



B-55712  
3-2-70

# REPORT TO THE CONGRESS



## [ Examination Of Financial Statements Of Disabled American Veterans ]

..National Headquarters For Year  
Ended December 31, 1968

..Life Membership Fund For Year  
Ended June 30, 1969

..Service Foundation For Year  
Ended June 30, 1969

B-55712

VETERANS ADMINISTRATION

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

MARCH 2, 1970

745497

092365



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 first annual report on the examination of financial statements of the Disabled American Veterans National Headquarters for the year ended December 31, 1968, and the Life Membership Fund and Service Foundation for the year ended June 30, 1969. The 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. 90i).

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

A handwritten signature in cursive script, reading "James B. Atchey".

Comptroller General  
of the United States

## C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1 INTRODUCTION	3
2 COMMENTS ON FINANCIAL MATTERS	4
National Headquarters	4
Life Membership Fund	5
Service Foundation	6
3 OTHER MATTERS	7
State regulation of DAV activities	7
Accounting procedures and internal controls	8
4 SCOPE OF EXAMINATION	10
5 OPINION OF THE FINANCIAL STATEMENTS	12
FINANCIAL STATEMENTS	
EXHIBIT	
A National Headquarters--Balance sheet at December 31, 1968	15
B National Headquarters--Statement of operating fund contributions, revenue and service costs and expenses for the year ended December 31, 1968	16
C National Headquarters--Statement of changes in operating fund balance for the year ended December 31, 1968	17
National Headquarters--Notes to financial statements	18
D Life Membership Fund--Balance sheet at June 30, 1969	20

Page

FINANCIAL STATEMENTS

EXHIBIT

E	Life Membership Fund--Statement of changes in fund balance for the year ended June 30, 1969	21
F	Service Foundation--Balance sheet, June 30, 1969 and 1968, and comparison	23
G	Service Foundation--Statement of funds in trust for the year ended June 30, 1969	25

SCHEDULE

1	National Headquarters--Contributions and revenue received from direct mail solicitations, etc., and related direct costs and expenses for the year ended December 31, 1968	29
2	National Headquarters--Service costs and expenses--net for the year ended December 31, 1968	30

APPENDIX

I	Certified Public Accountant's opinion on the financial statements of DAV National Headquarters, May 2, 1969	35
II	Certified Public Accountant's opinion on the financial statements of DAV Life Membership Fund, July 17, 1969	37
III	Certified Public Accountant's opinion on the financial statements of DAV Service Foundation, September 8, 1969	38

APPENDIX

Page

IV Principal officers of DAV responsible  
for the administration of DAV  
activities during the period covered  
by our examination

39

*COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS*

EXAMINATION OF FINANCIAL STATEMENTS OF  
DISABLED AMERICAN VETERANS  
-NATIONAL HEADQUARTERS FOR YEAR ENDED  
DECEMBER 31, 1968  
-LIFE MEMBERSHIP FUND FOR YEAR ENDED  
JUNE 30, 1969  
-SERVICE FOUNDATION FOR YEAR ENDED  
JUNE 30, 1969 B-55712

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 with respect to contributions and revenue resulting from direct mail solicitations, properties solicitation, donations and bequests of the National Headquarters was limited to tests of the cash receipts as recorded.

FINDINGS AND CONCLUSIONS

In GAO's opinion, with the exception stated above and subject to the outcome of certain legal proceedings described in note 2 to the Disabled American Veterans National Headquarters financial statements, the accompanying financial statements present fairly the financial positions of the National Headquarters at December 31, 1968, and of the Life Membership Fund and the Service Foundation at June 30, 1969, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in GAO's opinion the accompanying supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein. (See exhibits A through G and schedules 1 and 2.)

The legal proceedings referred to above are concerned with 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. (See pp. 18 and 19.)

As provided by the act of August 30, 1964 (36 U.S.C. 1102), the Disabled American Veterans employed a firm of certified public accountants to audit its accounts and financial statements. This firm also reviewed the adequacy, effectiveness, and efficiency of the National Headquarters' accounting procedures and system of internal control. The firm's review disclosed a number of weaknesses in these procedures and controls. However, the weaknesses were not of such significance as to require any qualification in the firm's opinion on the Disabled American Veterans financial statements. (See pp. 8 and 9.)

The history of the legislation requiring GAO to make an annual examination of the Disabled American Veterans financial statements indicated that the GAO examination would have the effect of exempting the National Headquarters from various State and local laws pertaining to the filing of applications or registrations to solicit funds, and the filing of financial statements. GAO was advised by the National Headquarters Comptroller, however, that the policy of filing any documents requested by the States or municipalities would be continued. (See pp. 7 and 8.)

#### RECOMMENDATIONS OR SUGGESTIONS

None.

#### AGENCY ACTIONS AND UNRESOLVED ISSUES

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 as required by the act of June 17, 1932, as amended by Public Law 90-208 (36 U.S.C. 90i), to disclose the results of GAO's first annual audit of financial statements submitted to it by the Disabled American Veterans.

