

Disabled American Veterans (DAV) Charitable Service Trust

Financial Statements as of and for the Years
Ended December 31, 2016 and 2015, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Disabled American Veterans (DAV)
Charitable Service Trust:

We have audited the accompanying financial statements of Disabled American Veterans (DAV) Charitable Service Trust (the "Trust"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements 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 the Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

April 7, 2017

DISABLED AMERICAN VETERANS (DAV) CHARITABLE SERVICE TRUST

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CASH	\$ 3,678,468	\$ 1,984,991
INTEREST AND DIVIDENDS RECEIVABLE	59,418	58,268
ACCOUNTS RECEIVABLE	293,913	43,535
CAMPAIGNS' PLEDGES RECEIVABLE—Net of allowance for uncollectible pledges of \$369,474 in 2016 and \$374,136 in 2015	292,668	275,616
PREPAID EXPENSES AND OTHER	7,549	8,123
INVESTMENTS—Includes charitable gift annuity reserve balances of \$6,673,220 and \$6,434,162 in 2016 and 2015, respectively	<u>22,969,290</u>	<u>21,919,842</u>
TOTAL	<u>\$27,301,306</u>	<u>\$24,290,375</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
LIABILITIES:		
Accounts payable—Disabled American Veterans	\$ 475,567	\$ 252,191
Accounts payable—other	23,609	16,546
Annuity payment liability	<u>4,512,873</u>	<u>3,951,243</u>
Total liabilities	5,012,049	4,219,980
UNRESTRICTED NET ASSETS	<u>22,289,257</u>	<u>20,070,395</u>
TOTAL	<u>\$27,301,306</u>	<u>\$24,290,375</u>

See notes to financial statements.

DISABLED AMERICAN VETERANS (DAV) CHARITABLE SERVICE TRUST

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Unrestricted</u>	
	<u>2016</u>	<u>2015</u>
SUPPORT AND REVENUE:		
Contributions—net of assessment fees and provision for uncollectible pledges of \$416,428 in 2016 and \$401,102 in 2015	\$ 6,289,575	\$ 5,307,609
Contributions of charitable gift annuities	335,117	406,299
Bequests	1,325,434	934,084
Interest and dividend income—net	397,480	384,146
Gain (Loss) on sale of investment securities	<u>9,297</u>	<u>(93,291)</u>
Total support and revenue	<u>8,356,903</u>	<u>6,938,847</u>
EXPENSES:		
Program services	5,604,684	6,328,295
Management and general	200,582	145,375
Fundraising	<u>94,492</u>	<u>89,532</u>
Total expenses	<u>5,899,758</u>	<u>6,563,202</u>
CHANGE IN NET ASSETS BEFORE CHANGE IN NET UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	2,457,145	375,645
CHANGE IN NET UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	610,472	(359,750)
CHARITABLE GIFT ANNUITY VALUATION ADJUSTMENT	<u>(848,755)</u>	<u> </u>
CHANGE IN UNRESTRICTED NET ASSETS	2,218,862	15,895
UNRESTRICTED NET ASSETS—Beginning of year	<u>20,070,395</u>	<u>20,054,500</u>
UNRESTRICTED NET ASSETS—End of year	<u>\$ 22,289,257</u>	<u>\$ 20,070,395</u>

See notes to financial statements.

DISABLED AMERICAN VETERANS (DAV) CHARITABLE SERVICE TRUST

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES:								
Allocations to charitable programs	\$ 5,491,932	\$ -	\$ -	\$ 5,491,932	\$ 6,224,085	\$ -	\$ -	\$ 6,224,085
Grant proposal processing	63,280			63,280	60,094			60,094
Administrative charges		42,186	74,436	116,622		40,064	70,320	110,384
Travel	3,023	15,996		19,019	1,476	17,895		19,371
Advertising	24,083	1,605	6,422	32,110	22,513	1,501	6,003	30,017
Printing, postage and supplies	3,204	3,221	457	6,882	3,732	3,903	995	8,630
Legal fees			6,840	6,840			6,840	6,840
Professional fees	17,202	91,766		108,968	14,539	48,457		62,996
Insurance	1,960	1,960		3,920	1,856	1,856		3,712
Banking fees		35,572		35,572		25,827		25,827
Other expenses		8,276	6,337	14,613		5,872	5,374	11,246
TOTAL EXPENSES	<u>\$ 5,604,684</u>	<u>\$ 200,582</u>	<u>\$ 94,492</u>	<u>\$ 5,899,758</u>	<u>\$ 6,328,295</u>	<u>\$ 145,375</u>	<u>\$ 89,532</u>	<u>\$ 6,563,202</u>

See notes to financial statements.

