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REPORT TO THE CONGRESS

Examination Of Financial Statements Of Disabled American Veterans

- National Headquarters For Year
 Ended December 31, 1969 / *End Title Here*
- Life Membership Fund For Year
 Ended June 30, 1970
- Service Foundation For Six Months
 Ended December 31, 1969 B-55712

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

DEC. 22, 1970

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D C 20548

B-55712

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the examination of financial statements of the Disabled American Veterans National Headquarters for the year ended December 31, 1969, the Life Membership Fund for the year ended June 30, 1970, and the Service Foundation for 6-month period ended December 31, 1969.

Our examination of the financial statements was made pursuant to the act of June 17, 1932, as amended by Public Law 90-208, approved December 18, 1967 (36 U.S.C 901).

Copies of this report are being sent to the National Adjutant, Disabled American Veterans.

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States

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ties during the period covered by our
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D I G E S T

WHY THE EXAMINATION WAS MADE

The General Accounting Office (GAO) has completed its examination of the financial statements of the Disabled American Veterans National Headquarters, Life Membership Fund, and Service Foundation, as required by law.

The examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as were deemed necessary, except that the examination of contributions and revenues resulting from direct mail solicitations, properties solicitation, and donations and bequests of the National Headquarters was limited to tests of the receipts of cash and other assets as recorded, because there was no way of ascertaining the amounts that should have been received.

FINDINGS AND CONCLUSIONS

In GAO's opinion, with the exception stated above and subject to the outcome of certain legal proceedings described in note 3 to the National Headquarters financial statements, the accompanying financial statements (exhibits A through H) present fairly the financial positions of the National Headquarters and Service Foundation at December 31, 1969, and of the Life Membership Fund at June 30, 1970, and the results of their operations for the periods then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in the accounting period of the Service Foundation, with which GAO approves. In GAO's opinion the accompanying supplemental schedules (schs. 1 and 2), when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

The legal proceedings referred to above involve claims and counter-claims between the Disabled American Veterans and various persons, including a former agent of the Disabled American Veterans. In the

opinion of the Disabled American Veterans' legal counsel, the outcome of this litigation was not determinable at the time of GAO's examination.

As provided by the act of August 30, 1964 (36 U.S.C. 1102), the Disabled American Veterans engaged a firm of certified public accountants to audit its accounts and financial statements and to review the National Headquarters' accounting procedures and system of internal control. The firm's review for the prior year disclosed weaknesses in these procedures and controls, but concluded that the weaknesses were not significant enough to require qualification of the firm's opinion on the National Headquarter's financial statements. GAO found that either the weaknesses had been corrected or plans had been made for their correction. (See p. 7.)

RECOMMENDATION OR SUGGESTIONS

None.

AGENCY ACTIONS AND UNRESOLVED ISSUES

None.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report, which contains no recommendations or suggestions requiring action by the Congress, is submitted to the Congress as required by the act of June 17, 1932, as amended by Public Law 90-208 (36 U.S.C. 901), to show the results of GAO's examination of the Disabled American Veterans financial statements.

CHAPTER 1

INTRODUCTION

The General Accounting Office examined the financial statements of the Disabled American Veterans (DAV) National Headquarters for the year ended December 31, 1969, the Service Foundation for the 6 months ended December 31, 1969, and the Life Membership Fund for the year ended June 30, 1970. The Service Foundation's statements cover a 6-month period because its accounting period was changed to conform to the accounting period of the National Headquarters. The scope of our examination is described in chapter 4 of this report.

DAV was founded in Ohio in 1920 and was federally chartered in 1932. DAV's stated primary objective is to aid and assist war-disabled veterans and their families. Its programs are concerned with securing and maintaining equitable compensation and benefits, such as jobs and adequate hospital and medical care, for disabled veterans.

DAV maintains a National Legislative Department and a National Service Department. The Legislative Department is responsible for carrying out the resolutions adopted at the annual National Conventions and for promoting legislation for the welfare of disabled veterans and their dependents. The National Service Department is largely responsible for carrying out DAV's program of assisting disabled veterans. It has a staff of National Service Officers in each Veterans Administration's regional office. These staff members are concerned with veterans benefits under Federal laws and a wide range of State and local laws.

The principal officers of DAV are listed in appendix IV.

CHAPTER 2

COMMENTS ON FINANCIAL MATTERS

We examined the financial statements for three separate entities. The purpose of the entities and the highlights of their financial activities are described below.