## CHAPTER 1

### INTRODUCTION

The General Accounting Office has made an examination of the financial statements of the Disabled American Veterans (DAV). These statements included those for the DAV National Headquarters for the year ended December 31, 1968, and the Life Membership Fund and the Service Foundation for the fiscal year ended June 30, 1969. 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 has reported that its primary objective has been to aid and assist war-disabled veterans and their families and that its program provides for securing and maintaining just and equitable compensation for wartime-incurred injury or disease, adequate hospital and medical care, and gainful employment for veterans disabled while in service.

DAV maintains a National Legislative Department and a National Service Department. The Legislative Department is charged with the responsibility of carrying out the resolutions adopted at the annual National Conventions and promoting legislation concerned with the welfare of the disabled veteran and his dependents. The National Service Department has a major share of the responsibility for carrying out DAV's program of assisting disabled veterans. It has a staff of National Service Officers located in each regional office of the Veterans Administration. Although the Service Officers have considerable contact with the Veterans Administration regarding benefits under Federal law, they also have the responsibility for being familiar with a wide range of State and local laws as they affect the veteran.

The principal officers of DAV responsible for the administration of DAV's activities during the period covered by our examination are listed in appendix IV of this report.



## CHAPTER 2

### COMMENTS ON FINANCIAL MATTERS

We examined the financial statements furnished to us by DAV for three separate entities. The purpose of these entities and the highlights of their financial activities for the year examined are described below.

#### NATIONAL HEADQUARTERS

The operation of DAV's national program is largely financed by its National Headquarters. During the year ended December 31, 1968, the National Headquarters had gross revenues of \$11,807,096. The largest source of revenue was DAV's direct mail solicitations.

DAV National Headquarters, located in Cold Spring, Kentucky, a suburb of Cincinnati, Ohio, includes the offices of the National Headquarters and a plant for its direct mail operations. One of the largest activities of this mailing operation is the DAV "Idento-tag" program. Approximately 30 million to 40 million pieces of mail each year are sent out under this program. The "Idento-tag" is a miniature reproduction of each addressee's automobile license plate. Contributions are received in return for the "Idento-tags."

Other direct mail operations include the monthly DAV magazine, mailings of DAV membership and auxiliary membership materials, and two mailings each year to the DAV donor list of approximately 6 million names.

In addition to the direct costs and expenses of \$6,798,191 attributable to DAV direct mail solicitation operations, DAV incurred costs and expenses for service to veterans and their dependents and members of \$4,132,124.

At December 31, 1968, the National Headquarters balance sheet showed investments in securities at a cost of \$1,223,111. These investments had an approximate market value of \$1,206,000 at that date or a paper loss of about \$17,111.

A DAV official informed us that, as of September 15, 1969, the DAV had sold \$361,904 of the securities on hand at December 31, 1968, on which capital gains of \$28,027 were realized. He informed us further that, for the remaining \$861,207 of securities, DAV had computed a paper loss of about \$177,500 as of September 15, 1969. We did not audit DAV's security transactions occurring after December 31, 1968, or its determination of the decline in the value of its investments.

The management of business and administrative affairs carried out by DAV National Headquarters is the responsibility of DAV's National Adjutant, subject to all decisions, directions, resolutions, mandates, and orders of each National Convention, National Executive Committee, and National Finance Committee.

#### LIFE MEMBERSHIP FUND

DAV members may become paid-up life members by the payment of up to \$100 (amount varies with age of member) into the Life Membership Fund. The Life Membership Fund is deposited in a separate bank account and is invested in securities.

DAV bylaws provide that no withdrawals can be made from the Life Membership Fund bank account except for investments or for payment each year of dues to the National, State, and local organizations on behalf of the life members. When a life member dies, the unused balance of the member's payment remains in the life fund and distribution or payment by the fund of his dues stops. No refunds of life membership payments can be made.

The net assets of the Life Membership Fund are administered by the National Headquarters as authorized by the National Finance Committee subject to the limitations described above.

During the year ended June 30, 1969, the Life Membership Fund had revenues of \$1,171,031. The principal revenue sources were life membership fees, gain from sales of securities, and interest on investments. Payments to the

National Headquarters, DAV State departments, and local chapters totaled \$548,920.

During 1968, the Life Membership Fund loaned the National Headquarters \$1 million at 5-1/2 percent with repayment beginning August 1969 and maturity in 1979. The purpose of the loan was to finance the cost of alterations to a DAV-owned building so that the building could be rented. At the time of our examination, the total cost of renovating the building was estimated at between \$750,000 and \$800,000.

#### SERVICE FOUNDATION

The Service Foundation was incorporated under the laws of the State of Ohio. The stated purpose of the Foundation is to be of assistance in furthering the programs and services of DAV and to act as trustee for all funds and properties as may be derived or acquired from DAV or other sources in behalf of DAV. A Board of Trustees administers the fund and may invest the fund or authorize DAV to make expenditures from the fund.

