

National Veterans Foundation, Inc.

Financial Statements

As of and for the Year Ended December 31, 2021

and

Independent Auditor's Report

National Veterans Foundation, Inc.
Table of Contents
As of and for the Year Ended December 31, 2021

Report:	Page
Independent auditor's report on the financial statements	2
<hr/>	
Financial statements:	
Statement of financial position	4
Statements of activities and changes in net assets	5
Statement of functional expenses	6
Statement of cash flows	7
<hr/>	
Notes:	
Notes to the financial statements	8

Independent Auditor's Report

Board of Directors
National Veterans Foundation

Opinion

We have audited the accompanying financial statements of National Veterans Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Veterans Foundation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Veterans Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Veterans Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Veterans Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Veterans Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lawrence R. Mitchell & Company

Lawrence R. Mitchell & Company
Certified Public Accountants
A Professional Corporation
El Segundo, California

July 11, 2022

National Veterans Foundation, Inc.
Statement of Financial Position
December 31, 2021

Assets

Current assets:	Amount
Cash	\$ 239,298
Receivables	78,294
Asset held for sale	8,000
Total current assets	<u>325,592</u>
Property and equipment	
Property and equipment, net	39,798
Other assets	
Investments	2,006,752
Security deposit	5,545
Total other assets	<u>2,012,297</u>
Total assets	<u><u>\$ 2,377,687</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	7,610
Accrued and other current liabilities	14,566
Total current liabilities	<u>22,176</u>
Total liabilities	22,176
Net assets:	
Without donor restrictions	1,443,208
With donor restrictions	912,303
Total net assets	<u>2,355,511</u>
Total liabilities and net assets	<u><u>\$ 2,377,687</u></u>

The accompanying notes are an integral part of these financial statements.

National Veterans Foundation, Inc.
Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	<u>Donor restrictions</u>		Amount
	Without	With	
Public support:			
Contributions	\$ 930,013	\$ -	\$ 930,013
In-kind contributions	592,840	-	592,840
Grant income	89,750	-	89,750
	<u>1,612,603</u>	-	<u>1,612,603</u>
Net assets released from restriction	109,783	(109,783)	-
Other income (losses):			
Dividend and interest income	22,552		22,552
Realized and unrealized gains (losses) on investments	156,949		156,949
	<u>179,501</u>	-	<u>179,501</u>
Total public support and other income	1,901,887	(109,783)	1,792,104
Operating expenses:			
Program services	1,231,728		1,231,728
Support services:			
Management and general	68,908		68,908
Fundraising	34,779		34,779
Total support services	<u>103,687</u>	-	<u>103,687</u>
Total operating expenses	<u>1,335,415</u>	-	<u>1,335,415</u>
Net increase (decrease) in net assets	566,472	(109,783)	456,689
Net assets:			
Net assets, beginning of year	876,736	1,022,086	1,898,822
Net assets, end of year	<u>\$ 1,443,208</u>	<u>\$ 912,303</u>	<u>\$ 2,355,511</u>

The accompanying notes are an integral part of these financial statements.

National Veterans Foundation, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

Description	Support Services				Total
	Program Services	Mgt. & General	Fund Raising	Subtotal	
Salaries and wages	\$ 366,076	\$ 25,495	\$ 5,784	\$ 31,279	\$ 397,355
Payroll taxes and employee benefits	46,065	3,208	728	3,936	50,001
Insurance	12,129	2,274	758	3,032	15,161
Miscellaneous	511	4,430	2,555	6,985	7,496
Facilities	70,949	8,882	2,960	11,842	82,791
Postage and delivery	2,065	387	129	516	2,581
Professional fees and contract services	20,750	12,589	-	12,589	33,339
Investment expense	17,336	-	-	-	17,336
Telephone	21,402	2,295	3,819	6,114	27,516
Travel	884	-	-	-	884
Auto expenses	11,607	2,049	-	2,049	13,656
Office expense	35,186	6,597	2,199	8,796	43,982
Promotion and marketing	29,860	-	15,847	15,847	45,707
Outreach services	5,747	-	-	-	5,747
Depreciation expense	6,321	702	-	702	7,023
Subtotals	646,888	68,908	34,779	103,687	750,575
Donated materials and services	584,840	-	-	-	584,840
	1,231,728	68,908	34,779	103,687	1,335,415
	92%	5%	3%	8%	100%

The accompanying notes are an integral part of these financial statements.

