

# Disabled American Veterans National Service Foundation

Financial Statements as of and for the  
Years Ended December 31, 2016 and 2015, and  
Independent Auditors' Report

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Disabled American Veterans National Service Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 audit 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, 2016 and 2015, 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.

*Deloitte + Touche LLP*

April 7, 2017

**DISABLED AMERICAN VETERANS NATIONAL SERVICE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
CASH	\$ 2,646,703	\$ 2,954,176
INTEREST AND DIVIDENDS RECEIVABLE	64	36
ACCOUNTS RECEIVABLE	463	26,172
INVENTORY	7,560	9,203
PREPAID EXPENSES	3,924	393,892
INVESTMENTS	<u>118,502,274</u>	<u>112,914,789</u>
TOTAL	<u>\$ 121,160,988</u>	<u>\$ 116,298,268</u>
 <b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Due to Disabled American Veterans	\$ 120,777	\$ 24,021
Other liabilities	<u>161,139</u>	<u>275,089</u>
Total liabilities	<u>281,916</u>	<u>299,110</u>
NET ASSETS:		
Unrestricted:		
General	21,326,664	21,171,251
The Columbia Trust	1,476,091	1,665,110
Perpetual Rehabilitation Fund	32,670,528	31,823,558
Accumulated net unrealized appreciation of investments	<u>7,884,982</u>	<u>6,483,700</u>
Total unrestricted	<u>63,358,265</u>	<u>61,143,619</u>
Temporarily restricted	<u>57,293,313</u>	<u>54,632,045</u>
Permanently restricted	<u>227,494</u>	<u>223,494</u>
Total net assets	<u>120,879,072</u>	<u>115,999,158</u>
TOTAL	<u>\$ 121,160,988</u>	<u>\$ 116,298,268</u>

See notes to financial statements.

# DISABLED AMERICAN VETERANS NATIONAL SERVICE FOUNDATION

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:								
Support — contributions and bequests	\$ 846,970	\$ 945,732	\$ 4,000	\$ 1,796,702	\$ 1,015,881	\$ 938,454	\$ 4,200	\$ 1,958,535
Revenues:								
Interest and dividend income — net	1,528,985	1,467,952		2,996,937	1,851,054	1,754,537		3,605,591
(Loss) Gain on sale of investment securities	(47,913)	16,388		(31,525)	591,444	317,036		908,480
Sales of fraternal items					1,200,855			1,200,855
Total revenues	1,481,072	1,484,340	-	2,965,412	3,643,353	2,071,573	-	5,714,926
Net assets released from restrictions	953,020	(953,020)	-	-	942,261	(942,261)	-	-
Total public support and revenues	3,281,062	1,477,052	4,000	4,762,114	5,601,495	2,067,766	4,200	7,673,461
EXPENSES:								
Program expenses:								
Grants and expenses in accordance with The Columbia Trust	1,830,036			1,830,036	1,312,064			1,312,064
Appropriations to DAV National Headquarters and other organizations	422,022			422,022	122,574			122,574
Costs of fraternal items sold				-	905,722			905,722
Other program expenses				-	160,403			160,403
Total program expenses	2,252,058	-	-	2,252,058	2,500,763	-	-	2,500,763
Management and general expenses	118,506			118,506	165,695			165,695
Fundraising expenses	97,134			97,134	93,237			93,237
Total expenses	2,467,698	-	-	2,467,698	2,759,695	-	-	2,759,695
CHANGE IN NET ASSETS BEFORE CHANGE IN NET UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	813,364	1,477,052	4,000	2,294,416	2,841,800	2,067,766	4,200	4,913,766
CHANGE IN NET UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	1,401,282	1,184,216		2,585,498	(2,547,316)	(2,205,433)		(4,752,749)
CHANGE IN NET ASSETS	2,214,646	2,661,268	4,000	4,879,914	294,484	(137,667)	4,200	161,017
NET ASSETS — Beginning of year	61,143,619	54,632,045	223,494	115,999,158	60,849,135	54,769,712	219,294	115,838,141
NET ASSETS — End of year	\$ 63,358,265	\$ 57,293,313	\$ 227,494	\$ 120,879,072	\$ 61,143,619	\$ 54,632,045	\$ 223,494	\$ 115,999,158

See notes to financial statements.

