



Abrams
Foster
Nole &
Williams, P.A.

DISABLED VETERANS NATIONAL FOUNDATION, INC.

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

Years Ended December 31, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
<u>Financial Statements</u>	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets (Deficit)	4
Statement 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 December 31, 2017 and 2016 and the related statements of activities and changes in net assets (deficit), functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility of the Financial Statements

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

Auditor's Responsibility

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

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

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

Certified Public Accountants & Business Advisors

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Disabled Veterans National Foundation, Inc. as of December 31, 2017 and 2016, and the changes in its net assets (deficit), functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Note 10 to the financial statements, the Foundation has suffered recurring losses from operations and has a net deficiency in net assets. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 10. Our opinion is not modified with respect to this matter.



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

May 29, 2018

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash	\$ 1,391,562	\$ 2,426,501
Accounts receivable	57,951	38,144
Donation receivable	279,680	219,943
Prepaid expenses	-	4,946
Total current assets	<u>1,729,193</u>	<u>2,689,534</u>
Property and Equipment		
Office furniture and equipment	119,851	99,583
Leasehold improvements	<u>15,149</u>	<u>13,444</u>
Total	135,000	113,027
Less: accumulated depreciation	<u>(48,533)</u>	<u>(26,685)</u>
Net property and equipment	<u>86,467</u>	<u>86,342</u>
Noncurrent Assets		
Investments	1,848,686	1,498,520
Security deposit	<u>9,946</u>	<u>12,177</u>
Total noncurrent assets	<u>1,858,632</u>	<u>1,510,697</u>
Total Assets	<u>\$ 3,674,292</u>	<u>\$ 4,286,573</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable	\$ 10,098,094	\$ 8,059,130
Grants payable	303,414	29,000
Accrued expenses	157,584	165,547
Deferred revenue	<u>60,507</u>	<u>-</u>
Total liabilities	<u>10,619,599</u>	<u>8,253,677</u>
Net Assets (Deficit)		
Unrestricted net assets (deficit)	(6,946,307)	(3,968,104)
Temporarily restricted net assets	<u>1,000</u>	<u>1,000</u>
Total net assets (deficit)	<u>(6,945,307)</u>	<u>(3,967,104)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 3,674,292</u>	<u>\$ 4,286,573</u>

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Public support	\$ 25,494,552	\$ -	\$ 25,494,552
Grant revenue	25,187	-	25,187
In-kind contributions	2,550,903	-	2,550,903
Name rental revenue	114,419	-	114,419
Interest and other income	82,632	-	82,632
Unrealized gain on investments	108,932	-	108,932
Realized gain on investments	<u>27,492</u>	<u>-</u>	<u>27,492</u>
Total unrestricted support and revenue	<u>28,404,117</u>	<u>-</u>	<u>28,404,117</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>28,404,117</u>	<u>-</u>	<u>28,404,117</u>
Expenses			
Program services	7,986,795	-	7,986,795
Management and general	2,422,013	-	2,422,013
Fundraising	<u>20,973,512</u>	<u>-</u>	<u>20,973,512</u>
Total expenses	<u>31,382,320</u>	<u>-</u>	<u>31,382,320</u>
(Decrease) in unrestricted net assets (deficit)	(2,978,203)	-	(2,978,203)
Net assets (deficit) at beginning of year	<u>(3,968,104)</u>	<u>1,000</u>	<u>(3,967,104)</u>
Net Assets (Deficit) at End of Year	<u>\$ (6,946,307)</u>	<u>\$ 1,000</u>	<u>\$ (6,945,307)</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, 2016

