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REPORT TO THE CONGRESS



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Examination Of Financial Statements
Of Disabled American Veterans
National Headquarters And
Service Foundation For Year
Ended December 31, 1970, And
Life Membership Fund For Year
Ended June 30, 1971

B-55712

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

~~Z00934~~

096693

JAN. 21, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-55712

C/ 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 and the Service Foundation for the year ended December 31, 1970, and the Life Membership Fund for the year ended June 30, 1971.

Our examination of the financial statements was made pursuant to the act of June 17, 1932, as amended December 18, 1967 (36 U.S.C. 90i).

Copies of this report are going 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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ABBREVIATIONS

DAV	Disabled American Veterans
GAO	General Accounting Office

D I G E S T

WHY THE EXAMINATION WAS MADE

The General Accounting Office (GAO) is required by law to examine the financial statements of the Disabled American Veterans. C 769

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 considered necessary, except that the examination of contributions and revenues resulting from direct mail solicitations and from donations and bequests to 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.

OPINION ON FINANCIAL STATEMENTS

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 I) present fairly the financial positions of the National Headquarters and the Service Foundation at December 31, 1970, and of the Life Membership Fund at June 30, 1971, 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. 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 counterclaims 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.

OTHER MATTERS OF INTEREST

As required by law 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 opinions are included as appendixes I through III.

JAN. 21, 1972

RECOMMENDATIONS OR SUGGESTIONS

None.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations or suggestions requiring action by the Congress. It is submitted to the Congress to disclose the results of GAO's annual examination of the financial statements of the Disabled American Veterans.

CHAPTER 1

INTRODUCTION

Disabled American Veterans (DAV) was founded in Ohio in 1920 and was federally chartered in 1932. DAV's primary objective is to aid and assist war-disabled veterans and their families. Its programs concern 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 responsible primarily for carrying out DAV's programs of assisting disabled veterans. It has a staff of national service officers in each regional office of the Veterans Administration. These staff members are concerned with veterans benefits under Federal laws and a wide range of State and local laws.

CHAPTER 2

COMMENTS ON FINANCIAL MATTERS

NATIONAL HEADQUARTERS

DAV's national program is financed by its National Headquarters' revenues. The gross revenues for the year ended December 31, 1970, totaled about \$14.7 million. The largest source of revenue was DAV's direct mail solicitations.

DAV's 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 1970 the tags were sent to approximately 27 million addressees.

Other direct mail operations include distributing the monthly DAV magazine; membership and auxiliary membership materials; and, twice a year, materials to approximately 8 million persons on the DAV donor list.

DAV incurred costs of about \$5.4 million for service to veterans and their dependents and direct costs and expenses of about \$7.5 million for direct mail solicitation operations.

At December 31, 1970, the National Headquarters had investments in securities costing about \$2.2 million. At that time the approximate market value of the investments totaled about \$1.8 million, or an unrealized loss of about \$400,000; however, after the sale of certain securities at a loss of about \$200,000 during the first quarter of 1971, the market value of the investment portfolio increased and was slightly in excess of cost at June 30, 1971.

The National Adjutant is responsible for managing DAV's business and administrative affairs in a manner consistent with the mandates of each DAV national convention, National Executive Committee, and National Finance Committee. During the year DAV engaged the services of two investment advisory

firms and authorized them to make investment transactions for the National Headquarters and Life Membership Fund without obtaining prior approval of DAV officials for each transaction.

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 authorizing expenditures from the funds.

At December 31, 1970, the Foundation had assets of about \$388,000, liabilities of about \$14,000, and funds in trust of about \$374,000. The Foundation's receipts during the year ended December 31, 1970, totaled about \$109,000, which included contributions of about \$95,000. Foundation expenses were about \$31,000 for the year.

LIFE MEMBERSHIP FUND

A DAV member may obtain a life membership by paying a fee that is computed on the basis of his age. The maximum fee is \$100. The fees are deposited in a Life Membership Fund bank account. The National Headquarters administers the fund as authorized by the National Finance Committee.