At June 30, 1969, the fund had assets of \$290,313 and liabilities and funds in trust of \$1,805 and \$288,508, respectively. Of the total assets, \$232,229 was in savings accounts and investment certificates. The Foundation's receipts during the year ended June 30, 1969, amounted to \$32,828, of which \$20,537 was from contributions. The Foundation incurred expenditures of \$20,089 during the year.

## CHAPTER 3

### OTHER MATTERS

During our examination, we noted several matters which we believe may be of interest to the Congress. These matters are discussed below.

#### STATE REGULATION OF DAV ACTIVITIES

Senate Report 898, concerning the legislative history of Public Law 90-208 (36 U.S.C. 90i), which requires that the Comptroller General make an annual audit of the financial statements of the DAV, states that:

"\*\*\*Because the Disabled American Veterans seeks its funds on a nationwide basis in order to sustain its program, it is necessary for that organization to register, pay filing fees, and comply with many divergent statutes, regulations, ordinances, and rules applicable to fundraising, both at the State and municipal level. The American Red Cross does not have to comply with those State and local regulations because it is exempted from the application of those regulations by virtue of the fact that its funds are audited by an agency of the Federal Government. An audit by the Comptroller General of its books would accord the same benefits to the Disabled American Veterans as presently held by the National American Red Cross."

According to a responsible DAV National Headquarters official, certain States had statutes which required charitable organizations to file an application or registration to solicit funds and/or required the organization to file its annual financial report. Information furnished us by DAV showed that, for 1967, the DAV National Headquarters filed its financial report with six States and filed a registration or application with two States, the District of Columbia, and two cities. A DAV official informed us that its current financial report for 1968 was filed with the same States with which the previous DAV report had been filed.

To test what effect our audit might have on one State's requirements that DAV file financial statements and registrations or applications, we visited the Charitable Trust and Solicitations Division in the Office of the Attorney General of the State of Illinois. The Division Chief informed us that, in his opinion, the DAV National Headquarters would be exempt from State of Illinois requirements because the DAV National Headquarters was now audited by GAO. He stated further that the DAV State and local organizations in the State of Illinois would not be exempt from Illinois requirements. The Division Chief informed us, at the time of our examination, that 27 States, the District of Columbia, and one municipality had statutes regarding charitable solicitations.

Notwithstanding the effect of the legislation requiring our audit of DAV, a responsible DAV National Headquarters official informed us that the National Headquarters would continue its policy of filing financial statements with any State or municipality that requested such statements. This official stated that he did not know whether any State or local DAV organizations had discontinued filing financial statements because of the Federal law. He added, however, that he was not aware of any case where such filing had been discontinued.

Regarding the States' regulations pertaining to the filing of applications or registrations to solicit funds, we were further informed by the DAV official that the DAV National Headquarters would continue its policy of filing these documents whenever requested by a State. We were advised that the DAV National Headquarters was not aware of any refusal by DAV State or local organizations to file registrations or applications by reason of the law requiring our audit. We did not, however, make any determination as to whether the DAV State and local organizations were in fact meeting the States' requirements for filing these documents.

#### ACCOUNTING PROCEDURES AND INTERNAL CONTROLS

A firm of certified public accountants, as part of its audit of the financial statements of the National

Headquarters, reviewed the adequacy, effectiveness, and efficiency of DAV's accounting procedures and system of internal control. The review disclosed a number of weaknesses in these procedures and controls, most of which had been noted during previous examinations. Some of these weaknesses were:

- Bank account reconciliation procedures not thorough enough.
- Lack of proper supporting detail for travel expense reports.
- No written procedures for notifying the accounting department of property disposals.
- No written instructions relating to physical inventory.
- No independent verification of variable payroll information.
- Pre-numbered sales invoice forms not accounted for.
- Journal entries seldom reviewed.
- Inadequate records for contributions of property.

The certified public accountants also reported to DAV on weaknesses found in the controls and procedures for accounts payable and cash disbursements, and cited several errors which were attributable to certain of the weaknesses described above.

The weaknesses reported by the certified public accountants were not considered by them to be of such significance as to require any qualification in the firm's opinion on the DAV financial statements.

We were informed by the DAV Comptroller that action had been taken or was in process to correct most of the above weaknesses. We made no review of the adequacy of these actions; however, we will consider these matters in our next examination.

## CHAPTER 4

### SCOPE OF EXAMINATION

We examined the following statements submitted to us by DAV in accordance with the act of June 17, 1932, as amended by Public Law 90-208:

National Headquarters for the year ended December 31, 1968:

Balance Sheet

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

Statement of Changes in Operating Fund Balance

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, 1969:

Balance Sheet

Statement of Changes in Fund Balance

Service Foundation for the year ended June 30, 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, 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 resulting from direct mail solicitations, properties solicitation, donations and bequests of the National Headquarters was limited to tests of the cash receipts as recorded. We did not review the operations represented by the above financial statements nor did we review the operations or financial statements of any State or local DAV organization.

