DAV (Disabled American Veterans) Charitable Service Trust

Financial Statements as of and for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of DAV (Disabled American Veterans) Charitable Service Trust (the "Trust"), which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 9, 2018

DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CASH	$ 5,459,989	$ 3,678,468
INTEREST AND DIVIDENDS RECEIVABLE	51,803	59,418
ACCOUNTS RECEIVABLE	261,432	293,913
CAMPAIGNS' PLEDGES RECEIVABLE—Net of allowance for uncollectible pledges of $387,433 in 2017 and $369,474 in 2016	120,869	292,668
PREPAID EXPENSES AND OTHER	7,801	7,549
INVESTMENTS—Includes charitable gift annuity reserve balances of $5,934,478 and $6,673,220 in 2017 and 2016, respectively	26,266,208	22,969,290
SOFTWARE - Net	7,762	
TOTAL	$ 32,175,864	$ 27,301,306
LIABILITIES AND UNRESTRICTED NET ASSETS		
LIABILITIES:		
Accounts payable—Disabled American Veterans	$ 471,983	$ 475,567
Accounts payable—other	17,690	23,609
Annuity payment liability	4,363,079	4,512,873
Total liabilities	4,852,752	5,012,049
UNRESTRICTED NET ASSETS	27,323,112	22,289,257
TOTAL	$ 32,175,864	$ 27,301,306

See notes to financial statements.

DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Unrestricted	
	2017	**2016**
SUPPORT AND REVENUE:		
Contributions—net of assessment fees and provision for uncollectible pledges of $518,981 in 2017 and $416,428 in 2016	$ 6,953,478	$ 6,289,575
Contributions of charitable gift annuities	296,259	335,117
Bequests	1,650,056	1,325,434
Interest and dividend income—net	557,465	397,480
Gain on sale of investment securities	508,992	9,297
Total support and revenue	9,966,250	8,356,903
EXPENSES:		
Program services	6,722,973	5,604,684
Management and general	193,104	200,582
Fundraising	118,705	94,492
Total expenses	7,034,782	5,899,758
CHANGE IN NET ASSETS BEFORE CHANGE IN NET UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS AND ANNUITY VALUATION ADJUSTMENT	2,931,468	2,457,145
CHANGE IN NET UNREALIZED APPRECIATION OF INVESTMENTS	2,114,663	610,472
CHARITABLE GIFT ANNUITY VALUATION ADJUSTMENT	(12,276)	(848,755)
CHANGE IN UNRESTRICTED NET ASSETS	5,033,855	2,218,862
UNRESTRICTED NET ASSETS—Beginning of year	22,289,257	20,070,395
UNRESTRICTED NET ASSETS—End of year	$ 27,323,112	$ 22,289,257

See notes to financial statements.

DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
EXPENSES:								
Allocations to charitable programs	$6,618,811	$ -	$ -	$6,618,811	$ 5,491,932	$ -	$ -	$ 5,491,932
Grant proposal processing	63,706			63,706	63,280			63,280
Administrative charges		42,472	102,156	144,628		42,186	74,436	116,622
Travel	2,594	21,443		24,037	3,023	15,996		19,019
Advertising	14,405	960	3,841	19,206	24,083	1,605	6,422	32,110
Printing, postage and supplies	4,207	4,341	96	8,644	3,204	3,221	457	6,882
Depreciation of software	862			862				
Legal fees			6,840	6,840			6,840	6,840
Professional fees	16,428	75,785		92,213	17,202	91,766		108,968
Insurance	1,960	1,960		3,920	1,960	1,960		3,920
Banking fees		38,873		38,873		35,572		35,572
Other expenses		7,270	5,772	13,042		8,276	6,337	14,613
TOTAL EXPENSES	$6,722,973	$ 193,104	$ 118,705	$7,034,782	$ 5,604,684	$ 200,582	$ 94,492	$ 5,899,758

See notes to financial statements.

DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	$ 5,033,855	$ 2,218,862
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Noncash investment contributions	(85,290)	(147,958)
Change in net unrealized appreciation of investments	(2,114,663)	(610,472)
Depreciation of software	862	
Charitable gift annuity valuation adjustment	12,276	848,755
Gain on sale of investment securities	(508,992)	(9,297)
Changes in operating assets and liabilities:		
Interest and dividends receivable	7,615	(1,150)
Accounts receivable	32,481	(250,378)
Campaigns' pledges receivable	171,799	(17,052)
Prepaid expenses and other	(252)	574
Accounts payable—DAV and other	(9,503)	230,439
Annuity payment liability	(296,259)	(335,117)
Net cash provided by operating activities	2,243,929	1,927,206
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for software	(8,624)	
Purchase of investments	(10,510,874)	(13,740,462)
Proceeds from the sale of investments	9,922,901	13,458,741
Net cash (used in) investing activities	(596,597)	(281,721)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from gift annuity agreement contributions	731,326	734,337
Payments to annuitants	(597,137)	(686,345)
Net cash provided by financing activities	134,189	47,992
NET INCREASE IN CASH	1,781,521	1,693,477
CASH—Beginning of year	3,678,468	1,984,991
CASH—End of year	$ 5,459,989	$ 3,678,468

See notes to financial statements.

1. ORGANIZATION

DAV (Disabled American Veterans) 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 March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-08, *Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*. ASU 2017-08 amends guidance on the amortization period of premiums on certain purchased callable debt securities. The amendments shorten the amortization period of premiums on certain purchased callable debt securities to the earliest call date. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment to beginning retained earnings. The effective date of ASU 2017-08 is for annual reporting periods beginning after December 15, 2018. The ASU has not yet been adopted; however, it will not have a material impact on the Trust's financial position, cash flows or results of operations.