According to the 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, his dues payments are discontinued and the unused balance of his life membership fee is retained in the fund.

The Life Membership Fund had revenues of about \$1.7 million for the year ended June 30, 1971. The main revenue sources were life membership fees and earnings on investments. Dues paid to the National Headquarters, DAV State departments, and local chapters totaled about \$665,000.

CHAPTER 3

SCOPE OF EXAMINATION

We examined the following statements and schedules submitted to us by DAV in accordance with section 90i of Title 36, United States Code (36 U.S.C. 90i).

National Headquarters, for the year ended December 31, 1970:

- 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
- Statement of Changes in Financial Position
- Supplemental Schedules:
 - Contributions and Revenue Received from Direct Mail Solicitations, Etc. and Related Direct Costs and Expenses
 - Service Costs and Expenses--Net

Service Foundation, for the year ended December 31, 1970:

- Balance Sheet
- Statement of Funds in Trust

Life Membership Fund, for the year ended June 30, 1971:

- Balance Sheet
- Statement of Changes in Fund Balance

Our examination of DAV's financial statements was made in accordance with generally accepted auditing standards and included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances, except that our examination of contributions and revenues resulting from direct mail solicitations and from donations and bequests to 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 by the act of August 30, 1964 (36 U.S.C. 1102), DAV engages a firm of certified public accountants to make an annual audit of its accounts and financial statements and to review the National Headquarters' accounting procedures and systems of internal control. The firm's opinions are included as appendixes I through III. That audit does not, however, relieve us of our responsibilities under 36 U.S.C. 90i. Our observations and tests of the firm's audit permitted us to reduce our own testing of DAV's accounting records.

CHAPTER 4

OPINION ON FINANCIAL STATEMENTS

The financial statements of the DAV National Headquarters, Service Foundation, and Life Membership Fund as submitted to us appear as exhibits A through I. In our opinion, with the exception previously stated in the scope of 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, 1970, and of the Life Membership Fund at June 30, 1971, 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. 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, 1970

A S S E T S

CURRENT ASSETS:

Cash.....	\$	454,779.57
United States Government securities - at cost and accrued interest (approximates market).....		1,089,484.66
Accounts receivable (from rental of lists and from chapters, departments, and others).....		294,440.71
Materials and supplies - at the lower of cost (first-in, first-out) or market:		
Direct mail solicitations material.....		851,948.42
Emblems, jewelry, etc.....		111,996.45
Prepaid supplies, insurance, etc.....		103,586.07
Prepaid postage.....		<u>66,468.27</u>
Total current assets.....		2,972,704.15
INVESTMENTS IN SECURITIES - At cost or value when donated (approximate market value, \$1,767,000) (Note 1).....		2,217,276.12
PROPERTY LEASED TO OTHERS - At cost, less accumulated depreciation of \$1,424,966.26.....		1,984,188.13
LAND, BUILDINGS AND EQUIPMENT - At cost:		
Land and improvements.....	\$	274,608.86
Buildings, building equipment and improvements.....		2,264,787.48
Machinery, other equipment, furniture, and fixtures.....		<u>976,524.40</u>
Total.....		3,515,920.74
Less accumulated depreciation.....		<u>575,238.48</u>
Land, buildings and equipment - net.....		<u>2,940,682.26</u>
TOTAL.....		<u>\$10,114,850.66</u>

See notes to financial statements.

LIABILITIES

CURRENT LIABILITIES:

Accounts payable:

Suppliers, etc.....	\$ 370,943.25
DAV Service Foundation.....	82,616.58
Taxes withheld from employees.....	13,531.30
Other.....	101,679.39

Accrued liabilities:

Vacation pay.....	285,540.94
Salaries and wages.....	166,756.84
Real estate taxes.....	52,774.22
Payroll taxes.....	17,874.85
Other.....	<u>12,983.13</u>

Total current liabilities..... 1,104,700.50

DEFERRED CREDITS - Dues and service fees collected in
advance, etc.....

