Abrams
Foster
Nole &
Williams, P.A.

DISABLED VETERANS NATIONAL FOUNDATION, INC.

Financial Statements
and
Independent Auditor's Report

Years Ended September 30, 2023 and 2022

Certified Public Accountants & Business Advisors

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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.

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

August 29, 2024

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Financial Position
September 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash, cash equivalents and restricted cash	$ 1,804,245	$ 3,050,086
Donation receivable	71,005	72,929
Prepaid expenses	14,359	-
Total current assets	1,889,609	3,123,015
Property and Equipment		
Office furniture and equipment	145,595	145,595
Operating lease right of use asset	525,370	-
Leasehold improvements	17,153	17,153
Total	688,118	162,748
Less: accumulated depreciation	(138,361)	(127,733)
Net property and equipment	549,757	35,015
Noncurrent Assets		
Investments	1,996,591	1,801,903
Security deposit	17,836	17,836
Total noncurrent assets	2,014,427	1,819,739
Total Assets	$ 4,453,793	$ 4,977,769
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities		
Accounts payable	$16,281,289	$13,031,364
Grants payable	629,896	604,078
Current portion of operating lease liability	194,617	-
Accrued expenses	97,600	58,531
Total current liabilities	17,203,402	13,693,973
Non-current Liabilities		
Long-term portion of operating lease liability	323,396	-
Total non-current liabilities	323,396	-
Total liabilities	17,526,798	13,693,973
Net Assets (Deficit)		
Without donor restrictions	(13,074,005)	(8,717,204)
With donor restrictions	1,000	1,000
Total net assets (deficit)	(13,073,005)	(8,716,204)
Total Liabilites and Net Assets (Deficit)	$ 4,453,793	$ 4,977,769

“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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Public support	$ 24,919,961	$ -	$ 24,919,961
Foundation grants	100,000	-	100,000
In-kind contributions	523,755	-	523,755
Interest and dividend income	29,410	-	29,410
Unrealized gain on investments	248,656	-	248,656
Realized loss on investments	(76,970)	-	(76,970)
Total unrestricted support and revenue	25,744,812	-	25,744,812
Net assets released from restrictions	-	-	-
Total support and revenue	25,744,812	-	25,744,812
Expenses			
Program services	6,796,134	-	6,796,134
Management and general	2,590,366	-	2,590,366
Fundraising	20,715,113	-	20,715,113
Total expenses	30,101,613	-	30,101,613
Decrease in net assets	(4,356,801)	-	(4,356,801)
Net assets (deficit) at beginning of year	(8,717,204)	1,000	(8,716,204)
Net Assets (Deficit) at End of Year	$ (13,074,005)	$ 1,000	$ (13,073,005)

"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

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
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	127,121	-	127,121
Total unrestricted support and revenue	28,004,827	-	28,004,827
Net assets released from restrictions	-	-	-
Total support and revenue	28,004,827	-	28,004,827
Expenses			
Program services	6,916,937	-	6,916,937
Management and general	2,356,680	-	2,356,680
Fundraising	22,607,495	-	22,607,495
Total expenses	31,881,112	-	31,881,112
Decrease in net assets	(3,876,285)	-	(3,876,285)
Net assets (deficit) at beginning of year	(4,840,919)	1,000	(4,839,919)
Net Assets (Deficit) at End of Year	$ (8,717,204)	$ 1,000	$ (8,716,204)

"The accompanying notes are an integral part of the financial statements"

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services	Management and General	Fundraising	2023 Total
Payroll and related expenses	$ 607,798	$ 599,144	$ 121,119	$ 1,328,061
Goods and aid supplied	995,954	-	-	995,954
Grants - to individuals	26,819	-	-	26,819
Grants - outside organizations	860,000	-	-	860,000
Direct mail - package costs	2,866,920	829,649	14,786,265	18,482,834
Direct mail - postage costs	992,828	175,206	4,672,137	5,840,171
Direct mail - caging	65,981	11,644	310,497	388,122
Advertising	-	453,515	-	453,515
Bank fees	27,958	6,243	131,568	165,769
Depreciation	-	10,628	-	10,628
IT and database management	126,934	68,673	689,862	885,469
Insurance	-	6,841	-	6,841
Legal and professional fees	1,336	91,748	1,072	94,156
Licenses and permits	684	2,806	100	3,590
Office expense	35,429	208,628	1,282	245,339
Lease expense	129,837	76,624	-	206,461
Telephone & communication	-	21,236	-	21,236
Travel	57,656	27,781	1,211	86,648
Total	$ 6,796,134	$ 2,590,366	$ 20,715,113	$ 30,101,613

"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

	Program Services	Management and General	Fundraising	2022 Total
Payroll and related expenses	$ 461,991	$ 511,950	$ 109,398	$ 1,083,339
Goods and aid supplied	654,606	-	-	654,606
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
Liscenses and permits	2,652	4,337	240	7,229
Office expense	32,773	201,841	3,659	238,273
Rent	109,921	87,460	-	197,381
Telephone & communication	-	15,866	-	15,866
Travel	23,699	42,378	3,370	69,447
Total	$ 6,916,937	$ 2,356,680	$ 22,607,495	$ 31,881,112

