



*REPORT OF THE  
COMPTROLLER GENERAL  
OF THE UNITED STATES*

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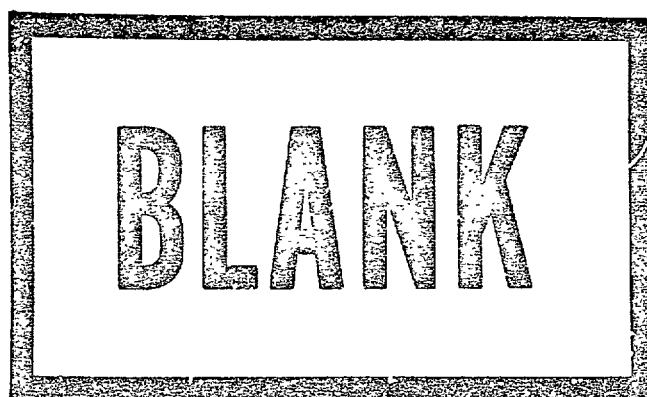
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Examination Of  
Financial Statements Of  
Disabled American Veterans  
National Headquarters,  
Service Foundation,  
And Life Membership Fund  
For Year Ended  
December 31, 1974

FOD-76-3

SEPT. 15, 1975

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

B-55712

Mr. Lyle C. Pearson  
National Commander  
Disabled American Veterans  
National Headquarters  
P.O. Box 14301  
Cincinnati, Ohio 45214

Dear Mr. Pearson:

The General Accounting Office has examined the financial statements of the Disabled American Veterans National Headquarters, Service Foundation, and Life Membership Fund for the year ended December 31, 1974. Our examination, required by the act of June 17, 1932, as amended December 18, 1967 (36 U.S.C. 90i), was made in accordance with generally accepted auditing standards and included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

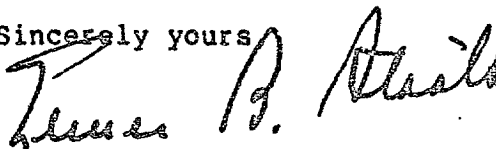
In our opinion, except for the direct charge in 1973 to the operating fund for payment of the amended retirement plan past service cost as explained in note 6 to the financial statements, the accompanying financial statements (exhibits A through H) and supplemental schedules (schedules 1 and 2) present fairly the financial position of the National Headquarters, the Service Foundation, and the Life Membership Fund at December 31, 1974 and 1973, and the results of their operations and changes in financial position and fund balances for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

As provided by the act of August 30, 1964, (36 U.S.C. 1102), the National Headquarters engages a firm of certified public accountants to make an annual audit of its accounts and financial statements and to review the National

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Headquarters' accounting procedures and systems of internal control. The audit does not, however, relieve us of our responsibilities under 36 U.S.C. 90i. Our tests of the firm's audit did permit us to reduce our own testing of the accounting records.

Sincerely yours

A handwritten signature in cursive script, appearing to read "Thomas B. Atchefs".

Comptroller General  
of the United States

**EXHIBITS AND SCHEDULES**

## EXHIBIT A

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSBALANCE SHEET, DECEMBER 31, 1974 AND 1973

## A S S E T S

	<u>1974</u>	<u>1973</u>
OPERATING AND SPECIAL PURPOSE FUNDS:		
Current assets:		
Cash (including certificate of deposit in 1973 of \$1,000,000.00)	\$ 884,097.74	\$ 1,711,636.58
United States Government securities - at cost (approximates market)	11,474,373.56	6,214,848.66
Accounts receivable	708,753.78	469,258.00
Materials and supplies	1,051,447.11	1,268,441.83
Prepaid expenses and interest receivable	<u>459,708.49</u>	<u>461,258.96</u>
Total current assets	<u>14,578,370.68</u>	<u>10,125,444.03</u>
Investments in securities - at cost (approximate market value: 1974, \$5,029,600; 1973 \$6,996,000)	<u>7,542,098.64</u>	<u>8,073,395.84</u>
Fixed assets:		
Property leased to others (less accumulated depreciation: 1974, \$1,869,250.58; 1973, \$1,758,011.12)	1,585,040.37	1,696,279.83
Construction in progress	1,026,872.73	157,008.82
Land, buildings, and equipment (less accumulated depreciation: 1974, \$1,219,742.83; 1973, \$1,021,409.61)	<u>3,158,644.17</u>	<u>3,101,738.42</u>
Total fixed assets	<u>5,770,577.27</u>	<u>4,955,027.07</u>
Total operating and special purpose funds	<u>\$27,891,026.59</u>	<u>\$23,153,866.94</u>

The notes on pages 20 to 23 are an integral part of this statement.