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Public support	\$ 25,020,806	\$ -	\$ 25,020,806
In-kind contributions	2,444,675	-	2,444,675
Name rental revenue	96,186	-	96,186
Interest and dividend income	45,007	-	45,007
Net unrealized gain on investments	89,408	-	89,408
Realized gain on investments	44,534	-	44,534
Total unrestricted support and revenue	27,740,616	-	27,740,616
Net assets released from restrictions	-	-	-
Total support and revenue	27,740,616	-	27,740,616
Expenses			
Program services	7,523,867	-	7,523,867
Management and general	2,000,823	-	2,000,823
Fundraising	19,776,427	-	19,776,427
Total expenses	29,301,117	-	29,301,117
Decrease in unrestricted net assets (deficit)	(1,560,501)	-	(1,560,501)
Net assets (deficit) at beginning of year	(2,407,603)	1,000	(2,406,603)
Net Assets (Deficit) at End of Year	\$ (3,968,104)	\$ 1,000	\$ (3,967,104)

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

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

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total</u>
Goods and aid supplied	\$ 2,387,066	\$ -	\$ -	\$ 2,387,066
Grants - individuals	11,773	-	-	11,773
Grants - outside organizations	942,890	-	-	942,890
Direct mail - package costs	3,010,552	532,493	14,172,171	17,715,216
Direct mail - postage costs	1,065,319	187,997	4,991,205	6,244,521
Direct mail - caging	96,382	17,009	475,615	589,006
Advertising	-	477,364	-	477,364
Bank fees	36,219	11,193	170,441	217,853
Depreciation	-	21,848	-	21,848
IT and database management	193,949	48,141	939,619	1,181,709
Insurance	-	8,460	-	8,460
Investment fees	-	21,761	-	21,761
Legal and professional fees	9,706	92,483	245	102,434
License & permits	-	3,858	-	3,858
List management fees	260	46	1,222	1,528
Meeting expense	240	-	-	240
Office expense	40,856	62,242	4,655	107,753
Payroll and related expenses	169,593	692,759	204,670	1,067,022
Rent	6,086	102,540	-	108,626
Telephone & communication	2,081	61,451	9,792	73,324
Travel	13,823	80,368	3,877	98,068
	<u>13,823</u>	<u>80,368</u>	<u>3,877</u>	<u>98,068</u>
Total	<u>\$ 7,986,795</u>	<u>\$ 2,422,013</u>	<u>\$ 20,973,512</u>	<u>\$ 31,382,320</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, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2016 Total</u>
Goods and aid supplied	\$ 2,316,476	\$ -	\$ -	\$ 2,316,476
Grants - individuals	21,387	-	-	21,387
Grants - outside organizations	340,000	-	-	340,000
Direct mail - package costs	2,970,596	524,224	13,979,137	17,473,957
Direct mail - postage costs	936,570	165,276	4,407,391	5,509,237
Direct mail - caging	102,846	18,149	483,978	604,973
Advertising	476,945	-	-	476,945
Bank fees	26,749	6,533	125,877	159,159
Depreciation	-	6,456	-	6,456
IT and database management	129,940	35,111	598,540	763,591
Insurance	-	8,898	-	8,898
Legal and professional fees	-	166,833	-	166,833
License & permits	-	2,825	-	2,825
List management fees	512	90	2,408	3,010
Meeting expense	234	-	-	234
Office expense	4,597	92,360	685	97,642
Payroll and related expenses	185,191	742,014	163,292	1,090,497
Rent	-	96,330	-	96,330
Telephone & communication	2,684	71,357	12,632	86,673
Travel	9,140	64,367	2,487	75,994
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 7,523,867</u>	<u>\$ 2,000,823</u>	<u>\$ 19,776,427</u>	<u>\$ 29,301,117</u>