492,240.74

SPECIFIC PURPOSE FUNDS (Exhibit D):

Scholarship Fund.....	\$391,768.00
Disaster Fund.....	<u>37,933.83</u>

Total specific purpose funds..... 429,701.83

OPERATING FUND BALANCE (Exhibit C) (Note 4).....

8,088,207.59

TOTAL..... \$10,114,850.66

EXHIBIT B

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

STATEMENT OF OPERATING FUND CONTRIBUTIONS, REVENUE AND
SERVICE COSTS AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1970

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).....	\$5,307,447.31
National dues and service fees.....	935,444.63
Rental from leased property, less related direct costs of \$175,820.07.....	186,379.13
Donations and bequests.....	109,696.50
Sale of emblems, etc., less related direct costs of \$97,944.83.....	45,388.72
Miscellaneous.....	168,188.90
Total.....	<u>6,752,545.19</u>
SERVICE COSTS AND EXPENSES (net) (Schedule 2):	
Free service to all veterans and dependents - maintenance of staff of attorneys in fact (national service officers) located in all Veterans Administration offices.....	2,443,092.71
Special service to members - publication of Disabled American Veterans monthly magazine, less advertising and subscription revenue.....	232,045.31
Free service to motorists - cost of lost key returns and special orders, less contributions received...	25,976.88
General service to veterans and members and other expenses - National Headquarters expenses for supervision of all activities and maintenance of records.....	<u>2,520,432.73</u>
Total.....	<u>5,221,547.63</u>
OTHER EXPENSES:	
Grant to Boy Scouts of America (Note 2).....	\$39,500.00
Appropriation to DAV Auxiliary.....	5,000.00
Total.....	<u>44,500.00</u>
EXCESS OF CONTRIBUTIONS AND REVENUE OVER SERVICE COSTS AND EXPENSES.....	<u>\$1,486,497.56</u>

See notes to financial statements.

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF CHANGES IN OPERATING FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1970

FUND BALANCE, JANUARY 1, 1970.....	\$6,851,710.03
ADD - Excess of contributions and revenue over service costs and expenses - Exhibit B.....	<u>1,486,497.56</u>
Total.....	8,338,207.59
DEDUCT - Appropriation to Scholarship Fund.....	<u>250,000.00</u>
FUND BALANCE, DECEMBER 31, 1970.....	<u>\$8,088,207.59</u>

See notes to financial statements.

EXHIBIT D

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF CHANGES IN SPECIAL PURPOSE
FUNDS BALANCES
FOR THE YEAR ENDED DECEMBER 31, 1970

	SCHOLARSHIP FUND	DISASTER FUND	TOTAL
FUND BALANCE, JANUARY 1, 1970.....	\$177,450.00	\$42,991.83	\$220,441.83
ADD:			
Appropriation from Operating Fund.....	250,000.00		250,000.00
Contributions received during the year.....		2,542.00	2,542.00
Total.....	427,450.00	45,533.83	472,983.83
DEDUCT - Disbursements for scholarships and disaster relief.....	35,682.00	7,600.00	43,282.00
FUND BALANCE, DECEMBER 31, 1970.....	<u>\$391,768.00</u>	<u>\$37,933.83</u>	<u>\$429,701.83</u>

See notes to financial statements.