NATIONAL HEADQUARTERS

DAV's national program is financed by its National Headquarters' gross revenues which totaled \$12,095,243 for the year ended December 31, 1969. The largest source of revenue was DAV's direct mail solicitations.

DAV National Headquarters, including the plant for direct mail operations, is in Cold Spring, Kentucky. DAV's largest mailing program for obtaining contributions is the "Idento-tag" program. The "Idento-tag" is a miniature reproduction of each addressee's automobile license plate. In 1968 "Idento-tags" were sent to 30 million to 40 million addressees. In 1969 the solicitation for contributions was more selective, the tags being sent to only 19 million addressees.

Other direct mail operations include distributing the monthly DAV magazine; membership and auxiliary membership materials; and, twice a year, materials to approximately six million persons on the DAV donor list.

DAV incurred costs of \$4,505,926 for service to veterans and their dependents and direct costs and expenses of \$5,978,617 for direct mail solicitation operations.

At December 31, 1969, the National Headquarters had investments in securities having a cost value of \$2,113,407. At that time the approximate market value of the investments totaled \$1,593,000 or an unrealized loss of about \$520,407. DAV officials stated that, in their opinion, the impairment in security values was temporary and that they did not expect to sell the investments at a loss.

The National Adjutant is responsible for managing DAV's business and administrative affairs, consistent with the mandates of each DAV National Convention, National Executive Committee, and National Finance Committee.

LIFE MEMBERSHIP FUND

A DAV member may obtain a life membership by paying a fee amounting to as much as \$100, depending on his age, into the Life Membership Fund. The fees are deposited in a fund bank account. The National Headquarters administers the fund as authorized by the National Finance Committee.

According to DAV bylaws, no withdrawals can be made from the fund bank account except for investment purposes and for payment of life members' annual dues to the National, State, and local organizations. When a life member dies, the fund discontinues payments of his dues and retains the unused balance of his life membership fee.

The Life Membership Fund had revenues of \$1,148,218 for the year ended June 30, 1970. The main revenue sources were life membership fees and interest on investments. Payments to the National Headquarters, DAV State departments, and local chapters totaled \$573,135.

SERVICE FOUNDATION

The Service Foundation was incorporated under the laws of the State of Ohio to assist in furthering the programs and services of DAV. A Board of Trustees is responsible for administering the funds of the Service Foundation, which are derived or acquired from DAV or other sources in behalf of DAV, and for investing the funds and for authorizing expenditures from the funds.

During 1969, the Foundation changed its accounting period to conform to the accounting period of the National Headquarters. Therefore the Foundation's financial statements examined by us cover the 6-month period ended December 31, 1969.

At December 31, 1969, the Foundation had assets of \$298,209, liabilities of \$1,955, and funds in trust of

\$296,254. The Foundation's receipts during the 6-month period ended December 31, 1969, totaled \$14,751, which included contributions of \$7,518. The Foundation expended \$7,005 during the 6-month period.

CHAPTER 3

OTHER MATTERS

Last year the firm of certified public accountants, as part of its audit of the financial statements of the National Headquarters, reviewed the accounting procedures and internal controls and brought several weaknesses to the attention of DAV management. The firm concluded that these deficiencies were not significant enough to require qualification of its opinion on the financial statements.

During our examination of the National Headquarters financial statements for 1969, we found that either the weaknesses had been corrected or plans had been made for their correction.

The certified public accountants' audit of the 1969 operations also identified the potential for certain minor improvements in accounting procedures and internal control. DAV management told us that it was taking action to carry out the accountants' recommendations to correct the cited weaknesses.

CHAPTER 4

SCOPE OF EXAMINATION

We examined the following statements and schedules submitted to us by DAV in accordance with Public Law 90-208.

National Headquarters for the year ended December 31, 1969:

Balance Sheet

Statement of Operating Fund Contributions,
Revenue and Service Costs and Expenses

Statement of Changes in Operating Fund Balance

Statement of Changes in Special Purpose Funds
Balances

Supplemental Schedules:

Contributions and Revenue Received from
Direct Mail Solicitations, Etc., and
Related Direct Costs and Expenses
Service Costs and Expenses - Net

Life Membership Fund for the year ended June 30, 1970:

Balance Sheet

Statement of Changes in Fund Balances

Service Foundation for the 6 months ended December 31, 1969:

Balance Sheet

Statement of Funds in Trust

Our examination of DAV's financial statements was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that our examination of contributions and revenue resulting from direct mail solicitations, properties solicitation, and donations and bequests of the National Headquarters was limited to tests of the receipts of cash and other assets as recorded, because there was no way of ascertaining the amounts that should have been received. We did not review the operations of the entities represented by

the foregoing financial statements, nor did we review the statements or operations of State or local DAV organizations.