National Veterans Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 30, 2021

Cash flows from operating activities:	Amount
Increase in net assets	\$ 456,689
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation expense	7,023
Reinvested interest and dividend income	(22,552)
Realized and unrealized gain on investments	(156,949)
Investment expense	17,336
Donated asset held for sale	(8,000)
(Increase) in:	
Receivables	4,011
Increase (decrease) in:	
Accounts payable	3,053
Accrued and other current liabilities	(1,893)
Total adjustments	(157,971)
Net cash provided by operating activities	298,718
 Cash flows from investing activities:	
Purchases of property and equipment	(46,821)
Purchases and settlements of investments (net)	(258,269)
Net cash used by investing activities	(305,090)
 Net decrease in cash	(6,372)
 Cash at beginning of year	245,670
 Cash at end of year	\$ 239,298

Supplemental disclosures of cash flow information:

<i>Cash paid during year for:</i>	
Interest	\$ -
Income taxes	\$ -

The accompanying notes are an integral part of these financial statements.

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

1. Summary of significant accounting policies

This summary of significant accounting policies of National Veterans Foundation, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements.

Nature of the Organization

National Veterans Foundation, Inc. is a California nonprofit corporation operating a national crisis and information hotline for veterans and their families throughout the United States, implementing public awareness programs that consistently draw attention to the needs of America's veterans and providing outreach services that provide veterans in need with food, clothing, transportation, employment and other essential services. The Organization's support comes primarily from individual and corporate donor contributions.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Net Assets

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *With Donor Restrictions:* Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

1. Summary of significant accounting policies (continued)

Net Assets (continued)

- *Without Donor Restrictions:* Net assets not subject to donor-imposed stipulations. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

Restricted and unrestricted revenue and support

Contributions

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donated goods and services

Contributions of noncash assets are recorded at their fair values in the period received. The Organization recognizes donated services and materials, that create or enhance nonfinancial assets, or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Organization receives donated goods used in connection with its service programs. During the year ended December 31, 2021, the Organization received donated goods valued at \$592,840.

Cash and cash equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. There were no cash equivalents at December 31, 2021.

Receivables

Contributions and grants receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2021, there were no allowance for uncollectible accounts.

Credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and receivables.

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

1. Summary of significant accounting policies (continued)

Credit risk (continued)

Temporary cash investments

The Organization places its cash and temporary cash investments with high credit quality institutions. The balances in these accounts frequently exceed the FDIC federally insured amount of \$250,000. The Organization had no uninsured cash deposits at December 31, 2021.

Receivables

Credit risk with respect to receivables is also limited due to the fact that the Organization's grants and contract receivables are from reputable foundations.

Property and equipment

Property and equipment are recorded at cost. The Organization's policy is to capitalize assets with a cost of \$2,500 or more, and with estimated useful lives in excess of one year.

Expenditures for major renewal and betterments that extend the useful lives of property and equipment are also capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in the statement of activities as a change in restricted or unrestricted net assets, as appropriate.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated (amortized) over the lesser of the lengths of the related leases or the estimated useful lives of the assets.

Depreciation expense is computed using the straight-line method over the respective estimated useful lives of assets, as follows:

Office equipment	5-7 years
Transportation equipment	5 years

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization then reclassifies temporarily restricted net assets to unrestricted net assets at that time.

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

1. Summary of significant accounting policies (continued)

Investments

The Organization carries all investments in debt securities and investments in equity securities and equity funds and fixed income funds with readily determinable fair values at their fair values based on quoted prices in active markets. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Interest income is accrued as earned, and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

Income tax status

The Organization is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1986 and Section 23701(d) of the California Revenue and Taxation Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the year ended December 31, 2020, the Organization had no income subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Management and general expense include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll related expenses	Time and effort
Insurance	Function and usage
Facilities	Asset usage - utilization by square feet
Postage and shipping	Function and usage
Telephone	Function and usage
Auto expense	Function and usage
Office expense	Function and usage
Promotion and marketing	Function and usage
Depreciation expense	Function and usage

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

1. Summary of significant accounting policies (continued)

New accounting standards

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease.