# DISABLED AMERICAN VETERANS NATIONAL SERVICE FOUNDATION

## STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
EXPENSES:								
Allocations to charitable programs	\$ 2,210,303	\$ -	\$ -	\$ 2,210,303	\$ 1,390,198	\$ -	\$ -	\$ 1,390,198
Costs of fraternal items sold					905,722			905,722
Grant proposal processing	37,997			37,997	40,936			40,936
Administrative charges		37,997	27,389	65,386		40,936	25,968	66,904
Travel		11,348		11,348		8,571		8,571
Postage and shipping	35	5,011	34,853	39,899	100,270	5,332	32,466	138,068
Printing, stationery and supplies	540	3,923	23,105	27,568	58	14,433	24,525	39,016
Advertising					38,519			38,519
Legal fees			6,840	6,840			6,840	6,840
Professional fees		33,372		33,372		28,328		28,328
Insurance		3,920		3,920		3,619		3,619
Registration fees		6,125	4,947	11,072		5,877	3,438	9,315
Awards		9,293		9,293		15,507		15,507
Banking & credit card fees	3,183	7,457		10,640	3,396	42,722		46,118
Miscellaneous		60		60	21,664	370		22,034
TOTAL	<u>\$ 2,252,058</u>	<u>\$ 118,506</u>	<u>\$ 97,134</u>	<u>\$ 2,467,698</u>	<u>\$ 2,500,763</u>	<u>\$ 165,695</u>	<u>\$ 93,237</u>	<u>\$ 2,759,695</u>

See notes to financial statements.

# DISABLED AMERICAN VETERANS NATIONAL SERVICE FOUNDATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted and temporarily restricted net assets	\$ 4,875,914	\$ 156,817
Adjustments to reconcile change in unrestricted and temporarily restricted net assets to net cash provided by operating activities:		
Change in net unrealized (appreciation) depreciation of investments	(2,585,498)	4,752,749
Loss (Gain) on sale of investment securities	31,525	(908,480)
Changes in operating assets and liabilities:		
Interest and dividends receivable	(28)	(30)
Accounts receivable	25,709	(19,644)
Inventory	1,643	433,297
Prepaid expenses	389,968	(368,490)
Due to Disabled American Veterans	96,756	(590,205)
Other liabilities	(113,950)	75,280
	<u>2,722,039</u>	<u>3,531,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(24,454,115)	(32,889,165)
Proceeds from sale of investments	21,420,603	29,937,184
Proceeds from sale of software development in process		45,362
	<u>(3,033,512)</u>	<u>(2,906,619)</u>
CASH FLOW FROM FINANCING ACTIVITY:		
Contributions of permanently restricted assets	<u>4,000</u>	<u>4,200</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(307,473)	628,875
CASH — Beginning of year	<u>2,954,176</u>	<u>2,325,301</u>
CASH — End of year	<u>\$ 2,646,703</u>	<u>\$ 2,954,176</u>

See notes to financial statements.

# DISABLED AMERICAN VETERANS NATIONAL SERVICE FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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### 1. ORGANIZATION

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 January 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 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. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. The effective date of ASU 2016-01 is for fiscal years beginning after December 15, 2018. The ASU has not yet been adopted. Management is currently evaluating the impact to the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 requires an entity to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018 and is to be applied retrospectively; early adoption is permitted. The ASU has not yet been adopted. Management is currently evaluating the impact that this ASU will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Adoption of FASB ASU 2016-14 will result in significant changes to financial reporting and disclosure for not-for-profit entities. FASB believes the update will improve not-for-profit entities' financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with application applied retrospectively; early adoption is permitted. Management is in the process of evaluating the impact on the 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 \$12,968 and \$5,912 in 2016 and 2015, 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 market, generally determined on the first-in, first-out basis. Inventory consists of solicitation materials and other items.

**Contributions** — Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, 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.

**Unrestricted Net Assets** — All unrestricted contributions and bequests 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 are included in the General Fund and used for current operations of the Foundation or appropriated by the Foundation for use by DAV.

The Foundation has adopted an investment policy for the Perpetual Rehabilitation Fund and temporarily restricted investments. The primary goals of the investment portfolio are safeguarding of the assets; maximization of return on the interest, dividends and appreciation of capital; and avoidance of 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 (realized and unrealized) 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.