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (2,978,203)	\$ (1,560,501)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,848	6,456
Realized and unrealized (gain) on investments	(136,424)	(133,942)
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(19,807)	(26,599)
Donation receivable	(59,737)	(93,323)
Prepaid expenses	4,946	(4,946)
Security deposit	2,231	(4,946)
Increase (decrease) in liabilities		
Accounts payable	2,038,964	2,151,470
Grants payable	274,414	(209,333)
Accrued salaries and related expenses	(7,963)	52,712
Deferred revenue	60,507	-
Total adjustments	<u>2,178,979</u>	<u>1,737,549</u>
Net cash (used) provided by operating activities	<u>(799,224)</u>	<u>177,048</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(20,268)	(67,226)
Leashold improvements	(1,705)	(13,444)
Sale of investments	615,408	1,621,505
Purchase of investments	<u>(829,150)</u>	<u>(1,831,256)</u>
Net cash (used) by investing activities	<u>(235,715)</u>	<u>(290,421)</u>
Net (decrease) in cash	(1,034,939)	(113,373)
Cash at beginning of year	<u>2,426,501</u>	<u>2,539,874</u>
Cash at End of Year	<u>\$ 1,391,562</u>	<u>\$ 2,426,501</u>

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

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. Financial Statement Presentation

The Foundation reports net assets based on the existence or absence of donor-imposed restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets whose restrictions are met in the year received are recorded in the financial statements as unrestricted assets. Permanently restricted net assets are subject to donor-imposed stipulations that may be maintained permanently by the Foundation. As of the years ended December 31, 2017 and 2016, the Foundation has \$1,000 in temporarily restricted net assets and \$0 in permanently restricted net assets.

C. Cash and Cash Equivalents

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 December 31, 2017 and 2016. Fair values are estimated based on current market rates, prices or liquidation values.

E. Functional Allocation of Expenses

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

F. Income Tax Status

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, with the exception of unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements. An informational return Form 990 is filed annually. The IRS has authority to request an audit of any previous three years' tax filings. The Foundation is no longer subject to federal tax examination by tax authorities for years prior to 2013. 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.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property and Equipment

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

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

Depreciation expense was \$21,848 and \$6,456 for the years ended December 31, 2017 and 2016, respectively.

J. Revenue Recognition

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

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 principle market. GIK expenses are recorded when the goods are shipped for program use.

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Advertising

Advertising costs are expensed as incurred and were \$477,364 and \$476,945 for the years ended December 31, 2017 and 2016, respectively, which included GIK expenses of \$477,364 and \$476,945, 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 December 31, 2017 and 2016.

3. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in bank deposit accounts that exceed the \$250,000 federally insured limit by \$1,1141,062 and \$2,176,001 for the years ended December 31, 2017 and 2016, 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.

In November 2016, the Foundation signed a new agreement with Direct Mail Processors, Inc. to provide donation processing, data entry, and other related services. In addition, the Foundation uses Innovairre Communications for its direct donor mail marketing and Vera Data for its donor database management.

The total payable to vendors for the years ended December 31, 2017 and 2016 was \$10,098,094 and \$7,692,622, respectively. While there has been no indication that this production vendor will stop providing credit, limit or reduce the credit facility provided to the Foundation, any reduction in credit could have a material impact on the financial condition of the Foundation.

4. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016 consist of Name Rental income receivable in the amounts of \$57,951 and \$38,144, respectively. Management considers all receivables collectible, therefore, no allowance for uncollectible accounts have been recorded.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

5. INVESTMENTS

During the years ended December 31, 2017 and 2016, 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 statement of activities. Market risk could occur and is dependent on the future changes in market price of the various investments held.

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

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

An analysis of the investments held at December 31, 2016 is as follows:

	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash	\$ 116,457	\$ 116,457	\$ -
Equity securities	880,521	969,633	89,112
Bonds	<u>412,134</u>	<u>412,430</u>	<u>296</u>
Total	<u>\$ 1,409,112</u>	<u>\$ 1,498,520</u>	<u>\$ 89,408</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

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 December 31, 2017 and 2016.