As provided by the act of August 30, 1964 (36 U.S.C. 1102), DAV employs a firm of certified public accountants to audit its accounts and financial statements annually.

The opinions of the firm of certified public accountants are included as appendixes I to III. This audit does not in anyway relieve the GAO of its responsibilities under Public Law 90-208. However, since an audit was made by a firm of certified public accountants, our audit included observations and tests of the firm's audit work. Therefore, we were able to make reductions in our tests of DAV's accounting records and were able to rely on the firm's opinion that accounting principles were applied on a basis consistent with that of the preceding year.



## 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 through G and schedules 1 and 2 which follow. 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 2 to the National Headquarters statements, the above-described financial statements present fairly the financial position of the DAV National Headquarters at December 31, 1968, and of the Life Membership Fund and the Service Foundation at June 30, 1969, and the results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion the accompanying supplemental schedules, 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, 1968

---

A S S E T S

CURRENT ASSETS:

Cash.....	\$ 577,690.81
United States Government securities - at cost and accrued interest (approximates market).....	2,185,546.78
Accounts receivable (from rental of lists and from chapters, departments, and others).....	130,879.85
Materials and supplies - at the lower of cost or market: Direct mail solicitations material.....	361,752.41
Emblems, jewelry, etc.....	74,081.75
Prepaid postage.....	88,213.56
Prepaid supplies, insurance, etc.....	<u>142,537.16</u>
Total current assets.....	3,560,702.32

INVESTMENTS - At cost or donated value:

Real estate, less accumulated depreciation of \$53,750.....	\$ 84,517.89
Securities (approximate market value, \$1,206,000).....	<u>1,223,110.59</u>
Total investments.....	1,307,628.48

PROPERTY HELD FOR SALE OR LEASE - At cost, less  
accumulated depreciation of \$1,242,426.97 (Note 1)..... 1,562,204.91

LAND, BUILDINGS AND EQUIPMENT - At cost

(Note 1):

Land and improvements.....	208,514.81
Buildings, building equipment and improvements.....	2,256,885.54
Machinery, other equipment, furniture, and fixtures.....	959,673.93
Total.....	<u>3,425,074.28</u>
Less accumulated depreciation.....	<u>381,000.30</u>

Land, buildings and equipment - net..... 3,044,073.98

TOTAL..... \$9,474,609.71

The notes on pages 18 and 19 are an integral part of this statement.

---

LIABILITIES

## CURRENT LIABILITIES:

Notes payable to Life Membership Fund - current portion (Note 1).....	\$ 81,606.96
Accounts payable:	
Suppliers, etc.....	366,896.79
Taxes withheld from employees.....	30,326.76
Other.....	71,010.13
Accrued liabilities:	
Salaries and wages.....	91,650.67
Vacation pay.....	226,443.00
Payroll taxes.....	22,490.29
Real estate taxes.....	39,358.00
Interest.....	17,513.54
Other.....	<u>5,783.66</u>
Total current liabilities.....	953,079.80

## LONG-TERM DEBT - Less current portion (Note 1):

Mortgage note payable to Life Membership Fund, 5%.....	\$1,350,053.90
Note payable to Life Membership Fund, 5-1/2%.....	<u>968,327.64</u>
Total long-term debt.....	2,318,381.54

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

365,584.26

## SPECIFIC PURPOSE FUNDS (Note 3):

Scholarship Fund.....	200,000.00
Prosthetic Research Fund.....	50,000.00
Disaster Fund.....	<u>48,091.20</u>
Total specific purpose funds.....	298,091.20

OPERATING FUND BALANCE (Exhibit C) (Note 4)..... 5,539,472.91

TOTAL..... \$9,474,609.71

EXHIBIT B

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

STATEMENT OF OPERATING FUND CONTRIBUTIONS, REVENUE AND  
SERVICE COSTS AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1968

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).....	\$3,537,267.86
National dues and service fees.....	753,274.78
Donations and bequests.....	416,134.29
Sale of emblems, etc., less related direct costs of \$82,484.85.....	37,663.64
Properties Solicitation, less related direct costs and expenses of \$17,223.87.....	12,082.92
Miscellaneous.....	152,772.76
Total.....	<u>4,909,196.25</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.....	1,940,940.11
Special service to members - publication of Disabled American Veterans monthly magazine, less advertising and subscription revenue.....	212,768.52
Free service to motorists - cost of lost key returns and special orders, less contributions received....	21,800.25
General service to veterans and members and other expenses - National Headquarters expenses for supervision of all activities and maintenance of records, less rentals received from leasing a portion of facilities.....	1,978,415.50
Total.....	<u>4,153,924.38</u>
EXCESS OF CONTRIBUTIONS AND REVENUE OVER SERVICE COSTS AND EXPENSES.....	<u>\$ 755,271.87</u>

The notes on pages 18 and 19 are an integral part of this statement.