As provided for in 36 U.S.C. 1102, DAV engages a firm of certified public accountants to make an annual audit of its accounts and financial statements. The firm's opinions are included herein as appendixes I to III. That audit does not, however, relieve us of our responsibilities under Public Law 90-208. Our observations and tests of the firm's audit permitted us to reduce our own testing of DAV's accounting records.

CHAPTER 5

OPINION OF THE FINANCIAL STATEMENTS

The financial statements of the DAV National Headquarters, the Life Membership Fund, and the Service Foundation as submitted to us appear as exhibits A to H. In our opinion, with the exception previously stated relating to the scope of our examination with respect to contributions and revenue and subject to the outcome of certain legal proceedings described in note 3 to the National Headquarters statements, the aforementioned financial statements present fairly the financial position of the DAV National Headquarters and the Service Foundation at December 31, 1969, and of the Life Membership Fund at June 30, 1970, and the results of their operations for the periods then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in the accounting period of the Service Foundation, which we approve. Also, in our opinion, supplemental schedules 1 and 2, when considered in relation to the basic financial statements, present fairly, in all material respects, the information shown therein.

FINANCIAL STATEMENTS

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

BALANCE SHEET, DECEMBER 31, 1969

A S S E T S

CURRENT ASSETS

Cash	\$ 310,704.51
United States Government securities - at cost and accrued interest (approximates market)	2,172,201.15
Accounts receivable (from rental of lists and from chapters, departments, and others)	209,999 84
Materials and supplies - at the lower of cost or market: Direct mail solicitations material	316,871 15
Emblems, jewelry, etc	85,524.00
Prepaid postage	55,841.55
Prepaid supplies, insurance, etc	173,375 12
<hr/>	
Total current assets	3,324,517 32
INVESTMENTS IN SECURITIES - At cost or value when donated (approximate market value, \$1,593,000) (Note 1)	2,113,407 00
PROPERTY LEASED TO OTHERS - At cost, less accumulated depreciation of \$1,316,051 53	2,103,385.81
LAND, BUILDINGS AND EQUIPMENT - At cost (Note 2).	
Land and improvements	\$ 224,229 68
Buildings, building equipment and improvements	2,256,885 54
Machinery, other equipment, furniture, and fixtures	905,045 28
Total	<u>3,386,160 50</u>
Less accumulated depreciation	<u>465,029 67</u>
Land, buildings and equipment - net	<u>2,921,130 83</u>
TOTAL	<u>\$10,462,440 96</u>

The notes on pages 17 and 18 are an integral part of this statement.

LIABILITIES

CURRENT LIABILITIES

Notes payable to Life Membership Fund - current portion (Note 2):		
5%	.....	\$ 52,489 36
5-1/2%	.. . . .	968,330 00
Accounts payable.		
Suppliers, etc	.. . . .	141,468 30
Taxes withheld from employees	.. . . .	9,359 57
Other	. . . . .	85,196 37
Accrued liabilities:		
Salaries and wages	..	104,374 50
Vacation pay	...	248,051 24
Payroll taxes	..	18,671 64
Real estate taxes	..	48,269 38
Interest	. . . . .	<u>7,845 22</u>
Total current liabilities		1,684,055.58
MORTGAGE NOTE PAYABLE TO LIFE MEMBERSHIP FUND, 5% (less current portion) (Note 2)		1,297,564 54
DEFERRED CREDITS - Dues and service fees collected in advance, etc		408,668 98
SPECIFIC PURPOSE FUNDS (Exhibit D)		
Scholarship Fund	. . . . .	\$177,450 00
Disaster Fund	. . . . .	<u>42,991 83</u>
Total specific purpose funds		220,441.83
OPERATING FUND BALANCE (Exhibit C) (Note 4)		6,851,710 03
TOTAL		<u>\$10,462,440 96</u>

EXHIBIT B

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

STATEMENT OF OPERATING FUND CONTRIBUTIONS, REVENUE AND
SERVICE COSTS AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1969