However, unlike current GAAP—which requires only capital leases to be recognized on the statement of financial position—the new ASU will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 and for interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments in this ASU is permitted; however, the Organization has not yet made such election.

Subsequent events

The Organization has evaluated subsequent events through July 11, 2022, the date which the financial statements were available to be issued. There were no subsequent events noted that would require adjustment to or disclosure in these financial statements.

2. Receivables

Following is a summary of receivables at December 31, 2021:

	Amount
Grants and contracts receivable	\$ 78,294
Less: Allowance for bad debt	-
	78,294

3. Investments

Following is a summary of investments at December 31, 2021:

				Unrealized Gain/(Loss)
Security	Cost	Fair Value	Unrealized	Gain/(Loss)
<i>Mutual funds:</i>				
29 Blackrock CR Allocation Income Com	\$ 376	\$ 443	\$	67
8 AB Small Cap Growth Port Advisor Class	462	656		194
16 American Century Emerging Mrkts CL I	221	233		12
29 BlackRock Equity Dividend FD-INSTL	618	619		1
23 Columbia Seligman Comm & Info CL I	1,996	3,390		1,394
28 Edgewood Growth Fund INSTL CL	884	1,698		814
12 Hartford Growth Opport FD CL I	524	623		99
Subtotal mutual funds <i>(continued next page)</i>	\$ 5,081	\$ 7,662	\$	2,581

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

3. Investments (continued)

Units	Security	Cost	Fair Value	Unrealized Gain/(Loss)
<i>Mutual funds (continued from previous page):</i>		\$ 5,081	\$ 7,662	2,581
48	Hartford Schrooders INTL Mult Cap CL I	478	497	19
7	Invesco Oppenheimer Intl Growth Y	281	303	22
27	JP Morgan Growth ADV Fund Class I	542	888	346
14	MFS Value Fund Class I	559	773	214
17	Oakmark INTL Investor CL	456	465	9
57	Eaton Vance Floating Rate Advantage CL I	616	597	(19)
44	Lord Abbett Bond Debenture Fund CL	353	366	13
65	Lord Abbett Floating Rate Inc FD CL F	592	549	(43)
34	Mainstay Macakay Convertible CL I	596	701	105
65	Mainstay Macakay High Yield Corp BD CL I	366	368	2
114	Mainstay Macakay Short Duration High Yield I	1,124	1,117	(7)
68	The Hartford Float Rate FO CL I	588	564	(24)
1,949	Global X US Infrastructure Development ETF	49,992	56,112	6,120
68	Invesco QQQ ETF	24,886	27,117	2,231
246	Invesco S&P Midcap Momentum ETF	19,937	22,367	2,430
1,297	Invesco Dynamic Leisure & Entertainment ETF	55,701	63,526	7,825
320	Ishares Tips Bond ETF	40,453	41,386	933
45	Ishares Semiconductor ETF	20,051	24,537	4,486
439	Ishares Biotechnology ETF	60,523	67,052	6,529
114	Ishares Russell 2000 ETF	24,947	25,370	423
290	Ishares US Aerospace & Defense ETF	30,408	29,852	(556)
1,156	Ishares US Medical Devices ETF	60,198	76,105	15,907
1,308	Ishares Self Driving EV& Tech ETF	60,925	70,924	9,999
40	SPDR S&P Mid Cap 400 ETF	19,835	20,871	1,036
615	Sector Materials Select Sector SPDR ETF	50,712	55,703	4,991
747	Sector Industrial Select Sector SPDR ETF	71,048	78,990	7,942
1,872	Select Sector TR Real Estate SPDR ETF	72,213	96,992	24,779
207	Vanguard High End Dividend Yield ETF	22,020	23,170	1,150
134	Vanguard Consumer Staples ETF	24,657	26,745	2,088
806	Vanguard Financials ETF	71,251	77,858	6,607
851	Wisdomtree Trust Europe Hedged Equity Fund ET	60,424	68,249	7,825
Subtotal mutual funds		851,813	967,776	115,963

