

DAV (Disabled American Veterans) National Service Foundation

Financial Statements as of and for the
Years Ended December 31, 2018 and 2017, and
Independent Auditors' Report



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
DAV (Disabled American Veterans) National Service Foundation:

We have audited the accompanying financial statements of DAV (Disabled American Veterans) National Service Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for 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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 Foundation'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 Foundation'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.

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 the Foundation as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, the Foundation adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Deloitte & Touche LLP

April 9, 2019

**DAV (DISABLED AMERICAN VETERANS)
NATIONAL SERVICE FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
CASH	\$ 2,723,245	\$ 2,683,069
INTEREST AND DIVIDENDS RECEIVABLE	60,756	203
ACCOUNTS RECEIVABLE	3,580	5,730
INVENTORY	14,506	8,320
PREPAID EXPENSES	19,761	5,197
INVESTMENTS	<u>125,747,511</u>	<u>136,013,172</u>
TOTAL	<u>\$128,569,359</u>	<u>\$138,715,691</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Due to Disabled American Veterans	\$ 97,915	\$ 134,752
Other liabilities	<u>68,731</u>	<u>29,387</u>
Total liabilities	<u>166,646</u>	<u>164,139</u>
NET ASSETS:		
Without donor restrictions:		
Perpetual Rehabilitation Fund	65,727,984	70,513,109
The Columbia Trust	<u>1,614,899</u>	<u>2,076,091</u>
Total net assets without donor restrictions	<u>67,342,883</u>	<u>72,589,200</u>
With donor restrictions:		
The Columbia Trust		3,660
Purpose restricted for mission	60,828,136	65,729,198
Purpose restricted for DAV Legislative Fund	<u>231,694</u>	<u>229,494</u>
Total net assets with donor restrictions	<u>61,059,830</u>	<u>65,962,352</u>
Total net assets	<u>128,402,713</u>	<u>138,551,552</u>
TOTAL	<u>\$128,569,359</u>	<u>\$138,715,691</u>

See notes to financial statements.

**DAV (DISABLED AMERICAN VETERANS)
NATIONAL SERVICE FOUNDATION**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018					2017				
	With Donor Restrictions					With Donor Restrictions				
	Without Donor Restrictions	Purpose Restricted Mission	Purpose Restricted Columbia Trust	Purpose Restricted DAV Legislative Fund	Total	Without Donor Restrictions	Purpose Restricted Mission	Purpose Restricted Columbia Trust	Purpose Restricted DAV Legislative Fund	Total
SUPPORT AND REVENUES:										
Support—contributions and bequests	\$ 823,338	\$ 2,725	\$ 964,900	\$ 2,200	\$ 1,793,163	\$ 952,332	\$	\$ 1,104,008	\$ 2,000	\$ 2,058,340
Revenues—net investment return	(3,245,871)	(2,929,452)	37,654		(6,137,669)	9,030,936	8,435,885	10,628		17,477,449
Net assets released from restrictions	2,980,549	(1,974,335)	(1,006,214)			1,110,976		(1,110,976)		-
Total public support and revenue	558,016	(4,901,062)	(3,660)	2,200	(4,344,506)	11,094,244	8,435,885	3,660	2,000	19,535,789
EXPENSES:										
Program expenses:										
Grants and expenses in accordance with The Columbia Trust	1,510,233				1,510,233	1,158,537				1,158,537
Appropriations to DAV National Headquarters and other organizations	4,080,571				4,080,571	506,551				506,551
Total program expenses	5,590,804	-	-	-	5,590,804	1,665,088	-	-	-	1,665,088
Management and general expenses	134,866				134,866	117,733				117,733
Fundraising expenses	78,663				78,663	80,488				80,488
Total expenses	5,804,333	-	-	-	5,804,333	1,863,309	-	-	-	1,863,309
CHANGE IN NET ASSETS	(5,246,317)	(4,901,062)	(3,660)	2,200	(10,148,839)	9,230,935	8,435,885	3,660	2,000	17,672,480
NET ASSETS—Beginning of year	72,589,200	65,729,198	3,660	229,494	138,551,552	63,358,265	57,293,313		227,494	120,879,072
NET ASSETS—End of year	\$67,342,883	\$60,828,136	\$ -	\$231,694	\$128,402,713	\$72,589,200	\$65,729,198	\$ 3,660	\$229,494	\$138,551,552

See notes to financial statements.