CONTRIBUTIONS AND REVENUE (less related direct costs and expenses):	
Contributions and revenue received from direct mail solicitations, etc., less related direct costs and expenses (Schedule 1)	\$4,708,399.73
National dues and service fees	802,963 09
Donations and bequests	52,611.59
Rental from leased property, less related direct costs of \$206,485.49	41,967 34
Sale of emblems, etc , less related direct costs of \$110,336.53	22,095 51
Miscellaneous	<u>171,766 97</u>
Total	<u>5,799,804 23</u>
SERVICE COSTS AND EXPENSES (net) (Schedule 2):	
Free service to all veterans and dependents - maintenance of staff of attorneys in fact (service officers) located in all Veterans Administration offices	2,192,166 35
Special service to members - publication of Disabled American Veterans monthly magazine, less advertising and subscription revenue	213,043.33
Free service to motorists - cost of lost key returns and special orders, less contributions received	31,641 11
General service to veterans and members and other expenses - National Headquarters expenses for supervision of all activities and maintenance of records	<u>2,100,716 32</u>
Total	<u>4,537,567.11</u>
EXCESS OF CONTRIBUTIONS AND REVENUE OVER SERVICE COSTS AND EXPENSES	<u>\$1,262,237 12</u>

The notes on pages 17 and 18 are an integral part of this statement.

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERS

STATEMENT OF CHANGES IN OPERATING FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1969

FUND BALANCE, JANUARY 1, 1969.	\$5,539,472 91
ADD:	
Excess of contributions and revenue over service costs and expenses - Exhibit B	1,262,237 12
Recision of the appropriation for Prosthetic Research Fund... ..	<u>50,000.00</u>
FUND BALANCE, DECEMBER 31, 1969	<u>\$6,851,710 03</u>

The notes on pages 17 and 18 are an integral part of this statement.

EXHIBIT D

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

STATEMENT OF CHANGES IN SPECIAL PURPOSE
FUNDS BALANCES
FOR THE YEAR ENDED DECEMBER 31, 1969

	SCHOLARSHIP FUND	DISASTER FUND	PROSTHETIC RESEARCH FUND	TOTAL
FUND BALANCE, JANUARY 1, 1969.	\$200,000 00	\$48,091 20	\$50,000 00	\$298,091 20
ADD - Contributions received during the year.....		2,697.63		2,697 63
Total... ..	<u>200,000.00</u>	<u>50,788.83</u>	<u>50,000.00</u>	<u>300,788 83</u>
DEDUCT:				
Disbursements for scholarships and disaster relief.	22,550 00	7,797.00		30,347 00
Reversion of Prosthetic Research Fund appropriation....			50,000.00	50,000 00
Total	<u>22,550 00</u>	<u>7,797.00</u>	<u>50,000 00</u>	<u>80,347.00</u>
FUND BALANCE, DECEMBER 31, 1969.	<u>\$177,450.00</u>	<u>\$42,991 83</u>		<u>\$220,441 83</u>

The notes on pages 17 and 18 are an integral part of this statement.

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

NOTES TO FINANCIAL STATEMENTS, DECEMBER 31, 1969

1 No provision for impairment of investments resulting from the decline in market value of securities has been made in the accompanying financial statements because officials of Disabled American Veterans (DAV) believe the impairment is temporary and do not currently anticipate sales of investments at losses.

2 At December 31, 1969, the land, land improvements and building located at Cold Spring, Kentucky, having a cost of \$2,481,115 22 were pledged as collateral to the 5% mortgage note payable to the Life Membership Fund; the \$1,350,053 90 balance of the note is payable in monthly instalments of \$9,900 including interest, with final maturity in 1986

The current notes payable to the Life Membership Fund include the \$968,330 balance of a 5-1/2% note which provided for instalment payments through 1979, but which was paid in full in January 1970.

3 In 1964, DAV instituted legal proceedings against a former agent who handled Properties Solicitation seeking reimbursement for losses (the amount of which has not been determined) and damages. The agent has denied DAV's claims and has instituted counterclaims seeking alleged unpaid commissions and reimbursement for expenses

A former employee of the agent intervened in the aforementioned legal proceeding and filed a counterclaim against DAV to recover compensation for services rendered. In January 1969 a judgment was entered against DAV in the amount of \$62,429 80 for such services. DAV is appealing this decision.

In 1967, legal proceedings were instituted against DAV by another employee of the former agent of DAV seeking payment of commissions allegedly earned; DAV has denied any liability in this matter.