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1970

SOURCE OF FUNDS:

Excess of contributions and revenue over service costs and expenses.....	\$1,486,497.56
Reduction of investment in government securities....	1,082,716.49
Increase in accounts payable and accrued liabilities	441,464.28
Depreciation of buildings and equipment.....	243,578.76
Increase in dues, service fees collected in advance, etc.....	83,571.76
Reduction of prepaid expenses.....	59,162.33
Total.....	<u>3,396,991.18</u>

USE OF FUNDS:

Payment of notes to Life Membership Fund.....	2,318,383.90
Increase in materials and supplies.....	561,549.72
Land improvements and purchase of equipment - net...	143,932.51
Investment in securities - net.....	103,869.12
Increase in accounts receivable.....	84,440.87
Disbursements for scholarships and disaster relief - net.....	40,740.00
Total.....	<u>3,252,916.12</u>

INCREASE IN CASH DURING THE YEAR..... 144,075.06

CASH BALANCES:

January 1, 1970.....	<u>310,704.51</u>
December 31, 1970.....	<u>\$ 454,779.57</u>

See notes to financial statements.

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

NOTES TO FINANCIAL STATEMENTS, DECEMBER 31, 1970

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) believed the impairment was temporary at December 31, 1970. On February 1, 1971 DAV retained new investment counsel with discretionary power to effect security transactions. In this connection, certain securities were disposed of with a loss of approximately \$200,000 during the first quarter of 1971. This loss will be reflected in the financial statements for the year 1971. The market value of the security portfolio approximates the book value of such securities at March 31, 1971.
2. DAV has authorized a grant of \$279,883 to the Boy Scouts of America to provide a national Scouting program for physically or mentally handicapped boys. The initial grant payment of \$39,500 was made in 1970. The unpaid portion of the grant at December 31, 1970, was \$240,383 and is to be paid in annual instalments increasing in amount from \$33,920 in 1971, to \$47,371 in 1976, the date of the final grant payment. The unpaid portion of the grant is not reflected in the accompanying financial statements as it is revocable at any time at the discretion of DAV.
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.

During 1970, the legal proceedings which were instituted in 1967 against DAV by another employee of the former agent of DAV, seeking payment of commissions allegedly earned, were dismissed after trial; the plaintiff has appealed the decision.

(Continued) - 1.

3 - (Continued)

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.

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, net assets of the Foundation were approximately \$374,000 at December 31, 1970.
 5. Depreciation and amortization expense for the year was \$243,578.76 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 employee and DAV contributions by the purchase of annuity policies, and DAV has no additional liability to employees thereunder.
-

(Concluded) - 2.

EXHIBIT F

DISABLED AMERICAN VETERANS SERVICE FOUNDATION

BALANCE SHEET, DECEMBER 31, 1970 AND 1969, AND COMPARISON

	1970	1969	INCREASE (DECREASE)
<u>A S S E T S</u>			
CASH:			
Checking accounts.....	\$ 18,016.71	\$ 14,128.36	\$ 3,888.35
Savings accounts and invest- ment certificates (including accrued interest).....	237,818.81	233,039.73	4,779.08
Office fund.....	25.00	25.00	
RECEIVABLES:			
National D. A. V. - Cash collected under the 1970 Fund Raising Appeal.....	82,616.58		82,616.58
Dividends.....	277.25	1,405.38	(1,128.13)
INVESTMENTS - At cost (approx- imate market value, \$36,400)..			
	49,610.57	49,610.57	
TOTAL.....	<u>\$388,364.92</u>	<u>\$298,209.04</u>	<u>\$90,155.88</u>
<u>L I A B I L I T Y A N D F U N D S</u>			
PAYABLE TO NATIONAL D. A. V. - Expenses incurred for the 1970 Fund Raising Appeal.....			
	\$ 13,929.04		\$13,929.04
MEDICAL OR DEATH BENEFITS PAYABLE.....			
		\$ 1,955.24	(1,955.24)
FUNDS IN TRUST:			
General Trust Account.....	147,136.10	164,180.76	(17,044.66)
National D.A.V. Special Reserve Fund.....	15,500.00	16,908.02	(1,408.02)
Special trust accounts:			
Perpetual Rehab Funds.....	101,313.38	97,411.82	3,901.56
Permanent Reserve Fund.....	3,614.27	2,971.17	643.10
1970 Fund Raising Appeal....	82,616.58		82,616.58
The National Order of Trench Rats, D.A.V. Legislative Program.....	24,255.55	14,782.03	9,473.52
Total.....	374,435.88	296,253.80	78,182.08
TOTAL.....	<u>\$388,364.92</u>	<u>\$298,209.04</u>	<u>\$90,155.88</u>