**DAV (DISABLED AMERICAN VETERANS)
NATIONAL SERVICE FOUNDATION**

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018				2017			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
EXPENSES:								
Allocations to charitable programs	\$ 5,543,313	\$ -	\$ -	\$ 5,543,313	\$ 1,613,814	\$ -	\$ -	\$ 1,613,814
Grant proposal processing	42,827			42,827	47,561			47,561
Administrative charges		42,827	15,852	58,679		47,561	21,317	68,878
Travel		14,209		14,209		15,224		15,224
Postage and shipping	12	4,306	25,744	30,062	20	4,287	26,087	30,394
Printing, stationery, and supplies	209	2,384	25,344	27,937	304	2,825	22,852	25,981
Legal fees			6,840	6,840		125	6,840	6,965
Professional fees		28,450		28,450		27,500		27,500
Insurance		3,896		3,896		3,920		3,920
Registration fees		20,321	4,883	25,204		15	3,392	3,407
Awards		10,373		10,373		10,935		10,935
Banking and credit card fees	4,443	5,050		9,493	3,389	5,166		8,555
Miscellaneous		3,050		3,050		175		175
TOTAL	<u>\$ 5,590,804</u>	<u>\$ 134,866</u>	<u>\$ 78,663</u>	<u>\$ 5,804,333</u>	<u>\$ 1,665,088</u>	<u>\$ 117,733</u>	<u>\$ 80,488</u>	<u>\$ 1,863,309</u>

See notes to financial statements.

**DAV (DISABLED AMERICAN VETERANS)
NATIONAL SERVICE FOUNDATION**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$(10,148,839)	\$ 17,672,480
Contributions restricted for DAV Legislative Fund	(2,200)	(2,000)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net gain on sale and change in depreciation (appreciation) of investment securities	9,395,336	(14,613,109)
Changes in operating assets and liabilities:		
Interest and dividends receivable	(60,553)	(139)
Accounts receivable	2,150	(5,267)
Inventory	(6,186)	(760)
Prepaid expenses	(14,564)	(1,273)
Due to Disabled American Veterans	(36,837)	13,975
Other liabilities	<u>39,344</u>	<u>(131,752)</u>
Net cash (used in) provided by operating activities	<u>(832,349)</u>	<u>2,932,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(62,569,083)	(18,910,417)
Proceeds from sale of investment securities	<u>63,439,408</u>	<u>16,012,628</u>
Net cash provided by (used in) investing activities	<u>870,325</u>	<u>(2,897,789)</u>
CASH FLOW FROM FINANCING ACTIVITY:		
Contributions of donor restricted assets	<u>2,200</u>	<u>2,000</u>
NET INCREASE IN CASH	40,176	36,366
CASH—Beginning of year	<u>2,683,069</u>	<u>2,646,703</u>
CASH—End of year	<u>\$ 2,723,245</u>	<u>\$ 2,683,069</u>

See notes to financial statements.

DAV (DISABLED AMERICAN VETERANS) NATIONAL SERVICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. ORGANIZATION

DAV (Disabled American Veterans) National Service Foundation (the "Foundation") is a financial auxiliary of the Disabled American Veterans (DAV). The purpose of the Foundation, as set forth in Article 3 of the Articles of Incorporation, is as follows:

"To receive and maintain a fund or funds of personal or real property, or both; to solicit and obtain contributions from the public; and, subject to the restrictions set forth in the Articles of Incorporation, to use and apply the whole or any part of the income and principal of said fund exclusively for the promotion of social welfare (including incidental nonpartisan legislative activity in furtherance of such purpose) within the meaning of Section 501(c)(4) of the Internal Revenue Code of 1986, or corresponding section of any future federal tax code, primarily for the assistance, aid, maintenance, care, support, and rehabilitation of disabled veterans and their dependents, either directly or by contributions to the DAV, a Congressionally chartered organization, or any chapter or department thereof."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements—The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

New Accounting Standards—In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update modify the disclosure requirements on fair value measurements in Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, based on the concepts in the *Concepts Statement*, including the consideration of costs and benefits. The effective date of ASU No. 2018-13 is for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Management is in the process of evaluating its impact on the financial statements.

In March 2017, the FASB issued ASU No. 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. ASU No. 2017-08 amends guidance on the amortization period of premiums on certain purchased callable debt securities. The amendments shorten the amortization period of premiums on certain purchased callable debt securities to the earliest call date. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment to beginning retained earnings. The effective date of ASU No. 2017-08 is for annual reporting periods beginning after December 15, 2018. The ASU has not yet been adopted; however, it is not expected to have a material impact on the Foundation's financial position, cash flows, or results of operations.