The Foundation's unrestricted Board-designated endowment for the years ended December 31, 2016 and 2015, had the following activity:

	<b>2016</b>	<b>2015</b>
Public support — contributions and bequests	\$ 846,970	\$ 1,015,881
Revenues:		
Interest and dividend income — net	1,528,985	1,851,054
(Loss) Gain on sale of investment securities	(47,913)	591,444
Sale of fraternal items	<u>                    </u>	<u>1,200,855</u>
Total public support and revenues	<u>2,328,042</u>	<u>4,659,234</u>
Expenses:		
Program:		
Appropriations to DAV National Headquarters and other organizations	422,022	122,574
Internal appropriation to Columbia Trust	650,000	650,000
Cost of fraternal items sold		905,722
Other program expenses		160,403
Grant proposal processing	<u>37,997</u>	<u>40,936</u>
Total program expenses:	1,110,019	1,879,635
Management and general	118,506	165,695
Fundraising	<u>97,134</u>	<u>93,237</u>
Total expenses	<u>1,325,659</u>	<u>2,138,567</u>
Change in unrealized appreciation (depreciation) of investments	<u>1,401,282</u>	<u>(2,547,316)</u>
Total change in unrestricted Board-designated endowment fund	<u>\$2,403,665</u>	<u>\$ (26,649)</u>

For 2016 and 2015, appropriations to the Columbia Trust of \$650,000 each year, is excluded from the statement of activities due to the transaction being an internal appropriation.

For 2016 and 2015, the Board has designated \$1,476,091 and \$1,665,110, respectively, as total unrestricted net assets for The Columbia Trust and are not included in the Board-designated endowment fund. The Columbia Trust recorded a decrease in unrestricted net assets of \$189,019 in 2016 and an increase of unrestricted net assets of \$321,133 in 2015. No unrealized appreciation (depreciation) of investments is designated to The Columbia Trust's net assets from the unrestricted general fund.

**Temporarily Restricted Net Assets** — Funds contributed to The Columbia Trust are matched 100% by DAV, up to a maximum of \$3,000,000 per year. In 2016 and 2015, The Columbia Trust received \$72,866 and \$68,727, respectively, in contributions, which were matched by DAV.

In 2016 and 2015, The Columbia Trust received \$800,000 and \$801,000, respectively, from the DAV Charitable Service Trust to be used for the DAV Transportation Network Van Grant Program.

As of December 31, 2016 and 2015, The Columbia Trust held \$225,825 and \$225,046, respectively, in money market funds.

**Permanently Restricted Net Assets** — Contributions by the National Order of Trench Rats for the DAV Legislative Program are permanently restricted. Investment income of \$6,848 and \$8,381 in 2016 and 2015, respectively, from the National Order of Trench Rats DAV Legislative Fund was transferred

to DAV for use by DAV's Legislative Program. The permanently restricted net assets of \$227,494 and \$223,494 as of December 31, 2016 and December 31, 2015, respectively, are included within the investments balance in the statements of financial position.

**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 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. INVESTMENTS IN SECURITIES

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.

The cost and fair value of investments and the unrealized appreciation (depreciation) as of December 31, 2016 and 2015, are summarized below:

	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
<b>2016</b>			
Cash and cash equivalents	\$ 873,732	\$ 873,732	\$ -
Common stock	5,603,982	7,284,559	1,680,577
Mutual funds:			
Fixed-income funds	49,150,854	48,901,972	(248,882)
Equity funds / ETFs	<u>47,511,284</u>	<u>61,442,011</u>	<u>13,930,727</u>
Total	<u>\$ 103,139,852</u>	<u>\$ 118,502,274</u>	<u>\$ 15,362,422</u>
<b>2015</b>			
Cash and cash equivalents	\$ 910,990	\$ 910,990	\$ -
Common stock	5,295,940	6,558,577	1,262,637
Mutual funds:			
Fixed-income funds	44,440,237	43,675,147	(765,090)
Equity funds / ETFs	<u>49,490,698</u>	<u>61,770,075</u>	<u>12,279,377</u>
Total	<u>\$ 100,137,865</u>	<u>\$ 112,914,789</u>	<u>\$ 12,776,924</u>

Interest and dividend income — net is \$2,996,937 and \$3,605,591 for 2016 and 2015, respectively. The year 2016 is composed of gross interest and dividend income of \$3,059,696 less \$62,759 for investment management and custody fees. The year 2015 is composed of gross interest and dividend income of \$3,660,989 less \$55,398 for investment management and custody fees.