DISABLED AMERICAN VETERANS SERVICE FOUNDATION

STATEMENT OF FUNDS IN TRUST
FOR THE YEAR ENDED DECEMBER 31, 1970

	TOTAL	GENERAL TRUST ACCOUNT
FUNDS IN TRUST, JANUARY 1, 1970.....	\$296,253.80	\$164,180.76
ADDITIONS:		
Contributions:		
General.....	11,944.66	
1970 Fund Raising Appeal.....	82,616.58	
Income from savings deposits.....	13,184.61	12,519.11
Income from investments.....	1,108.80	1,108.80
Amounts transferred to National D. A. V. Special Reserve Fund.....		
Transfer to the National Order of Trench Rats, D. A. V. Legislative Program (Note 2).....		
Total.....	405,108.45	177,808.67
DEDUCTIONS:		
General expenses:		
Board of Trustees:		
Services.....	3,300.00	3,300.00
Travel and expenses.....	6,377.50	6,377.50
Salaries.....	1,380.00	1,380.00
Stenographic services.....	2,885.00	2,885.00
Professional, legal, and accounting services....	1,000.90	1,000.90
Telephone and telegraph.....	339.39	339.39
Printing, postage, and supplies.....	1,252.11	1,252.11
Expenses of 1970 Fund Raising Appeal.....	13,929.04	13,929.04
Other expense.....	208.63	208.63
Total.....	30,672.57	30,672.57
FUNDS IN TRUST, DECEMBER 31, 1970.....	\$374,435.88	\$147,136.10

NOTES:

1. These funds will be transferred to the Perpetual Rehab Fund or Permanent Reserve Fund, as appropriate, when the 1970 Fund Raising Appeal is complete.

2. Since July 1, 1966, \$5,308.02 has been transferred from the National Order of Trench Rats (NOTR), D. A. V. Legislative Program special trust account to the National D. A. V. Special Reserve Fund. Since these funds have not been requested by the National D. A. V., the Foundation, at the request of the NOTR, has transferred such funds back to the NOTR special trust account as of December 31, 1970.

.....SPECIAL TRUST ACCOUNTS.....				
NATIONAL D. A. V. SPECIAL RESERVE FUND	PERPETUAL REHAB FUNDS	PERMANENT RESERVE FUND	1970 FUND RAISING APPEAL (NOTE 1)	THE NATIONAL ORDER OF TRENCH RATS, D. A. V. LEGISLATIVE PROGRAM
\$16,908.02	\$ 97,411.82	\$2,971.17		\$14,782.03
	7,801.56	643.10	\$82,616.58	3,500.00
				665.50
3,900.00	(3,900.00)			
(5,308.02)				5,308.02
<u>15,500.00</u>	<u>101,313.38</u>	<u>3,614.27</u>	<u>82,616.58</u>	<u>24,255.55</u>
<u>\$15,500.00</u>	<u>\$101,313.38</u>	<u>\$3,614.27</u>	<u>\$82,616.58</u>	<u>\$24,255.55</u>