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. Specifically the ASU modifies the net asset classification requirements and disclosure requirements related to liquidity, financial performance, and cash flows. In addition to added disclosure, this standard will result in the Trust's unrestricted net assets being relabeled as "net assets without donor restrictions." The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with application applied retrospectively.

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 January 2016, the 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 in the process of 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; however, it will not have a material impact on the Trust's financial position, cash flows or results of operations.

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 $20,613 and $9,808 in 2017 and 2016, 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 $120,869 are expected to be received in 2018. Amounts received from accounts previously written off are recognized as contribution revenue when received.

As a member of MFVSOA during 2017 and 2016, 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 $150,964 and $177,843 in 2017 and 2016, respectively, included in contributions within the statements of activities, for excess income recognized by MFVSOA in 2016 and 2015.

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 $85,290 in 2017 and $147,958 in 2016.

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, 2017 and 2016, are summarized below:

2017	**Cost**	**Fair Value**	**Unrealized Appreciation (Depreciation)**
Cash and cash equivalents	$ 549,271	$ 549,271	$ -
Commercial paper	2,332,567	2,362,250	29,683
U.S. government securities	1,542,653	1,525,982	(16,671)
Certificates of deposit	1,479,604	1,485,342	5,738
U.S. government agency notes	2,602,853	2,554,892	(47,961)
Municipal bonds	402,568	401,836	(732)
Corporate bonds	1,786,095	1,727,246	(58,849)
Common stocks	3,451,373	4,451,272	999,899
Mutual funds/ETFs	8,563,628	11,208,117	2,644,489
Total	$ 22,710,612	$ 26,266,208	$ 3,555,596
2016			
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	7,146,792	8,417,896	1,271,104
Total	$ 21,528,357	$ 22,969,290	$ 1,440,933

Interest and dividend income—net is $557,465 and $397,480 for 2017 and 2016, respectively. The year 2017 is composed of gross interest and dividend income of $626,263 less $68,798 for investment management and custody fees. The year 2016 is composed of gross interest and dividend income of $462,136 less $64,656 for investment management and custody fees.

As of December 31, 2017 and 2016, 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 2017 or 2016.

The Trust's policy is to recognize transfers between levels at the actual date of the event. There were no transfers during 2017 and 2016.

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, 2017 and 2016.

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), Common stocks, and ETFs, 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, 2017 and 2016, are as follows:

2017 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	$ 549,271	$ -	$ 549,271
Commercial paper		2,362,250	2,362,250
U.S. government securities	1,525,982		1,525,982
Certificates of deposit		1,485,342	1,485,342
U.S. government agency notes		2,554,892	2,554,892
Municipal bonds		401,836	401,836
Corporate bonds		1,727,246	1,727,246
Common stocks	4,451,272		4,451,272
Mutual funds/ETFs:			
Domestic equity funds/ETFs	6,029,972		6,029,972
International equity funds	5,178,145		5,178,145
Total mutual funds/ETFs:	11,208,117		11,208,117
Total assets	$ 17,734,642	$ 8,531,566	$ 26,266,208

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	2,867,006		2,867,006
Total mutual funds/ETFs:	8,417,896		8,417,896
Total assets	$ 13,229,175	$ 9,740,115	$ 22,969,290

Fair value of the annuity payment liability of $4,363,079 and $4,512,873 as of December 31, 2017 and 2016, 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 2017 and 2016, DAV (Disabled American Veterans) 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 $189,749 and $172,830 in 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Trust owed DAV $471,983 and $475,567, respectively. DAV provides the Trust with the use of facilities, equipment and occasional magazine space at no charge.

In 2017 and 2016, the Trust distributed the following in support of DAV programs and services:

	2017	2016
DAV Employment Initiative	$ 1,400,000	$
Assistance to disabled veterans and their families	447,641	206,310
Disabled Veterans Winter Sports Clinic	303,637	364,380
DAV "Just B Kids" Scholarship	300,000	300,000
Transportation Network	200,000	200,000
Jesse Brown Youth Scholarship Program	45,000	45,000
DAV 5K Program	36,250	42,069
National Service Officer Programs—Other	5,000	15,000
National Service Officers' Case Management System		900,000

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 2017 and 2016, the Trust granted $800,000 to the DAV National Service Foundation—Columbia Trust Fund for the DAV Transportation Network Van Grant Program. In 2017 and 2016 respectively, the Trust also provided $760 and $2,100 to the DAV National Service Foundation for use in assisting disabled veterans and their dependents.

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 $296,259 and $335,117 for the years ended December 31, 2017 and 2016, respectively, 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, 2017 and 2016.

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 2017, the Charitable Gift Annuity Valuation Adjustment of $(12,276) consists of:

- gain from deceased annuitants of $493,742,
- other actuarial adjustments of $(506,018), which are primarily related to discounting of the liability during the year ended December 31, 2017.

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 $5,163,730 and $5,474,868 as of December 31, 2017 and 2016, 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 $770,748 and $1,198,352 as of December 31, 2017 and 2016, 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 $1,571,399 and $2,160,347 as of December 31, 2017 and 2016, respectively.

7. SUBSEQUENT EVENTS

No events have occurred after December 31, 2017, but before April 9, 2018, 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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