"The accompanying notes are an integral part of the financial statements"

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (4,356,801)	$ (3,876,285)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,628	10,879
Right-of-use adjustment	(7,357)	-
Realized loss on investments	76,970	-
Unrealized (gain) loss on investments	(248,656)	394,603
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Donation receivable	1,924	136,462
Prepaid expenses	(14,359)	-
Increase (decrease) in liabilities		
Accounts payable	3,249,925	4,578,544
Grants payable	25,818	268,250
Accrued salaries and related expenses	39,069	4,557
Total adjustments	3,133,962	5,393,295
Net cash (used) provided by operating activities	(1,222,839)	1,517,010
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(25,744)
Sale of investments	745,002	1,666,209
Purchase of investments	(821,972)	(557,418)
Net cash (used) provided by investing activities	(76,970)	1,083,047
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,299,809)	2,600,057
Cash, cash equivalents and restricted cash at beginning of year	3,164,505	564,448
Cash, Cash Equivalents and Restricted Cash at End of Year	$ 1,864,696	$ 3,164,505

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

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.

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, 2023 and 2022, 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:

	2023	2022
Cash and cash equivalents	$ 1,804,245	$ 3,050,086
Cash held in investments	60,451	114,419
Total cash, cash equivalents and restricted cash	$ 1,864,696	$ 3,164,505

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, 2023 and 2022. Fair values are estimated based on current market rates, prices or liquidation values.

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.

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:

Category	**Life in Years**
Office Furniture & Equipment	5-7
Leasehold Improvements	5

Depreciation expense was $10,628 and $10,879 for the years ended September 30, 2023 and 2022, 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.

Volunteers donated significant amounts of their time of approximately 3,543volunteer hours and $70,240 as In-kind contribution and program services during the year ended September 30, 2023. These hours were volunteered in the Foundation's warehouse packaging and distributing goods. Without these volunteers, the Foundation would have to hire workers.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Advertising

Advertising costs are expensed as incurred and were $453,515 and $463,990 for the years ended September 30, 2023 and 2022, respectively, which included GIK Google Grant contributions of $453,515 and $463,990, 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 years ended September 30, 2023 and 2022.

3. AVAILABILITY AND LIQUIDITY

The following represents the Foundation's financial assets at September 30, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash, cash equivalents and restricted cash equivalents	$ 1,864,696	$ 3,164,505
Donation receivable	71,005	72,929
Investments	1,936,140	1,687,484
Total financial assets	3,871,841	4,924,918
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,000)	(1,000)
Financial assets available to meet general expenses over the next twelve months	$ 3,870,841	$ 4,923,918

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 $1,344,542 and $2,554,820 for the years ended September 30, 2023 and 2022, 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.

4. CONCENTRATION OF CREDIT RISK (Continued)

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, 2023 and 2022 was $16,281,289 and $13,031,364, 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, 2023 and 2022, 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, 2023 is as follows:

	Cost	Fair Market Value	Unrealized Gain (Loss)
Cash	$ 60,451	$ 60,451	$ -
Equity securities	1,348,246	1,588,907	240,661
Bonds	339,238	347,233	7,995
Total	$ 1,747,935	$ 1,996,591	$ 248,656

An analysis of the investments held at September 30, 2022 is as follows:

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

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:

<u>Level 1</u>

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

<u>Level 2</u>

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

<u>Level 3</u>

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, 2023 and 2022, 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.

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, 2023:

FAIR VALUE MEASUREMENTS USING:

Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	$ 60,451	$ 60,451	$ -
Equity securities	1,588,907	1,588,907	-
Bonds	347,233	-	347,233
Total	$ 1,996,591	$ 1,649,358	$ 347,233

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:

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

7. GRANTS PAYABLE

During the years ended September 30, 2023 and 2022, the Foundation awarded $860,000 and $872,500, respectively, in grants to various veteran organizations. Grants payable at September 30, 2023 and 2022 was $629,896 and $604,078, 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 $(13,074,005) and $(8,717,204) at September 30, 2023 and 2022, respectively.

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

DVNF is embarking on a transformative 5-year strategy to significantly increase fundraising revenue from $3.7 million to over $10 million annually, enhance donor engagement, and effectively reduce the current $13 million deficit. This plan introduces the Direct Mail Digital Model (DMDM) and planned giving initiatives, underpinned by the need for a strategic pivot to ensure DVNF's financial health and expand its capacity to serve.

Challenged with a significant financial deficit and the imperative to amplify support for disabled and at-risk veterans, DVNF recognizes the need for a new fundraising and deficit reduction strategy. This strategic pivot leverages DVNF's existing assets, introducing the DMDM and planned giving initiatives alongside corporate sponsorships, through a process that has engaged DVNF leadership, program beneficiaries, donors, and strategic partners.