## EXHIBIT A

LIABILITIES AND FUND BALANCES

	<u>1974</u>	<u>1973</u>
OPERATING AND SPECIAL PURPOSE FUNDS:		
Current liabilities:		
Accounts payable	\$ 414,339.24	\$ 630,719.71
Accrued liabilities (principally salaries and vacation pay)	998,018.28	1,171,962.74
Deferred credits - dues and service fees collected in advance, etc.	<u>673,836.01</u>	<u>611,393.25</u>
Total current liabilities	<u>2,086,193.53</u>	<u>2,414,075.70</u>
Operating and special purposes funds balances (Exhibit B):		
Operating fund:		
Unappropriated	14,471,139.18	9,989,132.30
Appropriated for expansion	<u>2,723,127.27</u>	<u>3,750,000.00</u>
Total	17,194,266.45	13,739,132.30
Fixed asset fund	5,770,557.21	4,955,027.07
Scholarship fund	1,555,435.00	1,165,210.00
Emergency relief fund	396,197.36	458,589.10
Disaster fund	<u>888,377.04</u>	<u>421,832.77</u>
Total	<u>25,804,833.06</u>	<u>20,739,791.24</u>
Total operating and special purpose funds	<u>\$27,891,026.59</u>	<u>\$23,153,866.94</u>

## EXHIBIT B

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF CHANGES IN OPERATING FUNDAND SPECIAL PURPOSE FUNDS BALANCES

FOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

	<u>OPERATING FUND</u>		<u>Fixed Asset Fund</u>	
	<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>
OPERATING FUND CONTRIBUTIONS AND REVENUE (Exhibit C)	\$15,045,528.86	\$15,035,893.17		
OPERATING FUND PROGRAM AND SUPPORTING SERVICES AND SPECIAL SERVICE COSTS (Exhibit D)	<u>9,734,488.57</u>	<u>8,427,286.51</u>		
EXCESS OF CONTRIBUTIONS AND REVENUE OVER SERVICE COSTS	5,311,040.29	6,608,606.66		
FUND BALANCE, JANUARY 1	13,739,132.30	12,913,873.89	\$4,955,027.07	\$4,784,946.82
ADDITIONS (DEDUCTIONS) for Inter-fund transactions:				
Appropriations - specific purpose funds	(1,000,000.00)	(1,000,000.00)		
Provision for depreciation charged to operating fund	322,194.19	293,317.00	(322,194.19)	(293,317.00)
Fixed assets, including construction in progress, purchased by operating fund - net of retirements	<u>(1,137,724.33)</u>	<u>(463,397.25)</u>	<u>1,137,724.33</u>	<u>463,397.25</u>
Total	<u>17,234,642.45</u>	<u>18,352,400.30</u>	<u>5,770,557.21</u>	<u>4,955,027.07</u>
OTHER FUND TRANSACTIONS:				
Funding of retirement plan past service liability		(4,575,000.00)		
Disbursements for scholarship, disaster, and relief purposes				
Grant to Boy Scouts of America	<u>(40,376.00)</u>	<u>(38,268.00)</u>		
Total additions and deductions	<u>(40,376.00)</u>	<u>(4,613,268.00)</u>		
FUND BALANCE, DECEMBER 31	<u>\$17,194,266.45</u>	<u>\$13,739,132.30</u>	<u>\$5,770,557.21</u>	<u>\$4,955,027.07</u>

The notes on pages 20 to 23 are an integral part of this statement.