The changes have the following effect on net assets for the year ended December 31, 2017:

Statement of Financial Position	As Originally Presented	After Adoption of ASU No. 2016-14
Net asset class:		
Unrestricted	\$ 72,589,200	\$ -
Temporarily restricted	65,732,858	
Permanently restricted	229,494	
Without donor restrictions		72,589,200
With donor restrictions		<u>65,962,352</u>
 Total net assets	 <u>\$ 138,551,552</u>	 <u>\$ 138,551,552</u>

The Foundation implemented ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the current year, applying the changes using a modified prospective approach. This update clarifies and improves current guidance about whether a transfer of assets is a contribution or an exchange transaction. The Foundation has adopted the guidance in the ASU as of December 31, 2018; however, adoption did not materially impact the Foundation's financial statements.

The Foundation implemented ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10)—Recognition and Measurement of Financial Assets and Financial Liabilities*, on January 1, 2018, applying the changes using a modified retrospective transition approach. ASU No. 2016-01 revises the accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. Adoption did not materially impact the Foundation's financial statements.

Cash—The Foundation considers all liquid instruments purchased with a maturity date of three months or less to be cash equivalents that are stated at cost, which approximates fair value. The earnings credit received on the Foundation's checking accounts were \$49,833 and \$15,624 in 2018 and 2017, respectively. The Foundation maintains its cash in bank deposit accounts, which, at times, exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

Inventories—Inventories are carried at the lower of cost or net realizable value, generally determined on the first-in, first-out basis. Inventory consists of solicitation materials and other items.

Investments—Investments are recorded at fair value. The fair value of the Foundation's investments is determined based on the quoted market prices of the related securities or quoted prices in active markets for instruments that are similar or model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Gains and losses on the sale of investment securities are recognized based upon the specific identification method and are reflected as a separate component of revenue for the investments of the Foundation. The Foundation's policy is to report cash and cash equivalents, which include money market funds, within its trust accounts as investments.

Contributions—Contributions received are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. Donated assets are recorded at their fair market value at the time of the donation.

Net Assets Without Donor Restrictions—All contributions and bequests without donor restrictions to the Foundation are designated by the board of directors (the “Board”) for investment in a Board-designated endowment fund, known as the Perpetual Rehabilitation Fund, as a reserve for future needs.

Investment income derived from these invested amounts is included in net assets without donor restrictions and used for current operations of the Foundation or appropriated by the Foundation for use by DAV.

For 2017, appropriations to the Columbia Trust of \$600,000 is excluded from the statement of activities due to the transaction being an internal appropriation.

For 2018 and 2017, the Board has designated \$1,614,899 and \$2,076,091, respectively, as total net assets without donor restrictions for the Columbia Trust and are not included in the Board-designated endowment fund. The Columbia Trust recorded a decrease in net assets without donor restrictions of \$461,192 in 2018 and an increase of \$600,000 in 2017. No appreciation (depreciation) of investments is designated to the Columbia Trust’s net assets from the general fund without donor restrictions. As of December 31, 2018 and 2017, the Columbia Trust held \$231,040 and \$227,383, respectively, in money market funds.

Net Assets with Donor Restrictions—Funds considered with donor restriction for mission are restricted by their purpose to being invested prudently and used in fulfilling the Foundation’s mission. As of December 31, 2018 and 2017, the net assets with donor restrictions of \$60,828,136 and \$65,729,198, respectively, are included within the investments balance in the statements of financial position.

Funds contributed to the Columbia Trust are matched 100% by DAV, up to a maximum of \$3,000,000 per year. In 2018 and 2017, the Columbia Trust received \$62,450 and \$65,508, respectively, in contributions, which were matched by DAV. In 2018 and 2017, the Columbia Trust received \$840,000 and \$800,000, respectively, from the DAV Charitable Service Trust to be used for the DAV Transportation Network Vehicle Grant Program.

Contributions for the DAV Legislative Program are considered contributions with donor restriction. Investment income of \$6,997 and \$6,403 in 2018 and 2017, respectively, from the DAV Legislative Fund was transferred to DAV for use by DAV’s Legislative Program. The net assets with donor restrictions of \$231,694 and \$229,494 as of December 31, 2018 and December 31, 2017, respectively, are included within the investments balance in the statements of financial position.

Allocation of Expenses—The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the organization. Those expenses include grant proposal processing and administrative charges, postage, printing, supplies, insurance, and advertising. All expenses are allocated based on estimates of time and effort toward each program or supporting service. Allocation estimates are reviewed annually based on the specific expense and adjusted accordingly.