DISABLED AMERICAN VETERANS (DAV) CHARITABLE SERVICE TRUST

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	\$ 2,218,862	\$ 15,895
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities:		
Noncash investment contributions	(147,958)	(215,677)
Change in net unrealized (appreciation) depreciation of investments	(610,472)	359,750
Charitable Gift Annuity Valuation Adjustment	848,755	
(Gain) Loss on sale of investment securities	(9,297)	93,291
Changes in operating assets and liabilities:		
Interest and dividends receivable	(1,150)	(11,090)
Accounts receivable	(250,378)	(43,085)
Campaigns' pledges receivable	(17,052)	(3,630)
Prepaid expenses and other	574	21,823
Accounts payable—DAV and other	230,439	74,620
Annuity payment liability	<u>(335,117)</u>	<u>(406,299)</u>
Net cash provided by (used in) operating activities	<u>1,927,206</u>	<u>(114,402)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(13,740,462)	(16,049,878)
Proceeds from the sale of investments	13,458,741	15,875,236
Proceeds from sale of software development in process	<u> </u>	<u>45,362</u>
Net cash (used in) investing activities	<u>(281,721)</u>	<u>(129,280)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from gift annuity agreement contributions	734,337	832,972
Payments to annuitants	<u>(686,345)</u>	<u>(767,358)</u>
Net cash provided by financing activities	<u>47,992</u>	<u>65,614</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,693,477	(178,068)
CASH—Beginning of year	<u>1,984,991</u>	<u>2,163,059</u>
CASH—End of year	<u><u>\$ 3,678,468</u></u>	<u><u>\$ 1,984,991</u></u>

See notes to financial statements.

DISABLED AMERICAN VETERANS (DAV) CHARITABLE SERVICE TRUST

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. ORGANIZATION

Disabled American Veterans (DAV) Charitable Service Trust (the Trust) is a not-for-profit service organization formed under the laws of the District of Columbia for the single purpose of empowering veterans to lead high-quality lives with respect and dignity. To carry out this responsibility, the Trust supports physical and psychological rehabilitation programs; enhances research and mobility for veterans with amputations and spinal cord injuries; benefits aging veterans; aids and shelters homeless veterans; and evaluates and addresses the needs of veterans wounded in recent wars and conflicts and their caregivers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statements—The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

New Accounting Standards—In January 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 revises the accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The ASU also amends certain disclosure requirements associated with the fair value of financial instruments. The effective date of ASU 2016-01 is for fiscal years beginning after December 15, 2018. The ASU has not yet been adopted. Management is currently evaluating the impact to the financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 requires an entity to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018 and is to be applied retrospectively; early adoption is permitted. The ASU has not yet been adopted. Management is currently evaluating the impact that this ASU will have on the financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses*, which is included in ASC Topic 326, Measurement of Credit Losses on Financial Instruments. The new standard revises the accounting requirements related to the measurement of credit losses and will require organizations to measure all expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. This standard will be effective for the annual financial statements beginning January 1, 2021. A modified retrospective approach is to be used for certain parts of this standard while other parts are to be applied using a prospective approach. Management has not yet evaluated the impact of ASU 2016-13 on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Adoption of FASB ASU 2016-14 will result in significant changes to financial reporting and disclosure for not-for-profit entities. FASB believes the update will improve not-for-profit entities' financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with application applied retrospectively; early adoption is permitted. Management is in the process of evaluating the impact on the financial statements.