EXHIBIT B

Scholarship Fund		SPECIAL PURPOSE FUNDS Emergency Relief Fund		Disaster Fund	
<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>	<u>1973</u>
\$1,165,210.00	\$ 760,048.00	\$458,589.10		\$421,832.77	\$432,750.77
500,000.00	500,000.00		\$500,000.00	500,000.00	
<u>1,665,210.00</u>	<u>1,260,048.00</u>	<u>458,589.10</u>	<u>500,000.00</u>	<u>921,832.77</u>	<u>432,750.77</u>
(109,775.00)	(94,838.00)	(62,391.74)	(41,410.90)	(33,455.73)	(10,918.00)
<u>(109,775.00)</u>	<u>(94,838.00)</u>	<u>(62,391.74)</u>	<u>(41,410.90)</u>	<u>(33,455.73)</u>	<u>(10,918.00)</u>
<u>\$1,555,435.00</u>	<u>\$1,165,210.00</u>	<u>\$396,197.36</u>	<u>\$458,589.10</u>	<u>\$888,377.04</u>	<u>\$421,832.77</u>

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF OPERATING FUND CONTRIBUTIONS AND REVENUEFOR THE YEARS ENDED DECEMBER 31, 1974 and 1973

	<u>1974</u>	<u>1973</u>
Contributions and revenue	\$21,772,790.84	\$25,406,101.79
Less direct costs and expenses	<u>8,873,527.45</u>	<u>12,933,844.31</u>
Excess of contributions and revenue over direct costs (Schedule 1)	12,899,263.39	12,472,257.48
National dues and service fees	1,346,520.94	1,243,542.63
Donations and bequests	275,210.57	156,280.73
Income from investments	1,009,623.53	753,360.12
Gain (loss) on sale of securities	(768,700.23)	49,266.22
Rental from leased property, less related direct costs - 1974, \$204,232.90; 1973, \$182,414.16	147,367.10	173,549.99
Sale of donated property	9,526.38	64,358.41
Sale of emblems, etc., less related direct costs - 1974, \$174,365.27; 1973, \$143,197.67	32,981.51	56,646.62
Appropriation from DAV Service Foundation	20,000.00	20,991.00
Miscellaneous	<u>73,735.67</u>	<u>45,639.97</u>
Total	<u>\$15,045,528.86</u>	<u>\$15,035,893.17</u>

The notes on pages 20 to 23 are an integral part of this statement.

EXHIBIT D

EXHIBIT D

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF PROGRAM AND SUPPORTING SERVICES ANDSPECIAL SERVICE COSTSFOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
PROGRAM AND SUPPORTING SERVICES:		
Service to all veterans and dependents - maintenance of staff of attorneys in fact (National Service Officers) located in all Veterans Administration offices (Schedule 2)	\$5,600,762.42	\$4,793,807.13
Supporting services to veterans and members and other expenses - National Headquarters expenses for administration of all activities, including membership and maintenance of records (Schedule 2)	<u>3,340,511.62</u>	<u>3,213,328.56</u>
Total	<u>9,141,274.04</u>	<u>8,007,135.69</u>
SPECIAL SERVICE:		
Special service to members - publication of Disabled American Veterans monthly magazine, less advertising and subscription revenue (Schedule 2)	549,165.89	380,009.99
Free service to motorists - cost of lost key returns (Schedule 2)	<u>44,048.64</u>	<u>40,140.83</u>
Total	<u>593,214.53</u>	<u>420,150.82</u>
TOTAL	<u>\$9,734,488.57</u>	<u>\$8,427,286.51</u>

The notes on pages 20 to 23 are an integral part of this statement.

EXHIBIT E

EXHIBIT E

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSLIFE MEMBERSHIP FUNDBALANCE SHEET, DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
Current assets:		
Cash	\$ 168,542.18	\$ 102,317.06
Accrued interest and dividends receivable	55,879.77	54,751.91
United States Government securities - at cost (approximates market)	<u>2,258,417.19</u>	<u>1,744,857.61</u>
Total current assets	<u>2,482,839.14</u>	<u>1,901,926.58</u>
Investments in securities - at cost (approximate market value, 1974, \$4,735,083; 1973, \$6,647,000)	<u>7,173,296.30</u>	<u>7,700,239.37</u>
Total life membership fund assets	<u>\$9,656,135.44</u>	<u>\$9,602,165.95</u>
Current liabilities - accounts payable	\$ 20,192.51	\$ 18,814.72
Fund balance	<u>9,635,942.93</u>	<u>9,583,351.23</u>
Total life membership fund liabilities and fund balance	<u>\$9,656,135.44</u>	<u>\$9,602,165.95</u>

The notes on pages 20 to 23 are an integral part of this statement.