Income Taxes—As a not-for-profit service organization, the Foundation has received a determination from the Internal Revenue Service that it is exempt from federal income taxes as a Section 501(c)(4) organization. Contributions made to the Foundation are tax deductible by the contributor as provided in Section 170 of the Internal Revenue Code.

Use of Estimates—The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. ENDOWMENT FUNDS

The following table represents the composition of the Foundation’s endowment net assets by type of fund for the years ended December 31, 2018 and 2017:

	Without Donor Restrictions	
	2018	2017
Board designated Perpetual Rehabilitation Fund	<u>\$ 65,727,984</u>	<u>\$ 70,513,109</u>

The Foundation’s Board-designated endowment fund included in net assets without donor restrictions, also known as the Perpetual Rehabilitation Fund, for the years ended December 31, 2018 and 2017, had the following activity:

	2018	2017
Net assets—beginning of year	<u>\$70,513,109</u>	<u>\$61,882,174</u>
Public support—contributions and bequests	823,338	952,332
Revenues—net investment return	<u>(3,245,871)</u>	<u>9,030,936</u>
Total public support and revenue	<u>(2,422,533)</u>	<u>9,983,268</u>
Expenses:		
Program:		
Appropriations to DAV National Headquarters and other organizations	2,106,236	506,551
Internal appropriation to the Columbia Trust		600,000
Grant proposal processing	<u>42,827</u>	<u>47,561</u>
Total program expenses	2,149,063	1,154,112
Management and general	134,866	117,733
Fundraising	<u>78,663</u>	<u>80,488</u>
Total expenses	<u>2,362,592</u>	<u>1,352,333</u>
Total change in Board-designated endowment fund	<u>(4,785,125)</u>	<u>8,630,935</u>
Net assets—end of year	<u>\$65,727,984</u>	<u>\$70,513,109</u>

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation's working capital and cash flows are attributable to the contributions received throughout the year. As of December 31, 2018 and 2017, the Foundation's financial assets (total assets, less inventory and prepaid expenses) totaled \$128,535,092 and \$138,702,174, respectively. The financial assets, with the exception of the donor-restricted by purpose for DAV Legislative Fund investment of \$231,694 and \$229,494 as of December 31, 2018 and 2017, respectively, are available to fund general expenditures within one year following the statement of financial position date. Donor-restricted funds of \$60,828,136 and \$65,729,198 for 2018 and 2017, respectively, have been included because they are restricted for programs considered general expenditures by the organization. In 2018, the Foundation implemented an investment spending policy that would allow for withdrawals from the long-term investment portfolio, from both general assets without donor restrictions and with donor restriction purpose restricted for its mission.

The Foundation has a policy to structure its financial assets to be available as its program, fundraising, management, and general expenses become due. In addition, as part of its liquidity management, the Foundation invests cash in excess of daily requirements in various short-term and long-term investments. The short-term investments are invested for capital preservation and liquidity for cash flow requirements in money market funds. The Foundation's long-term investments, such as marketable fixed-income and equity securities, index and actively managed mutual funds, and Exchange Traded Funds (ETFs), are invested with the intent of providing a safe return on investments for future use.

5. FAIR VALUE MEASUREMENTS

ASC Topic 820 provides a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows: Level 1, which refers to securities valued using unadjusted quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market, but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Foundation did not hold any financial assets requiring the use of inputs that are unobservable and significant (Level 3) to the overall fair value measurement during 2018 or 2017.

The Foundation's policy is to recognize transfers between levels at the actual date of the event. There were no transfers during 2018 or 2017.

Asset Valuation Techniques—Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets recorded at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Cash equivalents, composed of money market funds, are categorized as Level 1, and are valued at cost, which approximates fair value. The money market funds represent the Foundation's shares in a registered investment company's fund.

Common stock securities and ETFs held are categorized as Level 1. They are valued at the closing price reported in the active market in which the individual security is traded.

Corporate bonds are categorized as Level 2, and are valued using third-party pricing services. These services may use, for example, model-based pricing methods that utilize observable market data as inputs. Broker-dealer bids or quotes of securities with similar characteristics may also be used.

Shares of registered investment companies (mutual funds) are categorized as Level 1. They are valued at quoted market prices that represent the net asset value of shares held at year-end.