Strategic Framework & Objectives

- Revenue Growth: Achieve a substantial increase in fundraising revenue from $3.7 million to over $10 million annually.
- Deficit Reduction: Systematically reduce the current $13 million deficit through strategic financial planning and allocation of increased fundraising revenues.
- Expansion of Donor Engagement Channels: Enhance engagement through the integration of DMDM, development of planned giving options, and cultivation of corporate sponsorships.

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

Strategic Framework & Objectives (Continued)

Year 1-2: Establishing the Foundation

- Integration of Digital and Direct Mail Campaigns: Implement DMDM to enhance donor engagement and contributions across platforms.
- Data Solutions and Unified Dashboard Implementation: Develop a comprehensive dashboard for real-time analytics to support strategic decision-making.
- Strategic Testing and Optimization: Employ adaptive strategies based on data insights to refine fundraising efforts.

Year 3-4: Expansion and Growth

- Enhanced Donor Engagement: Develop targeted donor programs and segmentation strategies to deepen donor connections.
- Innovative Fundraising Opportunities: Explore new fundraising avenues, including virtual events and social media initiatives.
- Partnership and Community Engagement: Forge strategic partnerships and enhance community engagement to expand DVNF's impact.

Year 5: Review and Future Planning

- Comprehensive Review: Evaluate DMDM's performance and overall fundraising strategy effectiveness.
- Future Strategies: Set new objectives for DVNF's continued growth, innovation, and impact based on comprehensive review insights.

Revenue Allocation and Deficit Reduction Strategy

Contextual Comparison: In contrast to the previous 5-year model, which allocated revenue with a 70/30 percent draw, the Direct Mail Digital Model (DMDM) adopts a more balanced and sustainable approach with a 50/50% revenue draw from direct mail. This strategic adjustment ensures more efficient budget utilization.

Online and Unrestricted Corporate Donations Allocation:

Revenue from online giving and unrestricted corporate donations will follow a 50/50 formula. Half of this revenue will be allocated to reducing the existing deficit of $13 million in its current fiscal year, while the remaining 50% will contribute to DVNF's next fiscal year's operational budget, thus augmenting the baseline operational budget year after year.

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

Strategic Framework & Objectives (Continued)

Bequests Allocation:

All future and pending unrestricted bequest revenues will adhere to a structured 75/25 allocation formula. Seventy-five percent of these revenues will be utilized for deficit reduction within the fiscal year of receipt, while the remaining 25% will be allocated to enhancing the following year's operational budget.

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. OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY

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.

Rent expense which includes operating and tax escalations amounted to $66,626 the year ended September 30, 2022.

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.

Storage rental expense amounted to $109,921 for the year ended September 30, 2022.

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 inclusive of service warranties was $7,179.

9. OPERATING LEASE RIGHT-OF-USE ASSET AND LIABILITY (Continued)

In October 1, 2022, the Foundation adopted Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 842, *Leases*, along with Accounting Standards Update (ASU) No. 2016-02, *Leases*, on a modified retrospective approach.

Comparative prior period was not adjusted upon adoption, as the Foundation utilized the practical expedient available under the guidance.

Right-of-use assets and related liabilities are recognized at the commencement date based on the net present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The Foundation uses an estimated rate based on the implicit rate for the two of its leases and the Treasury rate for one lease at implementation in determining the present value of lease payments. Lease expense for payments is recognized on a straight-line basis over the lease term.

Quantitative Information

The following table provides quantitative information concerning the Foundation's operating leases:

ROU Assets	Copier	Office	Warehouse	Total
Operating lease cost	$ 21,056	$ 256,535	$ 274,409	$ 552,000
Operating cash flows from operating lease	5,376	72,237	131,239	
Right of use asset obtained in exchange for new operating lease liabilities	24,607	295,602	377,160	
Weighted-average remaining lease term in years for operating lease	3.92	3.3	2	
Weighted average discount rate for operating lease	3%	5%	5%	

Maturity Analysis All Leases
Years ending September 30

2024	$ 214,954
2025	221,241
2026	84,308
2027	31,497
Total undiscounted cash flows	552,000
Less: present value discount	(33,987)
Total lease liabilities	$ 518,013

10. 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, 2023 and 2022 was $13,735 and $0, respectively.

11. 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, 2023 and 2022 were allocated as follows:

	2023	2022
Fundraising	$ 20,715,013	$ 22,607,255
Program	4,782,840	5,313,660
Management and general	2,039,952	1,783,199
Total	$ 27,537,805	$ 29,704,114

12. SUSEQUENT EVENTS

On February 14, 2024, Innovairre provided the Foundation a credit against its vendor account payable balance in the amount of $5,000,000 for the years 2021 through 2023, which reduced the amount owed as disclosed in Note 4 above.

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 29, 2024, 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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