Cash—The Trust considers all highly liquid instruments purchased with a maturity date of three months or less to be cash equivalents and are stated at cost, which approximates fair value. The earnings credit received on the Trust's checking accounts was \$9,808 and \$7,122 in 2016 and 2015, respectively. The Trust maintains its cash in bank deposit accounts, which, at times, exceed federally insured limits. The Trust has not experienced any losses in such accounts.

Revenue Recognition—The Trust is a member of Independent Charities of America (ICA) and Military Family & Veterans Service Organizations of America (MFVSOA). ICA and MFVSOA are charitable agency federations, certified by the U.S. Office of Personnel Management (OPM) to participate in the annual combined federal campaigns, as well as state and corporate workplace giving campaigns.

The Trust recognizes contribution revenue as an increase in unrestricted net assets when notification of the campaign designations is received and also recognizes an allowance for uncollectible pledges. Pledge receivables that are outstanding for more than one year are written off in their entirety. The Trust also evaluates pledges receivable for any amounts to be specifically reserved. Pledges receivable of \$292,668 are expected to be received in 2017. Amounts received from accounts previously written off are recognized as contribution revenue when received.

As a member of MFVSOA during 2016 and 2015, the Trust was assessed a portion of MFVSOA's annual operating budget based on the relative amount of total pledges made to the Trust compared with the sum of all member agency pledges. Pledges designated to MFVSOA (versus a member agency) and other revenue, such as interest income, are shared among all member agencies in this same proportion. Therefore, if MFVSOA's revenue exceeds expenses, the member agencies share the excess income. This excess income is distributed in the following year. The Trust recognizes such distribution as an increase in unrestricted net assets when received. The Trust received \$177,843 and \$146,370 in 2016 and 2015, respectively, included in contributions within the statements of activities, for excess income recognized by MFVSOA in 2015 and 2014.

Contributions and Bequests—Contributions and bequests received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. The Trust recognizes contributions and bequests with donor-imposed restrictions that are met in the same period as unrestricted contributions and bequests. The Trust received noncash contributions at a fair market value of \$147,958 in 2016 and \$215,677 in 2015.

Income Taxes—As a not-for-profit service organization, the Trust has received a determination from the Internal Revenue Service that it is exempt from federal income tax as a 501(c)(3) organization. Contributions made to the Trust are tax deductible by the contributor as provided in Section 170 of the Internal Revenue Code.

Use of Estimates—The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS IN SECURITIES

Investments include investment of contributions and charitable gift annuity agreements (see Note 6). Investments are recorded at fair value. The fair value of the Trust's investments is determined based on the quoted market prices of the related securities or quoted prices in active markets for instruments that are similar, or model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Gains and losses on the sale of investment securities are recognized based upon the specific identification method and are reflected as a separate component of revenue for the investments. The Trust's policy is to report cash and cash equivalents, which include money market funds, within its trust accounts as investments.

The cost and fair value of investments and the unrealized appreciation (depreciation) at December 31, 2016 and 2015, are summarized below:

		Fair Value	Unrealized Appreciation (Depreciation)
2016	Cost		
Cash and cash equivalents	\$ 502,949	\$ 502,949	\$ -
Commercial Paper	626,467	627,913	1,446
U.S. government securities	892,494	888,498	(3,996)
Certificates of deposit	1,714,193	1,743,322	29,129
U.S. government agency notes	4,355,220	4,300,301	(54,919)
Municipal bonds	402,568	402,132	(436)
Corporate bonds	2,797,584	2,666,447	(131,137)
Common stocks	3,090,090	3,419,832	329,742
Mutual funds/ETFs	<u>7,146,792</u>	<u>8,417,896</u>	<u>1,271,104</u>
Total	<u>\$21,528,357</u>	<u>\$22,969,290</u>	<u>\$1,440,933</u>
2015			
Cash and cash equivalents	\$ 407,719	\$ 407,719	\$ -
U.S. government securities	700,343	697,717	(2,626)
Certificates of deposit	1,764,193	1,759,083	(5,110)
U.S. government agency notes	4,920,395	4,913,380	(7,015)
Municipal bonds	402,568	403,072	504
Corporate bonds	2,761,219	2,614,333	(146,886)
Common stocks	3,178,547	3,374,757	196,210
Mutual funds/ETFs	<u>6,954,397</u>	<u>7,749,781</u>	<u>795,384</u>
Total	<u>\$21,089,381</u>	<u>\$21,919,842</u>	<u>\$ 830,461</u>