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

3. Investments (continued)

Units	Security	Cost	Fair Value	Unrealized Gain/(Loss)
<i>Mutual funds (continued from previous page):</i>		\$ 851,813	\$ 967,776	115,963
4	Ishares TR Rus 1000 Grw ETF	508	1,247	739
14	Select Sector SPDR TR Financial	336	535	199
	Subtotal mutual funds	<u>852,657</u>	<u>969,558</u>	<u>116,901</u>
<i>Equities:</i>				
60	Adobe Inc	34,738	34,024	(714)
233	Advanced Micro Devices Inc	25,000	33,529	8,529
9	Amazon.com Inc	29,164	30,009	845
386	Apple Inc	50,370	68,552	18,182
157	Applied Materials Inc	20,108	24,628	4,520
182	Best Buy Company Inc	20,120	18,511	(1,609)
83	Boeing Company	20,076	16,710	(3,366)
119	Caterpillar Inc	25,236	24,530	(706)
112	Costco Wholesale Corp	40,938	63,408	22,470
66	Deere & Co	24,892	22,697	(2,195)
578	Freeport McMoran Inc	20,025	24,126	4,101
110	Home Depot Inc	35,411	45,784	10,373
51	Lululemon Athletica Inc	19,966	19,964	(2)
66	Martin Marietta Materials Inc	25,010	29,165	4,155
220	McDonalds Corp	46,112	58,951	12,839
1	Mercadolibre Inc	75	1,348	1,273
145	Microsoft Corp	40,020	48,667	8,647
117	Nike Inc CL B	20,013	19,573	(440)
253	Nucor Corp	30,187	28,870	(1,317)
277	Otis Worldwide Corp	25,139	24,162	(977)
40	Salesforce.com Inc	9,917	10,165	248
436	Southwest Airlines Co	20,056	18,678	(1,378)
153	Block Inc Cl A	37,286	24,711	(12,575)
216	Starbucks Corp	25,142	25,260	118
310	Target Corp	40,270	71,743	31,473
102	Tesla Inc	49,680	107,792	58,112
153	3M Company	29,721	27,214	(2,507)
	Subtotal equities (continued next page)	<u>764,672</u>	<u>922,771</u>	<u>158,099</u>

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

3. Investments (continued)

Units	Security	Cost	Fair Value	Unrealized Gain/(Loss)
<i>Equities (continued from previous page):</i>		\$ 764,672	\$ 922,771	158,099
87	United Rentals Inc	29,899	28,908	(991)
451	Verizon Communications Inc	25,269	23,452	(1,817)
322	Walmart Inc	45,254	46,533	1,279
112	Yum Brands Inc	15,053	15,530	477
	Subtotal equities	880,147	1,037,194	157,047
	Total investments	\$ 1,732,804	\$ 2,006,752	\$ 273,948

4. Fair value measurements

Fair value measurements are performed in accordance with the guidance provided by ASC 820, “Fair Value Measurements and Disclosures.” ASC 820 defines fair value as the price that would be received from selling an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or parameters are not available, valuation models are applied.

Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs that are supportable by little or no market activity and that are significant to the fair value of the asset or liability.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

4. Fair value measurements (continued)

Following is a description of the valuation methodology used for assets measured at fair value.

Mutual funds: Valued at the net asset value (NAV) of shares held by the Organization at year end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the report date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 969,558	\$ -	\$ -	\$ 969,558
Equities	1,037,194	-	-	1,037,194
	<u>\$ 2,006,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,006,752</u>

The following table sets forth a summary of changes in the fair value of the Organization's investments for the year ended December 31, 2021:

	Amount
Balance, beginning of year	\$ 1,586,318
Interest and dividend income	22,552
Realized and unrealized gains (losses)	156,949
Investment expense	(17,336)
Purchases, sales, and settlements (net)	258,269
Balance, end of year	<u>\$ 2,006,752</u>

5. Property and equipment

Following is a summary of property and equipment – at cost, less accumulated depreciation, at December 31, 2021:

	Amount
Office equipment	\$ 32,327
Transporation equipment	80,267
	<u>112,594</u>
Less: Accumulated depreciation	(72,796)
	<u>\$ 39,798</u>

Depreciation expense charged to operations was \$7,023 for the year ended December 31, 2021.