In another legal proceeding, a claimant has filed suit against DAV for amounts due for services allegedly rendered. DAV has denied any indebtedness and has instituted a counterclaim seeking damages for breach of contract, negligent performance, and wrongful conversion of DAV property

In the opinion of legal counsel, the outcome of the above litigation is not presently determinable and, accordingly, the accompanying financial statements give no effect to any amounts which may result from their final disposition. It is expected, however, that substantial legal expense may be incurred in defending against these actions.

With respect to another claim pending against DAV at December 31, 1969, the controversy was resolved in February 1970 by the payment of \$58,500 by DAV in final settlement. The amount of this settlement will be reflected in the financial statements for the year ending December 31, 1970.

4. The balance sheet does not include (a) net assets of the Life Membership Fund administered by National Headquarters but available for its use only to the extent of the annual distribution of dues and service fees for life members, or (b) net assets held in trust by Disabled American Veterans Service Foundation but available to National Headquarters only upon appropriation by or dissolution of the Foundation. Based upon audited financial statements at December 31, 1969, net assets of the Foundation were approximately \$296,000.
 5. Depreciation and amortization expense for the year was \$205,146.43 and is computed generally on the straight-line method.
 6. DAV leases office space in Washington, D C under an agreement expiring in 1978 which provides for annual rentals of approximately \$24,000 for the first five years and \$27,000 for the next five years.
 7. Substantially all eligible employees participate in a contributory retirement plan. The plan is funded by the purchase of annuity policies and DAV has no additional liability to employees thereunder.
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DISABLED AMERICAN VETERANS

LIFE MEMBERSHIP FUND

BALANCE SHEET, JUNE 30, 1970

<u>A S S E T S</u>	
CASH.....	\$ 94,993.17
ACCRUED INTEREST RECEIVABLE.	29,096.39
DIVIDENDS RECEIVABLE.	7,670.00
ACCOUNT RECEIVABLE - Investment custodian...	38,987.63
INVESTMENTS - At cost:	
Mortgage note receivable from National Headquarters of Disabled American Veterans - 5%, principal and interest due in monthly instalments of \$9,900 00, final maturity in 1986	\$1,324,136.58
United States Government securities (approximates market).....	2,751,796.31
Corporation stocks (approximate market value, \$1,402,500) (see note)... .	2,574,329.76
Corporation bonds (approximate market value, \$127,500)...	191,509.63
	6,841,772.28
TOTAL.....	\$7,012,519.47
<u>L I A B I L I T I E S</u>	
ACCOUNTS PAYABLE:	
National Headquarters.....	\$ 1,581.00
Chapters.....	760.50
Departments.....	416.25
Other...	2,560.07
	\$ 5,317.82
FUND BALANCE.....	7,007,201.65
TOTAL.....	\$7,012,519.47

NOTE: No provision for impairment of investments resulting from the decline in market value of securities has been made in the accompanying financial statements because officials of Disabled American Veterans (DAV) believe the impairment is temporary and do not currently anticipate sales of investments at losses.

EXHIBIT F

DISABLED AMERICAN VETERANS

LIFE MEMBERSHIP FUND

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1970

ADDITIONS TO FUND:		
Life membership fees..... ..	\$814,033.47	
Interest:		
United States Government securities...	117,805.54	
Notes receivable..... ..	96,529.97	
Corporation bonds..... ..	10,601.99	
Other... ..	145.15	
Dividends..... ..	54,736.24	
Gain from sales of securities - net.....	52,236.62	
Other	<u>2,129.50</u>	\$1,148,218.48
DISTRIBUTIONS FROM FUND:		
National Headquarters:		
Per capita tax	109,479.00	
Service fees... ..	218,967.00	
Chapters	159,879.00	
Departments	<u>84,810.00</u>	<u>573,135.00</u>
INCREASE IN FUND DURING THE YEAR...		575,083.48
FUND BALANCE AT BEGINNING OF YEAR.. . . .		<u>6,432,118.17</u>
FUND BALANCE AT END OF YEAR...		<u>\$7,007,201.65</u>
SOURCE OF FUND BALANCE, JUNE 30, 1970:		
Membership fees, less annual distributions to		
National Headquarters, Departments and Chapters....	\$3,593,488.01	
Interest..... ..	2,016,719.97	
Gain from sales of securities - net	940,093.19	
Dividends...	428,407.31	
Other	<u>28,493.17</u>	
TOTAL...		<u>\$7,007,201.65</u>

The note to the balance sheet on page 19 is an integral part of this statement.