## EXHIBIT F

## EXHIBIT F

DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSSTATEMENT OF CHANGES IN LIFE MEMBERSHIP FUND BALANCEFOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
ADDITIONS TO FUND:		
Life membership fees	\$1,299,557.61	\$1,346,215.02
Interest:		
United States		
Government		
securities	207,633.14	140,928.49
Corporation bonds	68,200.01	59,864.66
Dividends	120,941.65	120,426.37
Gain from sales of securities - net		117,113.50
Other	<u>7,284.46</u>	<u>28.05</u>
Total	<u>1,703,616.87</u>	<u>1,784,576.09</u>
DEDUCTIONS FROM FUND:		
Loss from sale of securities - net	732,305.27	
Distributions to:		
National Headquarters:		
Service fees	351,358.90	328,858.10
Per capita tax	175,657.00	164,429.00
Chapters	256,354.50	240,280.50
Departments	<u>135,349.50</u>	<u>126,070.50</u>
Total	<u>1,651,025.17</u>	<u>859,638.10</u>
INCREASE IN FUND DURING THE YEAR	52,591.70	924,937.99
FUND BALANCE:		
Beginning of year	<u>9,583,351.23</u>	<u>8,658,413.24</u>
End of year	<u>\$9,635,942.93</u>	<u>\$9,583,351.23</u>

The notes on pages 20 to 23 are an integral part of this statement.

EXHIBIT G

EXHIBIT G

DISABLED AMERICAN VETERANS SERVICE FOUNDATIONBALANCE SHEET, DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
A S S E T S		
CASH:		
General checking account	\$ 11,269.51	\$ 5,471.49
Savings accounts and investment certificates	225,920.48	429,655.25
Cash (\$33,561.38) and investment certificates held by investment adviser	133,591.38	
RECEIVABLES - Dividends and interest	1,197.30	
INVESTMENTS - Marketable securities at cost (approximate market value: 1974, \$99,306; 1973, \$35,244)	<u>126,392.28</u>	<u>51,616.44</u>
Total	<u>\$498,370.95</u>	<u>\$486,743.18</u>
L I A B I L I T I E S   A N D   F U N D S   I N   T R U S T		
CURRENT LIABILITIES - Deferred income (proceeds from open short calls)	<u>\$ 7,218.90</u>	
FUNDS IN TRUST:		
General trust account	141,752.75	\$162,969.33
Special trust accounts:		
Perpetual rehab funds and permanent reserve fund	301,799.68	283,822.23
The National Order of Trench Rats, DAV Legislative Program	<u>47,599.62</u>	<u>39,951.62</u>
Total funds in trust	<u>491,152.05</u>	<u>486,743.18</u>
TOTAL	<u>498,370.95</u>	<u>\$486,743.18</u>

## EXHIBIT H

## EXHIBIT H

DISABLED AMERICAN VETERANS SERVICE FOUNDATIONSTATEMENT OF FUNDS IN TRUSTFOR THE YEAR ENDED DECEMBER 31, 1974

	<u>Total</u>	<u>General Trust Account</u>	<u>Special Trust Accounts Perpetual Rehab Fund and Permanent Reserve Fund</u>	<u>The National Order of Trench Rats, DAV Legislative Program</u>
FUNDS IN TRUST, JANUARY 1, 1974	\$486,743.18	\$162,969.33	\$283,822.23	\$39,951.62
ADDITIONS:				
Contributions and bequests	23,177.45		17,977.45	5,200.00
Interest on sav- ings deposits, investment certi- ficates and short-term notes	25,896.55	23,448.55		2,448.00
Dividends on invest- ments	2,448.85	2,448.85		
Gain (loss) on sale of investments	(12,918.28)	(12,918.28)		
Total	<u>525,347.75</u>	<u>175,948.45</u>	<u>301,799.68</u>	<u>47,599.62</u>
DEDUCT:				
Payments to National DAV	<u>20,000.00</u>	<u>20,000.00</u>		
Expenses:				
General:				
Board of Trustees:				
Travel and expense	6,248.82	6,248.82		
Services - (including chairman's salary)	944.00	944.00		
Salaries	567.00	567.00		
Stenographic serv- ices	2,452.00	2,452.00		
Professional serv- ices	1,452.02	1,452.02		
Telephone and tele- graph	438.34	438.34		
Printing, postage and supplies	1,488.02	1,488.02		
Rent	365.00	365.00		
Other expense	240.50	240.50		
Total	<u>14,195.70</u>	<u>14,195.70</u>		
FUNDS IN TRUST, DECEMBER 31, 1974	<u>\$491,152.05</u>	<u>\$141,752.75</u>	<u>\$301,799.68</u>	<u>\$47,599.62</u>