As of December 31, 2016 and 2015, the amount of securities in a continuous unrealized loss position for a duration of greater than twelve months is not material.

#### 4. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That 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 observable and significant (Level 2) and unobservable and significant (Level 3) to the overall fair value measurement during 2016 or 2015.

The Foundation's policy is to recognize transfers between levels at the actual date of the event. There were no transfers during 2016 or 2015.

**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, 2016 and 2015.

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 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.

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, 2016 and 2015, are as follows:

2016	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
<b>Asset Category</b>			
Cash and cash equivalents	\$ 873,732	\$ -	\$ 873,732
Common stock	7,284,559		7,284,559
Mutual funds:			
Domestic fixed-income funds	48,901,972		48,901,972
Domestic equity funds / ETFs	43,628,147		43,628,147
International equity funds	15,005,000		15,005,000
Real estate equity funds	2,808,864		2,808,864
Total mutual funds	110,343,983	-	110,343,983
Total assets	\$ 118,502,274	\$ -	\$ 118,502,274

2015	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
<b>Asset Category</b>			
Cash and cash equivalents	\$ 910,990	\$ -	\$ 910,990
Common stock	6,558,577		6,558,577
Mutual funds:			
Domestic fixed-income funds	39,954,268		39,954,268
International fixed-income funds	3,720,879		3,720,879
Domestic equity funds / ETFs	41,633,084		41,633,084
International equity funds	17,548,329		17,548,329
Real estate equity funds	2,588,662		2,588,662
Total mutual funds	105,445,222	-	105,445,222
Total assets	\$ 112,914,789	\$ -	\$ 112,914,789

## 5. RELATED-PARTY TRANSACTIONS

During 2016 and 2015, DAV personnel assisted the Foundation on a limited basis in administering its business operations and fundraising program. For these services, the Foundation reimbursed DAV \$101,026 and \$103,896 in 2016 and 2015, respectively. At December 31, 2016 and 2015, the Foundation owed DAV \$120,777 and \$24,021, 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 \$72,866 and \$68,727 to The Columbia Trust in 2016 and 2015, respectively.

In 2016 and 2015, the DAV Charitable Service Trust made contributions of \$800,000 and \$801,000, respectively, to The Columbia Trust for the DAV Transportation Network Van Grant Program. In 2016, The DAV Charitable Service Trust made contributions of \$2,100 to the NSF to be used in assisting disabled veterans and their dependants.

In 2016 and 2015, the Foundation appropriated the following in support of DAV programs and services:

	<b>2016</b>	<b>2015</b>
National Service Office Furniture and Equipment Fund	\$ 10,000	\$ 50,000
National Service Office Copier Fund	20,174	16,610
National Service Office Reference Manuals	25,000	25,000
National Service Office Scanners		127,583
National Service Office Structured & Continuing Training Program	360,000	

In 2015, DAV returned an \$105,000 appropriation from NSF in 2013 for construction of a fraternal merchandise internet store front. In the fourth quarter of 2015, sale of fraternal items went to a third party vendor.

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

**6. GRANTS AND EXPENSES OF THE COLUMBIA TRUST**

At December 31, 2016 and 2015, the grants and expenses of The Columbia Trust are as follows:

	<b>2016</b>	<b>2015</b>
Grants to DAV chapters and departments in accordance with The Columbia Trust:		
Hospital Service Coordinator Program	\$ 569,534	\$ 460,004
Transportation Network Van Grant Program	1,098,468	706,592
Other grants to service programs	120,280	101,027
Miscellaneous expenses	3,757	3,505
Grant proposal processing	<u>37,997</u>	<u>40,936</u>
 Total	 <u>\$1,830,036</u>	 <u>\$1,312,064</u>

In 2016, temporarily restricted net assets of \$953,020 and designated, unrestricted net assets of \$877,016 were used. In 2015, temporarily restricted net assets of \$942,261 and designated, unrestricted net assets of \$369,803 were used. The temporarily restricted net assets used, of \$953,020 and \$942,261, are shown as “Net assets released from restrictions” in the accompanying statements of activities for 2016 and 2015, respectively.

Net assets are released from restrictions by incurring expenses to satisfy the restricted purposes or by occurrence of other events specified by donors.

**7. SUBSEQUENT EVENTS**

No events have occurred after December 31, 2016, but before April 7, 2017, 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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