DISABLED AMERICAN VETERANS SERVICE FOUNDATIONBALANCE SHEET, DECEMBER 31, 1969 AND JUNE 30, 1969, AND COMPARISON

	DECEMBER 31, 1969	JUNE 30, 1969	INCREASE (DECREASE)
<u>A S S E T S</u>			
CASH:			
Checking accounts	\$ 14,128 36	\$ 7,656 40	\$6,471 96
Savings accounts and invest- ment certificates (including accrued interest)	233,039.73	232,228.80	810.93
Office fund	25.00	25.00	
RECEIVABLES - Dividends	1,405 38	792.13	613.25
INVESTMENTS - At cost (approx- imate market value, \$37,300)	49,610 57	49,610.57	
TOTAL	<u>\$298,209.04</u>	<u>\$290,312.90</u>	<u>\$7,896.14</u>
 <u>L I A B I L I T Y A N D</u> <u>F U N D S</u>			
MEDICAL OR DEATH BENEFITS PAYABLE.			
	\$ 1,955 24	\$ 1,805 24	\$ 150 00
FUNDS IN TRUST.			
General Trust Account	164,180.76	154,474.16	9,706 60
National D.A V Special Reserve Fund	16,908 02	13,612 57	3,295.45
Special trust accounts			
Perpetual Rehab Funds.	97,411.82	104,840.82	(7,429.00)
Permanent Reserve Fund...	2,971 17	2,524.67	446.50
The National Order of Trench Rats, D A V Legislative Program.	14,782 03	13,055 44	1,726 59
Total	<u>296,253.80</u>	<u>288,507 66</u>	<u>7,746 14</u>
TOTAL.	<u>\$298,209.04</u>	<u>\$290,312 90</u>	<u>\$7,896.14</u>

DISABLED AMERICAN VETERANS SERVICE FOUNDATION

STATEMENT OF FUNDS IN TRUST
FOR THE SIX MONTHS ENDED DECEMBER 31, 1969

	TOTAL	GENERAL TRUST ACCOUNT
FUNDS IN TRUST, JULY 1, 1969	. \$288,507 66	\$154,474 16
ADDITIONS		
Contributions	7,517 50	
Income from savings deposits	6,620 44	6,098 40
Income from investments	613 25	613 25
Amounts transferred to National D A V Special Reserve Fund		
Transfer to the General Trust Account (See note)		10,000 00
Total	. . 303,258 85	171,185 81
DEDUCTIONS.		
General expenses.		
Board of Trustees		
Services	600 00	600 00
Travel and expenses	2,820 87	2,820 87
Provision for medical or death benefits	150 00	150 00
Salaries	120 00	120 00
Stenographic services	1,372 50	1,372 50
Professional, legal, and accounting services	978 33	978 33
Telephone and telegraph	198 33	198 33
Printing, postage, and supplies	664 86	664 86
Other expense	100 16	100 16
Total	. . 7,005 05	7,005 05
FUNDS IN TRUST, DECEMBER 31, 1969	<u>\$296,253 80</u>	<u>\$164,180 76</u>

NOTE - The bequest from Herbert G McGorman Estate received in May 1969 was treated as a contribution to the Perpetual Rehab Fund on the report for the year ended June 30, 1969. In the opinion of the Trustees the bequest should have been treated as an addition to the General Trust Account

NATIONAL D A V SPECIAL RESERVE FUND	SPECIAL TRUST ACCOUNTS		THE NATIONAL ORDER OF TRENCH RATS, D A V LEGISLATIVE PROGRAM
	PERPETUAL REHAB FUNDS	PERMANENT RESERVE FUND	
\$13,612 57	\$104,840 82	\$2,524 67	\$13,055 44
	4,571 00	446 50	2,500 00 522 04
3,295 45	(2,000 00) (10,000 00)		(1,295 45)
<u>16,908 02</u>	<u>97,411 82</u>	<u>2,971 17</u>	<u>14,782.03</u>

<u>\$16,908 02</u>	<u>\$ 97,411 82</u>	<u>\$2,971 17</u>	<u>\$14,782 03</u>
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SCHEDULES

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERS

BEST DOCUMENT AVAILABLE

CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL
SOLICITATIONS, ETC AND RELATED DIRECT COSTS AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1969