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF CHANGES IN OPERATING FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 1968

FUND BALANCE, JANUARY 1, 1968.....	\$5,049,201.04
ADD - Excess of contributions and revenue over service costs and expenses - Exhibit B.....	<u>755,271.87</u>
Total.....	<u>5,804,472.91</u>
DEDUCT - Appropriations for specific purpose funds (Note 3):	
Scholarship Fund.....	200,000.00
Prosthetic Research Fund.....	50,000.00
Disaster Fund.....	<u>15,000.00</u>
Total appropriations.....	<u>265,000.00</u>
FUND BALANCE, DECEMBER 31, 1968.....	<u>\$5,539,472.91</u>

---

The notes on pages 18 and 19 are an integral part of this statement.

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

NOTES TO FINANCIAL STATEMENTS, DECEMBER 31, 1968

1. At December 31, 1968, the land, land improvements and building located at Cold Spring, Kentucky, having a cost of \$2,465,400.35 were pledged as collateral to the 5% mortgage note payable to the Life Membership Fund; the \$1,399,988.50 balance of the note is payable in monthly instalments of \$9,900 including interest, with final maturity in 1986.

The rental income (\$3,516,000) to be derived from the property located on Ridge Avenue, Cincinnati, Ohio, over the life of the lease is assigned as collateral to the 5-1/2% note payable to the Life Membership Fund; the \$1,000,000.00 note, which provided funds for remodeling and renovation of the Ridge property (the major portion of which will be expended in 1969), is payable in monthly instalments of \$10,860 including interest, with final maturity in 1979.

2. In 1964, Disabled American Veterans (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.

3. During 1968 DAV established three funds for specific purposes: (1) a fund of \$200,000.00 to provide scholarships for children of service connected disabled veterans, (2) a fund of \$50,000.00 to be used for the purpose of supporting research projects on prosthetic appliances for the benefit of amputees, and (3) a fund of \$15,000.00 to aid members who are victims of natural disasters. In addition to the appropriation of \$15,000 from the Operating Fund, contributions in the amount of \$34,841.20 were received from members for the Disaster Fund and disbursements therefrom of \$1,750.00 were authorized.
  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 June 30, 1968 and unaudited financial statements at December 31, 1968, net assets of the Foundation were approximately \$275,000 at both dates.
  5. Depreciation and amortization expense for the year was \$205,890.65 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.
-



EXHIBIT D

DISABLED AMERICAN VETERANS

LIFE MEMBERSHIP FUND

BALANCE SHEET, JUNE 30, 1969

A S S E T S

CASH. ....		\$	265,973.59
ACCRUED INTEREST RECEIVABLE.....			57,901.79
DIVIDENDS RECEIVABLE.....			6,173.48
ACCOUNT RECEIVABLE - Investment custodian.....			3,260.20
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	\$1,375,332.63		
Note receivable from National Head- quarters of Disabled American Veterans - 5-1/2%, principal and interest due in monthly instalments of \$10,860.00 beginning August 1969, final maturity in 1979.....	1,000,000.00		
United States Government securities (approximates market)....	1,673,223.89		
Corporation bonds (approximate market value, \$148,000).....	187,409.63		
Corporation stocks (approximate market value, \$1,403,000).....	1,868,253.39		6,104,219.54
			<u>6,437,528.60</u>

L I A B I L I T I E S

ACCOUNTS PAYABLE:			
National Headquarters.....	\$	1,635.00	
Chapters.....		790.50	
Departments.....		427.50	
Other.....		2,557.43	\$ 5,410.43
FUND BALANCE.....			<u>6,432,118.17</u>
			<u>\$6,437,528.60</u>

DISABLED AMERICAN VETERANS

## LIFE MEMBERSHIP FUND

STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 1969

ADDITIONS TO FUND:		
Life membership fees.....	\$736,367.93	
Gain from sales of securities - net.....	202,973.46	
Interest:		
Notes receivable.....	109,073.49	
United States Government securities...	58,863.75	
Corporation bonds.....	7,470.95	
Dividends.....	54,170.48	
Other.....	<u>2,110.50</u>	\$1,171,030.56
DISTRIBUTIONS FROM FUND:		
National Headquarters:		
Per capita tax.....	104,857.00	
Service fees.....	209,692.00	
Chapters.....	153,371.00	
Departments.....	<u>81,000.25</u>	<u>548,920.25</u>
INCREASE IN FUND DURING THE YEAR.....		622,110.31
FUND BALANCE AT BEGINNING OF YEAR.....		<u>5,810,007.86</u>
FUND BALANCE AT END OF YEAR.....		<u>\$6,432,118.17</u>
SOURCE OF FUND BALANCE, JUNE 30, 1969:		
Membership fees, less annual distributions to		
National Headquarters, Departments and Chapters....	\$3,352,589.54	
Interest.....	1,791,637.32	
Gain from sales of securities - net.....	887,856.57	
Dividends.....	373,671.07	
Other.....	<u>26,263.67</u>	
TOTAL.....		<u>\$6,432,118.17</u>