SCHEDULE 1

SCHEDULE 1

DISABLED AMERICAN VETERANS

NATIONAL HEADQUARTERS

CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL

SOLICITATIONS, ETC., AND RELATED COSTS AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
CONTRIBUTIONS AND REVENUE RECEIVED:		
Direct mail solicitations	\$20,449,411.47	\$23,734,840.79
Other revenue	<u>1,323,379.37</u>	<u>1,671,261.00</u>
Total contributions and revenue received	<u>21,772,790.84</u>	<u>25,406,101.79</u>
RELATED COSTS AND EXPENSES:		
Cost of solicitation mailings (materials and postage)	4,345,849.99	5,924,332.16
Cost of premiums (materials and postage)	1,059,704.55	3,129,379.59
Salaries and wages	1,962,482.93	2,167,194.58
Employee benefits - hospital care, group insurance, retirement plan, etc.	419,973.11	398,652.60
Commissions	235,117.41	332,459.18
Payroll taxes	162,280.07	189,144.83
Postage due	129,952.59	165,647.60
Supplies	51,842.22	135,464.89
Depreciation and amortization	104,160.03	96,320.16
Heat, light, power and water	102,048.53	91,544.04
Maintenance and repairs	83,227.79	82,081.68
Rental of equipment	89,420.29	75,555.83
Security service	28,541.34	26,117.72
Express and hauling	10,605.09	14,402.07
Laundry	10,500.74	9,218.61
Insurance	9,497.53	7,066.66
Telephone and telegraph	3,282.63	3,404.79
Travel	1,790.31	3,351.21
Other	<u>16,864.69</u>	<u>12,769.53</u>
Total	<u>8,833,141.84</u>	<u>12,864,107.73</u>
DECREASE IN LABOR AND OVERHEAD COSTS IN INVENTORY	<u>40,385.61</u>	<u>69,736.58</u>
Total direct costs and expenses	<u>8,873,527.45</u>	<u>12,933,844.31</u>
EXCESS OF CONTRIBUTIONS AND REVENUE RECEIVED FROM DIRECT MAIL SOLICITATIONS, ETC. OVER RELATED COSTS AND EXPENSES	<u>\$12,899,263.39</u>	<u>\$12,472,257.48</u>



DISABLED AMERICAN VETERANSNATIONAL HEADQUARTERSPROGRAM AND SUPPORTING SERVICESAND SPECIAL SERVICE COSTS - NETFOR THE YEARS ENDED DECEMBER 31, 1974 AND 1973

	<u>1974</u>	<u>1973</u>
PROGRAM AND SUPPORTING SERVICES:		
Service to all veterans and dependents - Maintenance of staff of attorneys in fact (National Service Officers) located in all Veterans Administration offices:		
Salaries:		
Attorneys in fact (service of-ficers)	\$2,871,077.87	\$2,534,377.97
Assistants and stenographers for attorneys in fact	796,745.89	626,961.40
Legislative director, assistants, and stenographers	<u>139,343.31</u>	<u>130,534.13</u>
Total	3,807,167.07	3,291,833.50
Employee benefits - hospital care, group insurance, retirement plan, etc.	568,335.66	524,025.60
Expenses of National Convention	121,648.11	303,322.02
Expenses of National Commander and Staff	140,280.44	163,620.97
Payroll taxes	243,293.40	188,161.88
Travel expenses - Field Service Units and others	380,145.14	104,552.90
Postage, printing, and stationery	147,973.66	79,103.24
Rental of space and equipment	34,166.97	33,553.66
Supplies	93,996.70	28,750.87
Relocation of personnel	50,807.01	11,972.70
Depreciation and amortization	42,911.92	24,040.98
Expenses of national officials at state conventions	18,207.44	1,822.51
Insurance	20,152.92	10,969.90
Telephone and telegraph	24,052.19	6,929.49
Maintenance and repairs	17,400.48	2,562.55
Express and hauling	2,773.54	1,217.14
Outside service - labor	3,739.92	1,215.95
Field Service Units project cost	41,636.26	
Property taxes		997.10
Other	<u>41,873.59</u>	<u>15,154.17</u>
Total	<u>5,800,762.42</u>	<u>4,793,807.13</u>