CONTRIBUTIONS AND REVENUE RECEIVED:	
Direct mail solicitations	\$10,268,320 37
Other revenue	418,696 50
Total contributions and revenue received	<u>10,687,016 87</u>
DIRECT COSTS AND EXPENSES	
Material cost of mailings (materials and postage)	2,887,355 01
Salaries and wages	1,236,734 02
Cost of premiums (materials and postage)	1,073,336 03
Employees' welfare - hospital care, group insurance, retirement plan, etc	148,124 47
Postage due.	117,430 36
Payroll taxes	98,480 35
Depreciation and amortization.	72,651 27
Heat, light, power and water	68,335 22
Supplies.	65,429.30
Rental of equipment	61,715 87
Commissions.	60,966 40
Maintenance and repairs	31,140.96
Security service	22,251.31
Laundry	6,407 88
Express and hauling	5,915 39
Insurance	3,894 13
Telephone and telegraph	2,971 98
Other	7,346 56
Total	<u>5,970,486.51</u>
ADD - Decrease in labor and overhead costs in inventory.. . . .	8,130 63
Total direct costs and expenses	<u>5,978,617 14</u>
EXCESS OF CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL SOLICITATIONS, ETC. OVER RELATED DIRECT COSTS AND EXPENSES.	
	<u>\$ 4,708,399.73</u>

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

SERVICE COSTS AND EXPENSES - NET
FOR THE YEAR ENDED DECEMBER 31, 1969

FREE SERVICE TO ALL VETERANS AND DEPENDENTS - Main-
tenance of staff of attorneys in fact (service
officers) located in all Veterans Administration
offices:

Salaries:

Attorneys in fact (service officers)	\$1,169,455 48
Assistants and stenographers for attorneys in fact	310,958 09
Legislative director and assistants	62,278.62
Employment stenographers	18,034 78
Legislative stenographers	12,718 78
Total	<u>1,573,445 75</u>

Employees' welfare - hospital care, group insurance, retirement plan, etc	132,908 85
Expenses of National Convention	131,430 33
Expenses of National Commander and Staff	106,981 39
Payroll taxes	73,198.89
Travel expenses	56,258 19
Rental of space and equipment	24,903.82
Postage, printing, and stationery.	20,963 49
Supplies	18,386 89
Moving expense	14,351 11
Expenses of national officials at state conventions	10,864 97
Depreciation and amortization	10,156 75
Telephone and telegraph	6,753 33
Insurance	3,597 19
Express and hauling	2,751.86
Outside service - labor	1,648 41
Property taxes.	1,010 20
Other	2,554 93
Total	<u>618,720.60</u>

SPECIAL SERVICE TO MEMBERS - Publication of Disabled
American Veterans monthly magazine:

Printing and mailing magazine	258,028.29
Commissions	25,280 38
Salaries.	13,299.20
Press clippings.	2,700 00
Employees' welfare - hospital care, group insurance, retirement plan, etc	1,729,71
Supplies	716 94
Payroll taxes...	350.07
Other	379.59
Total	<u>302,484 18</u>

Less advertising and subscription revenue.	<u>89,440.85</u>
Remainder	<u>213,043.33</u>

TOTAL - (Forward) \$2,405,209 68

DISABLED AMERICAN VETERANS
 NATIONAL HEADQUARTERS
 SERVICE COSTS AND EXPENSES - NET, ETC

BEST DOCUMENT AVAILABLE

	TOTAL - (Forward)	<u>\$2,405,209 68</u>
FREE SERVICE TO MOTORISTS - Cost of lost key returns and special orders:		
Salaries..	17,339 54	
Searches	8,808 76	
Postage, printing, and stationery	6,137 39	
Employees' welfare - hospital care, group insurance, retirement plan, etc	2,647 24	
Supplies	1,715 60	
Payroll taxes..	1,249 31	
Other	<u>637 98</u>	
Total	38,535 88	
Less contributions received from free service.	<u>6,894.77</u>	
Remainder	<u>31,641.11</u>	
GENERAL SERVICE TO VETERANS AND MEMBERS AND OTHER EXPENSES - National Headquarters expenses for super- vision of all activities and maintenance of records:		
Salaries.	1,162,786 30	
Equipment rental.	227,256 86	
Employees' welfare - hospital care, group insurance, retirement plan, etc	86,914 01	
Postage, printing and stationery	85,743 83	
Supplies....	81,031.23	
Travel.	72,465 26	
Interest	68,773 99	
Payroll taxes	67,624 00	
Professional fees....	66,038 04	
Depreciation and amortization	44,768 87	
Insurance.	25,457 10	
Security service.	22,124.62	
Telephone and telegraph.. . . .	20,537.53	
Awards and trophies.	13,499 00	
Express and hauling..	8,526 16	
Agency service fees and public relations.. . . .	8,370.18	
Maintenance and repairs	7,047 65	
Outside service - labor..	5,821 54	
Hospital entertainment..	5,298 65	
Dues and subscriptions....	4,825 34	
Cuts and photos..	2,124 28	
Personnel advertising..	1,443 27	
Other..	<u>12,238.55</u>	
Total..	<u>2,100,716 32</u>	
TOTAL	<u>\$4,537,567 11</u>	

