DAV (Disabled American Veterans) Charitable Service Trust

Financial Statements as of and for the Year Ended December 31, 2021, and Independent Auditor’s Report
INDEPENDENT AUDITOR’S REPORT

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

Opinion

We have audited the financial statements of DAV (Disabled American Veterans) Charitable Service Trust (the “Trust”), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cashflows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2021, and the results of its operations 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 (GAAS). 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 the Trust 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 the Trust’s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 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 GAAS, 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 the Trust’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 the Trust’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.

April 7, 2022
DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

ASSETS

CASH $ 11,682,989
INTEREST AND DIVIDENDS RECEIVABLE 37,105
ACCOUNTS RECEIVABLE 568,418
CAMPAIGNS’ PLEDGES RECEIVABLE—Net of allowance for uncollectible pledges of $186,698 83,259
PREPAID EXPENSES AND OTHER 20,287
INVESTMENTS—Includes charitable gift annuity reserve balance of $7,312,656 44,262,533
SOFTWARE—Net 38,907
TOTAL $ 56,693,498

LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS

LIABILITIES:
Accounts payable—Disabled American Veterans $ 219,338
Accounts payable—other 64,582
Annuity payment liability 3,887,883
Total liabilities 4,171,803

NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS
Without donor restrictions 52,502,695
With donor restrictions 19,000
Total net assets 52,521,695

TOTAL $ 56,693,498

See notes to financial statements.
DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Without Donor Restrictions  With Donor Restrictions  Total

SUPPORT AND REVENUE:
Contributions—net of assessment fees and provision for uncollectible pledges of $177,628  $11,008,974  $1,080,937  $12,089,911
Contributions of charitable gift annuities  291,151  291,151
Bequests  1,899,891  1,899,891
Net investment return  5,300,469  5,300,469
Net assets released from restrictions  1,122,937  (1,122,937)
Total support and revenue  19,623,422  (42,000)  19,581,422

EXPENSES:
Program services  6,755,004
Management and general  195,887
Fundraising  84,136
Total expenses  7,035,027

CHARITABLE GIFT ANNUITY VALUATION ADJUSTMENT  392,100

CHANGE IN NET ASSETS  12,980,495  (42,000)  12,938,495

NET ASSETS—Beginning of year  39,522,200  61,000  39,583,200

NET ASSETS—End of year  $52,502,695  $19,000  $52,521,695

See notes to financial statements.
DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

<table>
<thead>
<tr>
<th>EXPENSES:</th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocations to charitable programs</td>
<td>$6,637,105</td>
<td>$ -</td>
<td>$ -</td>
<td>$6,637,105</td>
</tr>
<tr>
<td>Administrative charges</td>
<td>47,235</td>
<td>59,708</td>
<td></td>
<td>106,943</td>
</tr>
<tr>
<td>Professional fees</td>
<td>16,824</td>
<td>77,888</td>
<td></td>
<td>94,712</td>
</tr>
<tr>
<td>Grant proposal processing</td>
<td>70,853</td>
<td></td>
<td></td>
<td>70,853</td>
</tr>
<tr>
<td>Banking fees</td>
<td>38,789</td>
<td></td>
<td></td>
<td>38,789</td>
</tr>
<tr>
<td>Advertising</td>
<td>13,694</td>
<td>913</td>
<td>3,652</td>
<td>18,259</td>
</tr>
<tr>
<td>Maintenance</td>
<td>12,920</td>
<td></td>
<td></td>
<td>12,920</td>
</tr>
<tr>
<td>Printing, postage, and supplies</td>
<td>4,946</td>
<td>7,889</td>
<td>60</td>
<td>12,895</td>
</tr>
<tr>
<td>Travel</td>
<td>3,720</td>
<td>4,497</td>
<td></td>
<td>8,217</td>
</tr>
<tr>
<td>Legal fees</td>
<td></td>
<td></td>
<td></td>
<td>6,840</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,952</td>
<td></td>
<td></td>
<td>5,952</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,910</td>
<td>1,910</td>
<td></td>
<td>3,820</td>
</tr>
<tr>
<td>Other expenses</td>
<td></td>
<td>3,846</td>
<td>13,876</td>
<td>17,722</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>$6,755,004</strong></td>
<td><strong>$195,887</strong></td>
<td><strong>$84,136</strong></td>
<td><strong>$7,035,027</strong></td>
</tr>
</tbody>
</table>

See notes to financial statements.
DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:
Change in net assets $ 12,938,495
Adjustments to reconcile change in net assets to net cash provided by operating activities:
Noncash investment contributions (126,401)
Net change in depreciation of investments 1,427,995
Net gain on sale of investments (5,451,562)
Depreciation 5,952
Charitable gift annuity valuation adjustment (392,100)
Changes in operating assets and liabilities:
Interest and dividends receivable 26,217
Accounts receivable (462,569)
Campaigns’ pledges receivable (5,294)
Prepaid expenses and other (7,569)
Accounts payable—DAV and other (36,682)
Annuity payment liability (291,151)