DISABLED AMERICAN VETERANS SERVICE FOUNDATIONBALANCE SHEET, JUNE 30, 1969 AND 1968, AND COMPARISON

	1969	1968	INCREASE (DECREASE)
<u>A S S E T S</u>			
CASH:			
Checking accounts.....	\$ 7,656.40	\$ 15,027.68	\$(7,371.28)
Savings accounts and invest- ment certificates (includ- ing accrued interest).....	232,228.80	262,221.56	(29,992.76)
Office fund.....	25.00	25.00	
INVESTMENTS - At cost (approx- imate market value, \$42,200).	50,402.70		50,402.70
TOTAL.....	<u>\$290,312.90</u>	<u>\$277,274.24</u>	<u>\$13,038.66</u>
<u>L I A B I L I T Y A N D F U N D S</u>			
MEDICAL OR DEATH BENEFITS			
PAYABLE.....	\$ 1,805.24	\$ 1,505.24	\$ 300.00
FUNDS IN TRUST:			
General trust account.....	154,474.16	166,853.20	(12,379.04)
National D.A.V. Special Reserve Fund.....	13,612.57	8,085.38	5,527.19
Special trust accounts:			
Perpetual Rehab Funds.....	104,840.82	87,771.57	17,069.25
Permanent Reserve Fund.....	2,524.67	2,156.67	368.00
The National Order of Trench Rats, D.A.V. Legislative Program.....	13,055.44	10,902.18	2,153.26
Total.....	<u>288,507.66</u>	<u>275,769.00</u>	<u>12,738.66</u>
TOTAL.....	<u>\$290,312.90</u>	<u>\$277,274.24</u>	<u>\$13,038.66</u>