DISABLED AMERICAN VETERANS

LIFE MEMBERSHIP FUND

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 1971

ADDITIONS TO FUND:		
Life membership fees.....	\$1,463,496.47	
Interest:		
United States Government securities.....	134,265.43	
Corporation bonds.....	29,369.60	
Notes receivable.....	27,310.72	
Dividends.....	73,813.62	
Other.....	3,357.32	\$1,731,613.16
DEDUCTIONS FROM FUND:		
Distributions to:		
National Headquarters:		
Service fees.....	254,217.00	
Per capita tax.....	127,137.00	
Chapters.....	185,165.25	
Departments.....	98,248.50	
Total.....	664,767.75	
Loss from sales of securities - net...	343,975.45	1,008,743.20
INCREASE IN FUND DURING THE YEAR.....		722,869.96
FUND BALANCE AT BEGINNING OF YEAR.....		7,007,201.65
FUND BALANCE AT END OF YEAR.....		<u>\$7,730,071.61</u>
SOURCE OF FUND BALANCE, JUNE 30, 1971:		
Membership fees, less annual distributions to		
National Headquarters, Chapters and Departments....	\$4,392,216.73	
Interest.....	2,207,665.72	
Gain from sales of securities - net.....	596,117.74	
Dividends.....	502,220.93	
Other.....	31,850.49	
TOTAL.....		<u>\$7,730,071.61</u>

SCHEDULES

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL
SOLICITATIONS, ETC. AND RELATED DIRECT COSTS AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1970

CONTRIBUTIONS AND REVENUE RECEIVED:	
Direct mail solicitations.....	\$12,181,321.53
Other revenue.....	623,476.11
Total contributions and revenue received.	<u>12,804,797.64</u>
DIRECT COSTS AND EXPENSES:	
Cost of solicitation mailings (materials and postage).....	3,649,393.95
Cost of premiums (materials and postage).....	1,612,533.38
Salaries and wages.....	1,474,748.19
Employees' welfare - hospital care, group insurance, retirement plan, etc.....	163,934.34
Postage due.....	127,347.69
Payroll taxes.....	108,417.76
Commissions.....	105,136.21
Supplies.....	89,923.20
Heat, light, power and water.....	78,931.16
Depreciation and amortization.....	74,342.87
Rental of equipment.....	54,086.47
Maintenance and repairs.....	25,835.32
Security service.....	23,873.69
Express and hauling.....	15,677.61
Insurance.....	7,062.92
Outside services (data processing).....	6,200.00
Laundry.....	5,065.26
Telephone and telegraph.....	3,206.94
Travel.....	2,793.91
Other.....	6,640.95
Total.....	<u>7,635,151.82</u>
LESS - Increase in labor and overhead costs in inventory.....	137,801.49
Total direct costs and expenses.....	<u>7,497,350.33</u>
EXCESS OF CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL SOLICITATIONS, ETC. OVER RELATED DIRECT COSTS AND EXPENSES.....	<u>\$ 5,307,447.31</u>

SCHEDULE 2

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

SERVICE COSTS AND EXPENSES - NET
FOR THE YEAR ENDED DECEMBER 31, 1970

FREE SERVICE TO ALL VETERANS AND DEPENDENTS - Main-	
tenance of staff of attorneys in fact (national	
service officers) located in all Veterans	
Administration offices:	
Salaries:	
Attorneys in fact (service officers).....	\$1,382,976.85
Assistants and stenographers for attorneys in fact	360,893.19
Legislative director, assistants and stenographers	82,959.41
Total.....	<u>1,826,829.45</u>
Employees' welfare - hospital care, group insurance,	
retirement plan, etc.....	167,643.48
Expenses of National Commander and Staff.....	102,935.52
Expenses of National Convention.....	101,320.53
Payroll taxes.....	78,010.63
Travel expenses.....	45,346.45
Rental of space and equipment.....	23,975.04
Postage, printing, and stationery.....	23,775.82
Supplies.....	18,344.65
Moving expense.....	15,557.07
Depreciation and amortization.....	10,282.31
Expenses of national officials at state conventions.	9,021.46
Telephone and telegraph.....	6,943.09
Insurance.....	5,023.87
Agency service fees.....	2,115.66
Express and hauling.....	1,293.68
Maintenance and repairs.....	1,089.36
Outside service - labor.....	1,043.19
Property taxes.....	878.98
Other.....	1,662.47
Total.....	<u>2,443,092.71</u>
SPECIAL SERVICE TO MEMBERS - Publication of Disabled	
American Veterans monthly magazine:	
Printing and mailing magazine.....	311,986.56
Advertising agency commissions.....	32,839.06
Salaries.....	12,144.93
Press clipping service.....	2,650.00
Payroll taxes.....	450.52
Other.....	473.26
Total.....	<u>360,544.33</u>
Less advertising and subscription revenue.....	128,499.02
Remainder.....	<u>232,045.31</u>
TOTAL - (Forward).....	\$2,675,138.02

(Continued) - 1.