## SCHEDULE 2

## SCHEDULE 2

	<u>1974</u>	<u>1973</u>
SUPPORTING SERVICES TO VETERANS AND MEMBERS AND OTHER EXPENSES - National Headquarters expenses for administration of all activities, including membership and maintenance of records:		
Salaries	\$1,546,698.79	\$1,532,139.80
Equipment rental	367,377.02	357,183.18
Employee benefits - hospital care, group insurance, retirement plan, etc.	272,808.76	265,947.34
Supplies	210,226.86	202,392.36
Professional fees	57,599.77	101,841.64
Agency service fees and public relations	178,436.22	99,888.77
Payroll taxes	100,648.03	97,788.73
Travel	65,861.97	98,097.01
Postage, printing and stationery	211,467.24	143,696.82
Depreciation and amortization	55,107.89	50,904.26
Insurance	38,587.85	48,450.79
Telephone and telegraph	37,223.01	30,440.21
Awards and trophies	57,258.63	73,237.87
Security service	28,791.34	26,117.71
Express and hauling	20,237.34	14,674.52
Dues and subscriptions	35,506.40	34,105.44
Maintenance and repairs	9,455.76	9,136.10
Other	47,218.74	27,286.01
Total	<u>3,340,511.62</u>	<u>3,213,328.56</u>
SPECIAL SERVICE:		
Special service to members - Publication of Disabled American Veterans monthly magazine:		
Printing and mailing magazine	726,229.07	526,510.57
Advertising agency commissions	37,430.79	34,923.42
Salaries		10,367.00
Press clipping service	534.95	800.00
Cuts, mats and photos	1,269.08	2,337.62
Other	1,206.24	3,534.88
Total	<u>766,670.13</u>	<u>578,473.49</u>
Less advertising and subscription revenue	<u>217,504.24</u>	<u>198,463.50</u>
Total (net)	<u>549,165.89</u>	<u>380,009.99</u>
FREE SERVICE TO MOTORISTS - Cost of lost key returns and special orders:		
Salaries	25,626.20	18,182.07
Searches	3,493.87	6,194.82
Postage	7,235.98	7,616.77
Employee benefits - hospital care, group insurance, retirement plan, etc.	4,200.05	3,557.12
Supplies	945.31	2,148.46
Payroll taxes	1,632.30	1,301.70
Other	914.93	1,139.89
Total	<u>44,048.64</u>	<u>40,140.83</u>
TOTAL	<u>\$9,734,488.57</u>	<u>\$8,427,286.51</u>

DISABLED AMERICAN VETERANS  
NATIONAL HEADQUARTERS  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1974 AND 1973

1. The financial statements of Disabled American Veterans (DAV) have been prepared on the basis of the following accounting policies.

Leased property

Property leased to others is accounted for under the operating method of accounting for lease transactions and has accordingly been segregated from other property assets in the balance sheet.

Inventories

Materials and supplies inventories are stated at the lower of cost (principally on the first-in-first-out basis) or market value.

Investment gains and losses

Investments in corporate bonds and stocks are recorded at cost or market value when donated. Gains and losses resulting from the sale of such securities are recognized at the time of disposition and are computed using the average cost method.