DISABLED AMERICAN VETERANS SERVICE FOUNDATION

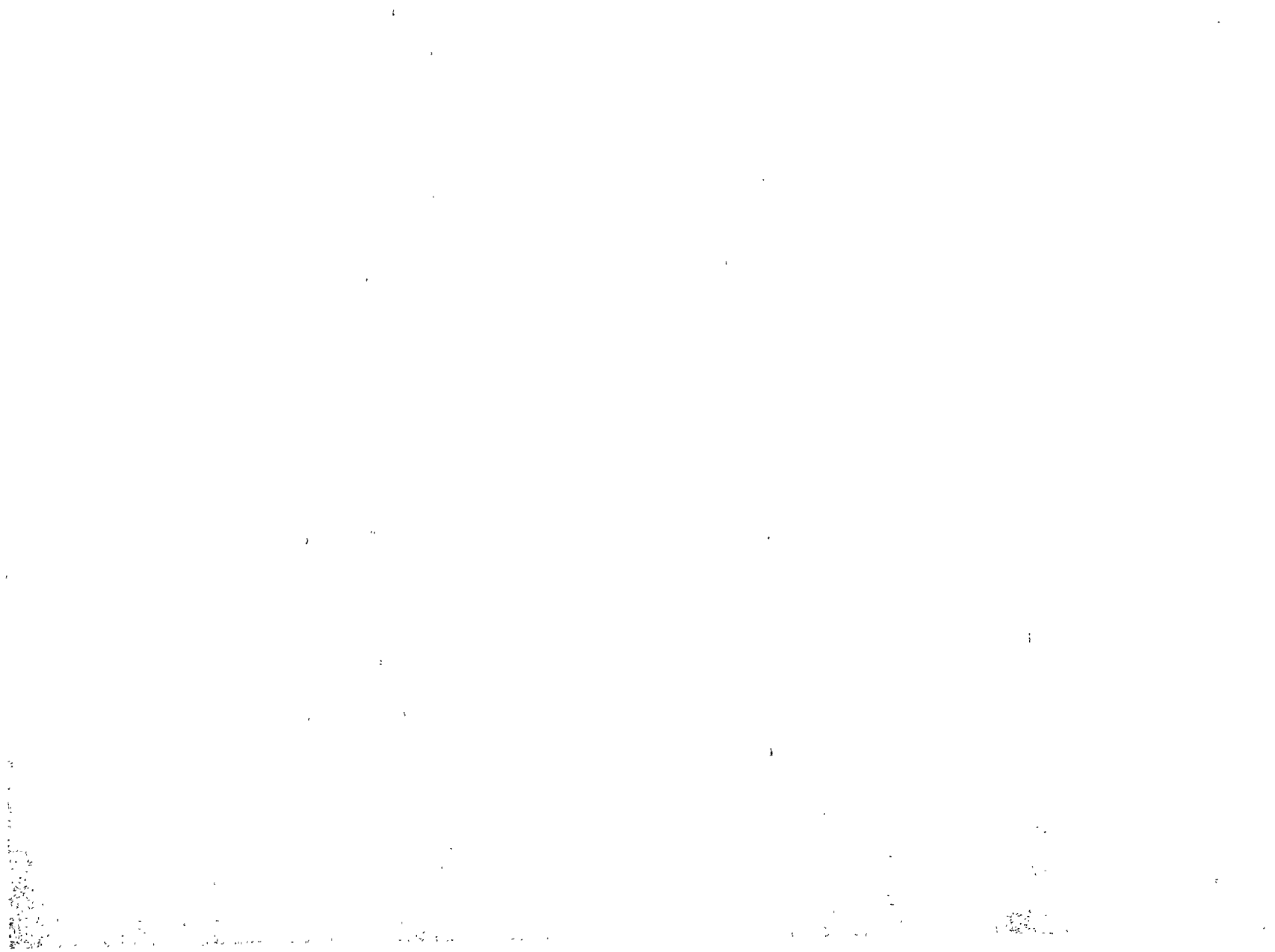
STATEMENT OF FUNDS IN TRUST  
FOR THE YEAR ENDED JUNE 30, 1969

---

	TOTAL
FUNDS IN TRUST, JULY 1, 1968.....	\$275,769.00
ADDITIONS:	
Contributions.....	20,537.25
Income from savings deposits.....	11,887.77
Income from investments.....	402.70
Amounts transferred to National D.A.V. Special Reserve Fund.....	
Total.....	<u>\$308,596.72</u>
DEDUCTIONS:	
General expenses:	
Board of Trustees:	
Services.....	1,550.00
Travel and expenses.....	5,664.05
Provision for medical or death benefits.....	300.00
Salaries.....	432.50
Stenographic services.....	2,462.25
Professional, legal, and accounting services.....	788.82
Telephone and telegraph.....	356.07
Printing, postage, and supplies.....	731.89
Sweepstakes contest expense.....	7,500.00
Other expense.....	303.48
Total.....	<u>\$ 20,089.06</u>
FUNDS IN TRUST, JUNE 30, 1969.....	<u><u>\$288,507.66</u></u>

---

.....SPECIAL TRUST ACCOUNTS.....				
GENERAL TRUST ACCOUNT	NATIONAL D.A.V. SPECIAL RESERVE FUND	PERPETUAL REHAB FUNDS	PERMANENT RESERVE FUND	THE NATIONAL ORDER OF TRENCH RATS, D. A. V. LEGISLATIVE PROGRAM
\$166,853.20	\$ 8,085.38	\$ 87,771.57	\$2,156.67	\$10,902.18
11,207.32		17,069.25	368.00	3,100.00
402.70				680.45
(3,900.00)	5,527.19			(1,627.19)
\$174,563.22	\$13,612.57	\$104,840.82	\$2,524.67	\$13,055.44
1,550.00				
5,664.05				
300.00				
432.50				
2,462.25				
788.82				
356.07				
731.89				
7,500.00				
303.48				
\$ 20,089.06				
\$154,474.16	\$13,612.57	\$104,840.82	\$2,524.67	\$13,055.44



SCHEDULES





DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERS

CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL  
SOLICITATIONS, ETC. AND RELATED DIRECT COSTS AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1968

---

CONTRIBUTIONS AND REVENUE RECEIVED:	
Direct mail solicitations.....	\$10,076,308.76
Other revenue.....	259,150.49
Total contributions and revenue received.....	10,335,459.25
DIRECT COSTS AND EXPENSES:	
Material cost of mailings (materials and postage)...	4,186,953.29
Salaries and wages.....	1,417,583.12
Cost of premiums (materials and postage).....	516,881.97
Postage due.....	146,157.53
Employees' welfare - hospital care, group insurance, retirement plan, etc.....	118,161.74
Payroll taxes.....	108,351.12
Depreciation and amortization.....	69,267.09
Supplies.....	66,711.48
Heat, light, power and water.....	54,365.80
Commissions.....	29,877.50
Maintenance and repairs.....	28,953.07
Outside service - labor.....	18,053.57
Express and hauling.....	11,671.62
Security service.....	10,429.38
Laundry.....	6,081.32
Insurance.....	3,478.10
Telephone and telegraph.....	2,777.72
Printing and stationery.....	1,891.60
Other.....	7,923.50
Total.....	6,805,570.52
DEDUCT - Increase in labor and overhead costs in inventory.....	7,379.13
Total direct costs and expenses...	6,798,191.39
EXCESS OF CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL SOLICITATIONS, ETC. OVER RELATED DIRECT COSTS AND EXPENSES.....	\$ 3,537,267.86

---

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

SERVICE COSTS AND EXPENSES - NET  
FOR THE YEAR ENDED DECEMBER 31, 1968

FREE SERVICE TO ALL VETERANS AND DEPENDENTS -	
Maintenance of staff of attorneys in fact (service officers) located in all Veterans Administration offices:	
Salaries:	
Attorneys in fact (service officers).....	\$1,078,569.67
Assistants and stenographers for attorneys in fact.....	298,474.37
Legislative director and assistant.....	56,400.31
Employment stenographers.....	18,059.77
Legislative stenographers.....	10,924.58
Total.....	<u>1,462,428.70</u>
Employees' welfare - hospital care, group insurance, retirement plan, etc.....	88,181.40
Expenses of National Commander and Staff.....	85,333.27
Expenses of National Convention.....	70,333.22
Payroll taxes.....	65,070.91
Travel expenses.....	54,001.23
Postage, printing, and stationery.....	34,229.13
Rental of space and equipment.....	24,465.65
Supplies.....	9,783.16
Legislative promotion.....	8,782.88
Telephone and telegraph.....	8,488.56
Expenses of national officials at state conventions..	6,349.42
Moving expense.....	5,329.04
Depreciation and amortization.....	6,994.76
Express and hauling.....	2,704.44
Agency service fees.....	1,839.23
Insurance.....	1,823.91
Outside service - labor.....	1,151.46
Property taxes.....	1,127.59
Other.....	2,522.15
Total.....	<u>478,511.41</u>
TOTAL - (Forward).....	\$1,940,940.11