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.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

6. FAIR VALUE MEASUREMENT (Continued)

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

Fair Value Measurement

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

FAIR VALUE MEASUREMENTS USING:

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

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, 2016:

FAIR VALUE MEASUREMENTS USING:

Description	2016 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Cash	\$ 116,457	\$ 116,457	\$ -
Equity securities	969,633	969,633	-
Bonds	<u>412,430</u>	<u>-</u>	<u>412,430</u>
Total	<u>\$1,498,520</u>	<u>\$ 1,086,090</u>	<u>\$ 412,430</u>

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

7. GRANTS PAYABLE

During 2015, the Foundation awarded grants to several unrelated veteran organizations totaling \$783,536 to be paid during various times throughout 2016 and 2017. During the year ended December 31, 2017, the Foundation awarded \$937,828 for grants to various veterans organizations. Grants payable at December 31, 2017 and 2016 was \$303,414 and \$29,000, respectively.

8. 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.

9. UNRESTRICTED NET ASSETS (DEFICIT)

Unrestricted net assets (deficit) consist of unrestricted 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 unrestricted net assets were negative in the amount of \$(6,946,307) and \$(3,968,104) at December 31, 2017 and 2016, respectively.

10. GOING CONCERN MATTERS

As shown in the accompanying financial statements, the Foundation incurred net losses of \$2,978,203 and \$1,560,501 during the years ended December 31, 2017 and 2016, respectively. The Foundation's total liabilities exceeds its total assets for the years ended December 31, 2017 and 2016 by \$6,945,307 and \$3,968,104, respectively.

The Foundation's vendor accounts payable over the past two years has continually increased, due to its direct mail campaign methodology for raising funds. For the year ended December 31, 2017, direct mail vendor accounts payable increased \$2,038,964. The Foundation's direct mail campaign costs is the major contributing factor to its increasing net asset (deficit).

The following describes management's plans that alleviated substantial doubt about the Foundation's ability to continue as a going concern.

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

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

10. GOING CONCERN MATTERS (Continued)

The deficit reduction plan includes decreasing its operational cost footprint without any program impact, reduction of cost in production services and reduction in digital expenditures. In 2017, the Foundation established additional revenue streams outside of direct mail with the utilization of online giving and attracting corporate, private and planned giving donors.

11. LEASE COMMITMENT

The Foundation leased office space in Washington, DC under a monthly operating lease agreement for the amount of \$7,671. The Foundation's lease in Washington terminated effective June 2017 for which management decided to continue paying the lease until termination. In October 2016, the Foundation signed a new lease agreement for office space located in Lanham, MD, which commenced on January 1, 2017 for the monthly amount of \$4,946.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2018	\$ 61,128
2019	62,964
2020	64,848
2021	<u>66,792</u>
Total	<u>\$ 255,732</u>

Rent expense which includes operating and tax escalations amounted to \$108,626 and \$96,330 for the years ended December 31, 2017 and 2016, respectively.

12. 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.

DISABLED VETERANS NATIONAL FOUNDATION, INC.
Notes to Financial Statements
December 31, 2017 and 2016

12. PENSION PLAN (Continued)

The SIMPLE IRA plan was established to cover all full-time employees who elect to participate in the plan. The Foundation elected to make matching contributions up to three percent of total compensation for eligible participants. Pension expense for the years ended December 31, 2017 and 2016 was \$9,261 and \$15,564, respectively.

13. ALLOCATION OF JOINT COSTS

The Foundation conducts direct mail campaign activities which included requests for contributions, as well as program and management and general components. The costs of conducting the direct mail campaign activities for the years ended December 31, 2017 and 2016 were allocated as follows:

	2017	2016
Fundraising	\$ 20,973,512	\$ 19,776,427
Program	4,638,740	4,368,825
Management and general	1,786,182	1,719,481
Total	\$ 27,398,434	\$ 25,864,733

14. SUSEQUENT EVENTS

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification ASC-855, the Foundation has evaluated subsequent events through May 29, 2018, the date the financial statements were available to be issued. No events require recognition in the financial statements or disclosures of the Foundation.



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