4. Continue to Cultivate Revenue Streams Outside of Direct Mail: (cont.)

- **Mid-Level Donor Program:** DVNF's Mid-level strategic plan for 2023 will focus on donors who have consistently given to the Foundation. The goal of this program is to cultivate these donors to increase their level of giving. This program will ultimately reduce direct mail costs, while increasing revenue.
  - **Planned Giving Program:** Planned gifts can range from a bequest to charitable gift annuities and trusts that provide major gifts to the Foundation. Donors who have committed to DVNF over time will be encouraged to think of DVNF when engaged in estate planning.
  - **Increase in Online Fundraising Activities:** DVNF refurbished its website along with omnichannel platforms in 2022. This has enabled DVNF to improve our web analytics, lower the cost of managing the website and reach a broader audience. In addition to an improved online fundraising program, the Foundation will use the rebranding effort to increase its partners and donors through social media and other electronic methods. The Foundation increased its online revenue in 2022, and we are working towards an increase for the 2023 fiscal year.
  - **Grants Program:** DVNF plans to hire a Grant Writer. This person will be responsible for finding, vetting, and applying for grants that will support the program and general operations of the organization. Understanding that our financial position is of the utmost importance, the Foundation has made grant funding a priority area.
5. **Rebranding:** DVNF will continue to be invested in our website and our online fundraising program platforms which will enable the Foundation to take advantage of the vast market of electronic commerce. With our new platforms, the organization will reach potential donors and gain a better understanding of their interests in the organization.
6. **Addition of Marketable Programs:** In 2023, the Foundation added two new programs, Mission Possible and Grants to Provide Stability (GPS). This program will provide additional opportunities for the organization to apply for federal and private funding.
7. **Diversification of Donor Base:** DVNF added a variety of new donors in fiscal 2022. We now have a diversity of donors coming from Direct Mail, Online Donations, E-Mail, Facebook, and various other electronic platforms. Adding donors from various generations, social economic status and geographies will increase profitability and help the Foundation gain a strong financial position.

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**8. NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS (Continued)**

**8. Increased Board Engagement:** The board is committed to working with staff members to raise additional funds for the organization. The board will be engaged in various fundraising activities such as “friend-raisers”, fundraising dinners and partnership development with their contacts. Additionally, the board will recruit new board members that are well-connected and can offer fundraising support to the organization.

The Board and executive management team have a commitment to the mission of the Disabled Veterans National Foundation. It is with this commitment in mind that we recognize the need to continue to diversify the organization’s revenue streams. To meet our mission and serve our nation’s veterans, the negative fund balance must be reduced. We believe that with a successful implementation and cultivation of the plan outlined above, we will resolve the current financial situation over time so that we can continue to serve the nation’s most deserving population, disabled veterans.

**9. LEASE COMMITMENT**

The Foundation signed a lease agreement for office space located in Lanham, MD, which commenced on October 11, 2016 which expired on January 31, 2022. The lease was extended for a five-year period effective February 1, 2022 for monthly rental payments in the amount of \$5,733 which will terminate on January 31, 2027.

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:

<b><u>Year Ending</u></b> <b><u>September 30,</u></b>	<b><u>Amount</u></b>
2023	\$ 68,796
2024	68,796
2025	68,796
2026	68,796
2027	<u>22,932</u>
Total	<u>\$ 298,116</u>

Rent expense which includes operating and tax escalations amounted to \$66,626 and \$49,122 for the year ended September 30, 2022 and the nine months ended September 30, 2021, respectively.

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**10. 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 commenced on February 1, 2021. On November 30, 2021, the Foundation signed a sublease agreement with Wastebuilt Environmental Solutions, LLC for 9,017 rentable square feet of storage space located at 5001 Forbes Boulevard. The lease calls for base annual rental payments of \$96,933 payable in equal monthly installments of \$8,078. In addition, the Foundation is responsible for its pro rata share of estimated annual operating costs.

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:

<b><u>Year Ending</u></b> <b><u>September 30,</u></b>	<b><u>Amount</u></b>
2023	\$ 96,933
2024	96,933
2025	<u>64,624</u>
Total	<u>\$ 258,490</u>

Storage rental expense amounted to \$109,921 and \$48,916 for the years ended September 30, 2022 and 2021, 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. The Foundation entered into a 63 month copier lease on May 31, 2022 with payments of \$448 beginning three months after the signing date exclusive of service warranties.

Lease expense for the years ended September 30, 2022 and 2021 inclusive of service warranties was \$7,179 and \$5,907, respectively.

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

<b><u>Year Ending</u></b> <b><u>September 30,</u></b>	<b><u>Amount</u></b>
2023	\$ 8,712
2024	5,376
2025	5,376
2026	5,376
2027	<u>4,928</u>
Total	<u>\$ 29,768</u>

**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**11. 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 September 30, 2022 and 2021 was \$0 and \$13,140, respectively. The Foundation's board of directors had not yet decided on the employer's contribution for 2022.

**12. 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, 2022 and 2021 were allocated as follows:

	<u>2022</u>	<u>2021</u>
Fundraising	\$ 22,607,255	\$ 13,038,910
Program	5,313,660	3,036,019
Management and general	<u>1,783,199</u>	<u>904,609</u>
Total	<u>\$ 29,704,114</u>	<u>\$ 16,979,538</u>

**13. 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.



**DISABLED VETERANS NATIONAL FOUNDATION, INC.**

**Notes to Financial Statements**

**September 30, 2022 and 2021**

**14. 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 May 30, 2023, the date the 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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