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

5. Property and equipment (continued)

During the year ended December 31, 2021, the Organization received donated asset (vehicle) valued at \$8,000. Management intends to sell this asset as soon as administratively possible. As such, this is presented in the balance sheet as asset held for sale under current assets.

6. Net assets with donor restrictions and endowment funds

Net assets with donor restrictions consist of an endowment the Organization received during the years ended June 30, 2005, 2006 and 2007, from a donor's estate. The total amount of the contribution was \$4,939,072.

In accordance with the *Uniform Prudent Management of Institutional Funds Act* ("UPMIFA"), a federal law that was adopted as California law in September 2008, the Organization has classified as net assets with donor restrictions the fair value of donations restricted by donors which were to be held as endowments in perpetuity. As a result, net assets with donor restrictions include the fair value of the original and subsequent gifts made to the endowment fund and any accumulations required by donor stipulation. The donor permits the Organization to withdraw 5% of the original principal contributed each year. In addition, the Organization may withdraw income earned on the principal of the endowment fund. However, the terms of the endowment specify that income does not include appreciation on the principal.

The primary long-term financial objective for the Organization's endowment is to preserve the real (inflation-adjusted) purchasing power of endowment assets. The endowments are also managed to optimize the long run total rate of return on invested assets assuming a prudent level of risk. The goal for this rate of return is one that funds the Organization's existing spending policy and allows sufficient reinvestment to grow the endowment principal at a rate that exceeds inflation (as measured by the Consumer Price Index). Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

From time to time, certain donor-restricted endowment funds may have fair values less than the principal donation (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under the law.

At December 31, 2021, funds included in the net assets with donor restrictions were as follows:

	Amount
Remaining value of original gift	\$ 1,289,822
Accumulated appreciation (depreciation)	269,279
Undistributed principal and dividends	(646,798)
Balance, end of year	\$ 912,303

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

6. Net assets with donor restrictions and endowment funds (continued)

The following table sets forth a summary of changes in the fair value of the Organization's net assets with donor restrictions for the year ended December 31, 2021:

	Amount
Balance, beginning of year	\$ 1,022,086
Undistributed 5% principal distribution	(247,788)
Interest and dividend income	13,258
Investment expense	(17,336)
Realized and unrealized losses on investments	164,364
Change in undistributed dividend income	(22,281)
Balance, end of year	\$ 912,303

7. Leases

The Organization leases its administrative and storage facilities under non-cancellable operating lease agreements. Following is a summary of operating leases and renewal options at December 31, 2021:

Description of Property	Minimum		Expiration Date	Renewal Option	
	Annual Rental			Term	Rent
Administrative facility	\$ 54,144	March 2025	None	N/A	
Storage facility	21,300	August 2020	None	N/A	
	\$ 75,444				

Future minimum lease payments for leases with initial terms in excess of one year for each of the next four years and in the aggregate, are as follows at December 31, 2021:

<i>Year ending</i>	Amount
2022	\$ 75,444
2023	77,245
2024	79,126
2025	36,363
Thereafter	-
	\$ 268,178

8. Liquidity and reserves

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

National Veterans Foundation, Inc.
Notes to the Financial Statements
As of and for the Year Ended December 31, 2021

8. Liquidity and reserves (continued)

The following table reflects the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general expenditures within one year.

	Amount
Cash	\$ 239,298
Receivables	78,294
Investments	2,006,752
Total financial assets	2,324,344
Less: financial assets unavailable for general expenditure within one year due to purpose and time restrictions	(912,303)
Financial assets available to meet cash needs for general general expenditure within one year	\$ 1,412,041

9. Concentrations

During the year ended December 31, 2021, the Organization received contributions from two organizations which constituted 47% (31% and 16%) of total public support and other income. At December 31, 2021, there were no receivable balances from these organizations.