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

TOTAL - (Forward).....	<u>\$1,940,940.11</u>
SPECIAL SERVICE TO MEMBERS - Publication of Disabled American Veterans monthly magazine:	
Printing and mailing magazine.....	241,746.31
Commissions.....	17,198.40
Salaries.....	7,442.05
Press clippings.....	3,063.11
Employees' welfare - hospital care, group insurance, retirement plan, etc.....	2,065.18
Supplies.....	559.23
Payroll taxes.....	300.51
Other.....	622.05
Total.....	<u>272,996.84</u>
Less advertising and subscription revenue.....	60,228.32
Remainder.....	<u>212,768.52</u>
FREE SERVICE TO MOTORISTS - Cost of lost key returns and special orders:	
Salaries.....	16,319.45
Searches.....	9,344.65
Postage, printing, and stationery.....	8,851.63
Employees' welfare - hospital care, group insurance, retirement plan, etc.....	1,544.71
Payroll taxes.....	1,133.29
Supplies.....	1,036.03
Other.....	561.39
Total.....	<u>38,791.15</u>
Less contributions received from free service.....	16,990.90
Remainder.....	<u>21,800.25</u>
GENERAL SERVICE TO VETERANS AND MEMBERS AND OTHER EXPENSES - National Headquarters expenses for super- vision of all activities and maintenance of records:	
Salaries.....	1,014,811.25
Equipment rental.....	149,415.67
Postage, printing and stationery.....	144,262.98
Supplies.....	90,145.47
Interest.....	82,778.34
Depreciation and amortization.....	127,541.72
Total - (Forward).....	<u>1,608,955.43</u>
TOTAL - (Forward).....	<u>\$2,175,508.88</u>

SCHEDULE 2  
Page 3

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

---

TOTAL - (Forward).....	\$2,175,508.88
GENERAL SERVICE TO VETERANS AND MEMBERS AND OTHER	
EXPENSES - National Headquarters expenses for super- vision of all activities and maintenance of records - (Forward).....	1,608,955.43
Professional fees.....	73,368.78
Travel.....	63,644.24
Payroll taxes.....	56,033.34
Employees' welfare - hospital care, group insurance, retirement plan, etc.....	55,869.10
Outside service - labor.....	51,336.04
Heat, light, power and water.....	45,008.64
Property taxes.....	33,863.85
Security service.....	32,044.30
Telephone and telegraph.....	24,516.56
Maintenance and repairs.....	23,181.89
Insurance.....	22,135.94
Awards and trophies.....	15,271.55
Express and hauling.....	12,734.58
Dues and subscriptions.....	8,336.72
Agency service fees (public relations).....	5,300.00
Leasing commissions.....	4,892.10
Cuts and photos.....	3,556.75
Personnel advertising.....	1,655.03
Other.....	9,921.60
Total.....	<u>2,151,626.44</u>
Less rentals received from leasing a portion of facilities.....	<u>173,210.94</u>
Remainder.....	<u>1,978,415.50</u>
TOTAL.....	<u>\$4,153,924.38</u>

---

APPENDIXES



**HASKINS & SELLS**  
CERTIFIED PUBLIC ACCOUNTANTS

ONE EAST FOURTH STREET  
CINCINNATI 45202

May 2, 1969.

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, 1968 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

	<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 resulting from direct mail solicitations, properties solicitation, donations and requests 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 2 to the financial statements, the accompanying financial statements present fairly the financial position of Disabled American Veterans, National Headquarters, at December 31, 1968 and its contributions, revenue and expenses and changes in its operating fund 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

ONE EAST FOURTH STREET  
CINCINNATI 45202

July 17, 1969.

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, 1969 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, 1969 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,

*Haskins + Sells*

APPENDIX III

**HASKINS & SELLS**

CERTIFIED PUBLIC ACCOUNTANTS

NORTHWESTERN BANK BUILDING

MINNEAPOLIS 55402

September 8, 1969

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 June 30, 1969 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; 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 years.

In our opinion, the accompanying balance sheet and related statement of funds in trust present fairly the financial position of the Foundation at June 30, 1969 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*

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:		
Raymond P. Neal	Aug. 1969	Present
Wayne L. Sheirbon	Aug. 1968	Aug. 1969
Francis J. Beaton	Aug. 1967	Aug. 1968
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