SCHEDULE 2

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

	TOTAL - (Forward).....	<u>\$2,675,138.02</u>
FREE SERVICE TO MOTORISTS - Cost of lost key returns		
and special orders:		
Salaries.....		16,529.03
Searches.....		6,127.75
Postage.....		4,551.50
Employees' welfare - hospital care, group insurance, retirement plan, etc.....		3,752.81
Payroll taxes.....		1,190.53
Supplies.....		979.87
Other.....		424.70
	Total.....	<u>33,556.19</u>
	Less contributions received from free service.....	<u>7,579.31</u>
	Remainder.....	<u>25,976.88</u>
GENERAL SERVICE TO VETERANS AND MEMBERS AND OTHER		
EXPENSES - National Headquarters expenses for super- vision of all activities and maintenance of records:		
Salaries.....		1,229,285.38
Equipment rental.....		251,094.52
Supplies.....		243,175.61
Postage, printing and stationery.....		136,936.53
Employees' welfare - hospital care, group insurance, retirement plan, etc.....		111,193.43
Professional fees.....		72,902.95
Agency service fees and public relations.....		67,269.47
Payroll taxes.....		65,033.93
Interest.....		60,685.42
Settlement of claim.....		58,500.00
Travel.....		46,957.50
Depreciation and amortization.....		42,616.08
Awards and trophies.....		30,759.17
Insurance.....		29,675.15
Security service.....		22,229.80
Telephone and telegraph.....		22,170.50
Express and hauling.....		6,552.50
Maintenance and repairs.....		5,571.06
Membership drive awards.....		4,821.28
Dues and subscriptions.....		2,406.23
Other.....		10,596.22
	Total.....	<u>2,520,432.73</u>
	TOTAL.....	<u>\$5,221,547.63</u>

(Concluded) - 2.

APPENDIXES

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

ONE EAST FOURTH STREET
CINCINNATI 45202

April 30, 1971.

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, 1970 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
Statement of Changes in Financial Position...	E
	<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

APPENDIX I

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, 1970 and its contributions, revenue and service costs and expenses and changes in its operating fund, special purpose funds and financial position 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 & Sells

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

NORTHWESTERN BANK BUILDING
MINNEAPOLIS 55402

April 28, 1971

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, 1970 and the related statement of funds in trust 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 appropriate in the circumstances, except 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-two years.

In our opinion, with the exception regarding the scope of our examination described in the above paragraph, the accompanying balance sheet and related statement of funds in trust present fairly the financial position of the Foundation at December 31, 1970 and the results of its operations 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, .

Haskins & Sells

APPENDIX III

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

ONE EAST FOURTH STREET
CINCINNATI 45202

July 16, 1971.

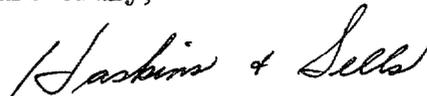
National Finance Committee,
Disabled American Veterans,
Cold Spring, Kentucky.

Dear Sirs:

We have examined the balance sheet of the Life Membership Fund of Disabled American Veterans as of June 30, 1971 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, 1971 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,



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

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
NATIONAL COMMANDER:		
Edward T. Conroy	Aug. 1971	Present
Cecil W. Stevenson	Aug. 1970	Aug. 1971
Raymond P. Neal	Aug. 1969	Aug. 1970
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

Copies of this report are available from the U. S. General Accounting Office, Room 6417, 441 G Street, N W., Washington, D.C., 20548.

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