Interest and dividend income—net is \$397,480 and \$384,146 for 2016 and 2015, respectively. The year 2016 is composed of gross interest and dividend income of \$462,136 less \$64,656 for investment management and custody fees. The year 2015 is composed of gross interest and dividend income of \$450,236 less \$66,090 for investment management and custody fees.

As of December 31, 2016 and 2015, respectively, the amount of securities in a continuous unrealized loss position for a duration of greater than twelve months is not material.

4. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as follows: Level 1, which refers to securities valued using unadjusted quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Trust did not hold any financial assets requiring the use of inputs that are unobservable and significant to the overall fair value measurement (Level 3) during 2016 or 2015.

The Trust's policy is to recognize transfers between levels at the actual date of the event. There were no transfers during 2016 and 2015.

Asset Valuation Techniques—Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets recorded at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Cash equivalents, composed of money market funds, are categorized as Level 1, and are valued at cost, which approximates fair value. The money market funds represent the Trust's shares in a registered investment company's fund.

U.S. Government Securities (U.S. Treasury Notes) and Common stocks, categorized as Level 1, are valued at the closing price reported in the active market in which the individual security is traded.

Certificates of deposit and Commercial Paper categorized as Level 2, are valued at fair value, which approximates amortized cost.

U.S. Government agency notes, Municipal and Corporate bonds, categorized as Level 2, are valued using third-party pricing services. These services may use, for example, model-based pricing methods that utilize observable market data as inputs. Broker dealer bids or quotes of securities with similar characteristics may also be used.

Shares of registered investment companies (mutual funds), categorized as Level 1, are valued at quoted market prices that represent the net asset value of shares held at year-end.

The major categories of the Trust's financial assets measured at fair value on a recurring basis as of December 31, 2016 and 2015, are as follows:

2016 Asset Category	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash and cash equivalents	\$ 502,949	\$ -	\$ 502,949
Commercial Paper		627,913	627,913
U.S. government securities	888,498		888,498
Certificates of deposit		1,743,322	1,743,322
U.S. government agency notes		4,300,301	4,300,301
Municipal Bonds		402,132	402,132
Corporate bonds		2,666,447	2,666,447
Common stocks	3,419,832		3,419,832
Mutual funds/ETFs:			
Domestic equity funds/ETFs	5,550,890		5,550,890
International equity funds	<u>2,867,006</u>		<u>2,867,006</u>
Total mutual funds/ETFs:	<u>8,417,896</u>		<u>8,417,896</u>
Total assets	<u>\$ 13,229,175</u>	<u>\$ 9,740,115</u>	<u>\$ 22,969,290</u>

2015 Asset Category	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash and cash equivalents	\$ 407,719	\$ -	\$ 407,719
U.S. government securities	697,717		697,717
Certificates of deposit		1,759,083	1,759,083
U.S. government agency notes		4,913,380	4,913,380
Municipal Bonds		403,072	403,072
Corporate bonds		2,614,333	2,614,333
Common stocks	3,374,757		3,374,757
Mutual funds/ETFs:			
Domestic equity funds/ETFs	5,047,964		5,047,964
International equity funds	<u>2,701,817</u>		<u>2,701,817</u>
Total mutual funds/ETFs:	<u>7,749,781</u>		<u>7,749,781</u>
Total assets	<u>\$ 12,229,974</u>	<u>\$ 9,689,868</u>	<u>\$ 21,919,842</u>

Fair value of the annuity payment liability of \$4,512,873 and \$3,951,243 as of December 31, 2016 and 2015, respectively, was calculated as the net present value of expected annuity payments based on the following significant assumptions:

- (1) the discount rate expected to reflect yields available on high quality investments;
- (2) the mortality assumption based on expected annuitant longevity.