Fixed assets

Fixed assets are stated at cost, less accumulated depreciation, and are comprised of the following at December 31, 1974:

Fixed assets: (continued)

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Property leased to others	<u>\$3,454,290.95</u>	<u>\$1,869,250.58</u>	<u>\$1,585,040.37</u>
Land and improvements	487,682.13	43,225.71	444,456.42
Buildings, building equipment and improvements	2,396,894.17	374,902.98	2,021,991.19
Machinery and other equipment	<u>1,493,810.70</u>	<u>801,614.14</u>	<u>692,196.56</u>
Total land, buildings and equip- ment	4,378,387.00	1,219,742.83	3,158,644.17
Construction in progress	<u>1,026,872.73</u>		<u>1,026,872.73</u>
Total	<u>\$8,859,550.68</u>	<u>\$3,088,993.41</u>	<u>\$5,770,557.27</u>

Depreciation and amortization are computed generally on the straight-line method over the estimated useful lives of assets which range from 3 to 50 years and amounted to \$322,194 for 1974 and \$293,317 for 1973.

For comparative purposes, certain 1973 items have been reclassified to conform with 1974 classifications.

2. Special purpose funds were designated by the National Finance Committee for the following purposes:

Scholarship Fund - For scholarships and financial assistance to veterans' dependents who qualify scholastically and are in need of financial aid.

Disaster Fund - For assistance to veterans and their families who have suffered losses resulting from natural disasters.

Emergency Relief Fund - For financial assistance to veterans for emergency health and welfare reasons.

Fixed Asset Fund - In order to more clearly present the composition of the fund balances, DAV commenced during 1973 the practice of reporting as a separate component that portion of the net assets of the organization invested in fixed assets.

Life Membership Fund - Used to account for life membership dues; such dues are segregated in a separate fund and withdrawn only as required to pay chapter, department and national per capita dues.

3. In 1973 DAV entered into commitments for the construction of a building in Washington, D.C., which will be used for the offices of the national service and legislative departments of DAV. The cost of this facility is expected to be approximately \$3,750,000, and accordingly, DAV appropriated the fund balance for this amount in 1973 to provide for construction, and related costs. As of December 31, 1974, approximately \$2,723,127 remained to be expended on this project.
4. In 1970 DAV 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, with the remainder of the grant to be paid in annual installments 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 at December 31, 1974 of \$92,061 is not reflected in the accompanying financial statements as the unpaid portion of the grant is revocable at any time at the discretion of DAV.
5. DAV is involved in various matters of litigation. Officials of DAV believe that its liability, if any, when ultimately determined will not be significant.
6. On October 31, 1973, DAV amended its retirement plan in order to increase monthly benefits for its employees. This amendment was completely funded by DAV through payment of \$4,575,000 into the plan. Under generally accepted accounting principles the effect of such an amendment is recorded as an expense of the organization over a minimum period of 10 years; however, DAV recorded

the payment of the entire amended benefit in the financial statements as a charge to the operating fund in the accompanying statement of changes in operating fund and special purpose fund balances.

In 1974 the total retirement plan cost for the year was \$563,781. The total retirement plan cost for 1973 included funding of the amendment to the plan (\$4,575,000) and normal cost (\$566,354) was \$5,141,354.

7. The balance sheet does not include the net assets of the DAV Service Foundation which are held in trust by the Foundation and available to National Headquarters only by appropriation or dissolution of the Foundation. Based upon audited financial statements, net assets of the Foundation were approximately \$491,000 and \$487,000 at December 31, 1974 and 1973, respectively.
8. The Internal Revenue Service is currently conducting an examination for the years 1970 and 1971 and has informed DAV that technical advice regarding application of certain regulations to DAV has been requested from the National Office of the Internal Revenue Service and its Chief Counsel. Although no assessment of taxes has been made and the outcome of this examination is not presently determinable, DAV believes that there is no tax liability and intends to contest any alleged tax deficiencies should they arise.
9. As of December 31, 1974, the cost of investments in corporate securities of the general fund and of the life membership fund exceeded the market values of such securities by approximately \$2,512,500 and \$2,438,000, respectively. Pursuant to the method of accounting for investments followed by DAV, no provision is made for impairment of securities resulting from temporary market fluctuations.

It is the opinion of DAV, and its independent investment counsel that in the aggregate there has been no permanent impairment of value of these investments.