APPENDIXES

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

ONE EAST FOURTH STREET
CINCINNATI 45202

May 1, 1970

National Finance Committee,
Disabled American Veterans,
National Headquarters,
Cold Spring, Kentucky.

Dear Sirs:

We have examined the following financial statements and supplemental schedules of Disabled American Veterans, National Headquarters as of December 31, 1969 and for the year then ended:

	<u>Exhibit</u>
Financial Statements:	
Balance Sheet	A
Statement of Operating Fund Contributions, Revenue and Service Costs and Expenses...	B
Statement of Changes in Operating Fund Balance.....	C
Statement of Changes in Special Purpose Funds Balances.	D
	<u>Schedule</u>
Supplemental Schedules:	
Contributions and Revenue Received From Direct Mail Solicitations, Etc. and Related Direct Costs and Expenses.....	1
Service Costs and Expenses - Net.....	2

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we

considered necessary in the circumstances, except that our examination with respect to contributions and revenue received from direct mail solicitations, properties solicitation, donations and bequests was limited to tests of the cash receipts as recorded.

In our opinion, with the exception stated in the next preceding paragraph relating to the scope of our examination with respect to contributions and revenue, and subject to the outcome of the matters mentioned in Note 3 to the financial statements, the accompanying financial statements present fairly the financial position of Disabled American Veterans, National Headquarters, at December 31, 1969 and its contributions, revenue and service costs and expenses and changes in its operating fund and special purpose funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, and the accompanying supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein

Yours truly,

Haskins + Dells

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

ONE EAST FOURTH STREET
CINCINNATI 45202

July 10, 1970.

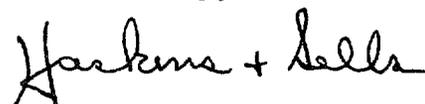
National Finance Committee,
Disabled American Veterans,
Cold Spring, Kentucky.

Dear Sirs:

We have examined the balance sheet of the Life Membership Fund of Disabled American Veterans as of June 30, 1970 and the related statement of changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and the related statement of changes in fund balance present fairly the financial position of the Fund at June 30, 1970 and the changes in the fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Yours truly,



APPENDIX III

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

NORTHWESTERN BANK BUILDING
MINNEAPOLIS 55402

April 13, 1970

Disabled American Veterans
Service Foundation,

1221 Massachusetts Avenue, N. W.,
Washington, D. C 20005.

Dear Sirs:

We have examined the balance sheet of Disabled American Veterans Service Foundation as of December 31, 1969 and the related statement of funds in trust for the six months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered appropriate in the circumstances; as to contributions, it was not practicable for us to extend our examination beyond the Foundation's accounting for recorded receipts. We have made similar examinations for the preceding thirty-one years

In our opinion, the accompanying balance sheet and related statement of funds in trust present fairly the financial position of the Foundation at December 31, 1969 and the results of its operations for the six months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Yours truly,

Haskins & Sells

PRINCIPAL OFFICERS
 OF DISABLED AMERICAN VETERANS
 RESPONSIBLE FOR THE ADMINISTRATION OF DAV ACTIVITIES
 DURING THE PERIOD COVERED BY
 OUR EXAMINATION

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
NATIONAL COMMANDER:		
Cecil W. Stevenson	Aug. 1970	Present
Raymond P. Neal	Aug. 1969	Aug. 1970
Wayne L. Sheirbon	Aug. 1968	Aug. 1969
NATIONAL ADJUTANT:		
Denvel D. Adams	June 1962	Present
NATIONAL SERVICE DIRECTOR:		
John J. Keller	Aug. 1967	Present
NATIONAL DIRECTOR OF LEGISLATION:		
Charles L. Huber	Oct. 1962	Present