5. RELATED-PARTY TRANSACTIONS

During 2016 and 2015, Disabled American Veterans (DAV) personnel assisted the Trust on a limited basis in administering its business operations, fundraising, and grant programs. For these personnel services, the Trust reimbursed DAV \$172,830 and \$158,648 in 2016 and 2015, respectively. As of December 31, 2016 and 2015, the Trust owed DAV \$475,567 and \$252,191, respectively. DAV provides the Trust with the use of facilities, equipment and occasional magazine space at no charge.

In 2016 and 2015, the Trust distributed the following in support of DAV programs and services:

	2016	2015
Transportation Network	\$ 200,000	\$ 200,000
National Service Officers' Case Management System	900,000	
Mobile Service Office Program		10,000
National Disabled Veterans Winter Sports Clinic	364,380	322,193
Jesse Brown Youth Scholarship Program	45,000	45,000
National Service Officer Programs—Other	15,000	10,000
DAV 5K Program	42,069	14,750
DAV “Just B Kids” Scholarship	300,000	100,000
DAV Employment Initiative		1,173,000
Assistance to disabled veterans and their families	206,310	125,970

In performing the duties of their positions, DAV’s National Commander and National Adjutant serve on the Board of Directors of the Trust. In performing the duties of their positions as a Trust Director, some members also serve on the DAV National Service Foundation Board of Directors and the Disabled Veterans LIFE Memorial Foundation’s Board of Directors.

In 2016 and 2015, the Trust granted \$800,000 and \$801,000, respectively, to the DAV National Service Foundation—Columbia Trust Fund for the DAV Transportation Network Van Grant Program. In 2016 the Trust also provided \$2,100 to the DAV National Service Foundation for general purpose use.

6. ANNUITY PAYMENT LIABILITY

The Trust enters into charitable gift annuity agreements with donors. In the statements of activities, contributions of charitable gift annuities of \$335,117 for the year ended December 31, 2016, are the result of the portion of gift annuity contributions that exceed the annuity payment liability estimated at the date of the contribution.

The Trust recognizes an annuity payment liability as the present value of the future cash flows expected to be paid to the donors and their beneficiaries using a discount rate of 5% as of December 31, 2016 and 2015.

In 2016, the Trust updated the mortality table used in determining the liability to IAR-2012 (with 2015 valuation year) from 2000CM to reflect the most up-to-date expectations with regard to longevity for individual annuitant lives.

In 2016, the Charitable Gift Annuity Valuation Adjustment of \$(848,755) consists of:

- gain from deceased annuitants of \$510,576,
- other actuarial adjustments of \$(1,359,331), which are primarily due to change in mortality tables from 2000CM to IAR-2012 (with 2015 valuation year) during the year ended December 31, 2016.

There are various state statutes and regulations that govern not-for-profit entities that enter into charitable gift annuity agreements with donors. As required by various state statutes and regulations, the Trust segregates the deposit of charitable gift annuity proceeds and reserves a portion for fulfillment of future annuity obligations. The required minimum balance of the reserve account is maintained and invested in accordance with applicable state statutes, the fair market value of which is \$5,474,868 and \$5,258,161 as of December 31, 2016 and 2015, respectively.

In addition to this reserve account, the Trust is required by California statutes to maintain segregated reserves for future obligations to charitable gift annuity donors residing in California. The fair market value for the California reserve account is \$1,198,352 and \$1,176,001 as of December 31, 2016 and 2015, respectively. The minimum required balance of the segregated accounts for California donors is calculated and invested in accordance with applicable California statutes and regulations.

The Trust also maintains the minimum amount of unrestricted net assets as required by any state for the acceptance of charitable gift annuities, which is \$1,000,000. The total unrestricted net assets that are subject to state statutes or regulations (calculated as the reserve funds (investments), less the annuity payment liability) amounted to \$2,160,347 and \$2,482,919 as of December 31, 2016 and 2015, respectively.

7. SUBSEQUENT EVENTS

No events have occurred after December 31, 2016, but before April 7, 2017, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.

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