The major categories of financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017, are as follows:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
2018			
Asset category:			
Cash and cash equivalents	\$ 1,776,495	\$ -	\$ 1,776,495
Common stocks	8,768,705		8,768,705
Corporate bonds		12,824,933	12,824,933
Mutual funds/ETFs:			
Domestic fixed-income funds	31,949,065		31,949,065
Domestic equity funds	45,250,278		45,250,278
International equity funds	22,405,441		22,405,441
Real estate equity funds	2,772,594		2,772,594
Total mutual funds/ETFs	102,377,378	-	102,377,378
Total assets	<u>\$ 112,922,578</u>	<u>\$ 12,824,933</u>	<u>\$ 125,747,511</u>

2017	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Asset category:			
Cash and cash equivalents	\$ 992,857	\$ -	\$ 992,857
Common stocks	8,974,215		8,974,215
Mutual funds/ETFs:			
Domestic fixed-income funds	43,891,612		43,891,612
Domestic equity funds	53,022,215		53,022,215
International equity funds	26,184,998		26,184,998
Real estate equity funds	2,947,275		2,947,275
Total mutual funds/ETFs	126,046,100	-	126,046,100
Total assets	\$ 136,013,172	\$ -	\$ 136,013,172

The Foundation has adopted an investment policy for the Perpetual Rehabilitation Fund and investments with donor restrictions. The primary goals of the investment portfolio are safeguarding of the assets; maximizing return on the interest, dividends, and appreciation of capital; and avoiding undue interest rate risk in the fixed-income portion of the portfolio. The portfolio performance objective is to exceed a custom benchmark of 60% Russell 3000/40% Barclays Intermediate Government Credit over a five-year period and a full market cycle.

The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objective within prudent risk constraints.

6. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors. The net assets released from restrictions are as follow:

	2018	2017
Purpose restrictions accomplished:		
Purpose restriction—mission	\$ 1,974,335	\$ -
The Columbia Trust	1,006,214	1,110,976
Net assets released from restrictions	\$ 2,980,549	\$ 1,110,976

7. RELATED-PARTY TRANSACTIONS

During 2018 and 2017, DAV personnel assisted the Foundation on a limited basis in administering its business operations and fundraising program. For these services, the Foundation reimbursed DAV \$98,817 and \$110,260 in 2018 and 2017, respectively. At December 31, 2018 and 2017, the Foundation owed DAV \$97,915 and \$134,752, respectively. DAV provides the Foundation with the use of facilities, equipment, and occasional magazine space at no charge.

As discussed in Note 2, DAV contributed \$62,450 and \$65,508 to the Columbia Trust in 2018 and 2017, respectively. The Columbia Trust also received \$174,991 from DAV in 2017 for funds designated to the Columbia Trust for the DAV Transportation Network Vehicle Grant Program.

In 2018 and 2017, the DAV Charitable Service Trust made contributions of \$840,000 and \$800,000, respectively, to the Columbia Trust for the DAV Transportation Network Vehicle Grant Program. In 2018 and 2017 the DAV Charitable Service Trust made contributions of \$1,600 and \$760, respectively, to the National Service Foundation to be used in assisting disabled veterans and their dependents.

In 2018 and 2017, the Foundation appropriated the following in support of DAV programs and services:

	2018	2017
National Service Program Support	\$ 4,073,574	\$ -
National Service Office Structured and Continuing Training Program		250,000
National Service Office Scanners and Webcams		123,387
National Service Office Furniture and Equipment Fund		60,000
National Service Office Copier Fund		41,761
National Service Office Reference Manuals		25,000

In performing the duties of their positions, DAV's National Commander and National Adjutant serve on the Foundation's Board. In performing the duties of their positions as a Foundation Director, some members also serve on the DAV Charitable Service Trust's Board and the Disabled Veterans' Life Memorial Foundation's Board.

8. GRANTS AND EXPENSES OF THE COLUMBIA TRUST

At December 31, 2018 and 2017, the grants and expenses of the Columbia Trust are as follows:

	2018	2017
Grants to DAV chapters and departments in accordance with The Columbia Trust:		
Hospital Service Coordinator Program	\$ 513,218	\$ 337,361
Transportation Network Vehicle Grant Program	885,909	725,502
Other grants to service programs	63,615	44,400
Miscellaneous expenses	4,664	3,713
Grant proposal processing	<u>42,827</u>	<u>47,561</u>
 Total	 <u>\$ 1,510,233</u>	 <u>\$ 1,158,537</u>

In 2018, net assets with donor restrictions of \$1,006,214 and net assets without donor restrictions of \$504,019 were used. In 2017, net assets with donor restrictions of \$1,110,976 and net assets without donor restrictions of \$47,561 were used.

9. SUBSEQUENT EVENTS

No events have occurred after December 31, 2018 but before April 9, 2019, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.

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