Net cash provided by operating activities 7,625,331

CASH FLOWS FROM INVESTING ACTIVITIES:
Purchase of software (8,613)
Purchases of investments (54,479,659)
Proceeds from the sale of investments 51,152,077

Net cash used in investing activities (3,336,195)

CASH FLOWS FROM FINANCING ACTIVITIES:
Proceeds from gift annuity agreement contributions 647,250
Payments to annuitants (574,658)

Net cash provided by financing activities 72,592

NET INCREASE IN CASH 4,361,728

CASH—Beginning of year 7,321,261

CASH—End of year $ 11,682,989

See notes to financial statements.
DAV (DISABLED AMERICAN VETERANS) CHARITABLE SERVICE TRUST

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

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 June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2023. 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 No. 2016-13 on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The amendments require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial contributions. The standard also requires additional disclosure related to contributed nonfinancial assets. The amendment, which requires retrospective application, is effective for annual periods beginning after June 15, 2021. Management has not yet evaluated the impact of ASU No. 2020-07 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 $13,755 in 2021. 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 US 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 net assets without donor restrictions 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 $83,259 are expected to be received in 2022. Amounts received from accounts previously written off are recognized as contribution revenue when received.

As a member of MFVSOA during 2021, 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 net assets without donor restrictions when received. The Trust received $10,683 in 2021, included in contributions within the statement of activities, for excess income recognized by MFVSOA in 2020.

Investments—Investments include investment of contributions and charitable gift annuity agreements (see Note 7). 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.

Contributions and Bequests—The Trust recognizes contributions 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 met.

Contributions and bequests received are recorded as support with and without donor restrictions depending on the existence and nature of any donor restrictions. The Trust received noncash contributions at a fair market value of $126,401, included in contributions within the statement of activities, in 2021.

Allocation of Expenses—The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Trust. Those expenses include grant proposal processing, administrative charges, professional fees, travel, printing, postage and supplies, insurance, advertising and other expenses. All expenses are allocated based on estimates of time and effort toward each program or supporting service. Allocation estimates are reviewed annually based on the specific expense and adjusted accordingly.

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, 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.

**Risks and Uncertainties**—In March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the Trust’s financial position, cash flows, or results of operations. Other financial impact could occur though such potential impact is unknown at this time.

3. **NET ASSETS RELEASED FROM DONOR RESTRICTION**

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors. The net assets released from restrictions in 2021 are as follows:

<table>
<thead>
<tr>
<th>Purpose restrictions accomplished:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>To Disabled American Veterans</td>
<td>$ 963,315</td>
</tr>
<tr>
<td>To DAV Departments and Chapters</td>
<td>6,622</td>
</tr>
<tr>
<td>To National Service Foundation</td>
<td>4,000</td>
</tr>
<tr>
<td>Program services</td>
<td>149,000</td>
</tr>
<tr>
<td><strong>Net assets released from donor restrictions</strong></td>
<td><strong>$1,122,937</strong></td>
</tr>
</tbody>
</table>

4. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Trust’s working capital and cash flows are attributable to the contributions, net of assessment fees and uncollectible pledges, received throughout the year. As of December 31, 2021, the Trust’s financial assets (total assets, less prepaid expenses and software) totaled $56,634,304. All financial assets with the exception of the Charitable Gift Annuity Reserve investment of $7,312,656 as of December 31, 2021, are available to fund expenditures within one year following the Statement of Financial Position date.

The Trust has a policy to structure its financial assets to be available as its fundraising costs and general and administrative expenses come due. In addition, the Trust awards grants to board-approved applicants. As part of its liquidity management, the Trust invests cash in excess of daily requirements in various short-term investments. The short-term investments are invested for capital preservation and liquidity for cash flow requirements, such as money market funds, certificates of deposit, and commercial paper.

The Trust’s long-term investment portfolio is for the deposit of proceeds and payment of obligations from charitable gift annuities. The portfolio is invested in marketable fixed-income and equity securities, index and actively managed mutual funds, and exchange traded funds. A portion of the balance is invested as required in accordance with governing regulatory agencies to pay the long-term charitable gift annuity beneficiary obligations. See Note 7 for further information. The remaining is invested with the intent of providing capital appreciation and total return to cover future expenditures and grants awarded.

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5. FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. This 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 2021.

**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, 2021.

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.

US government securities (US Treasury notes), common stocks, and exchange-traded funds (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.

US government agency notes and 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, and 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, 2021, are as follows:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Observable Inputs (Level 2)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,216,118</td>
<td>$ -</td>
<td>$ 2,216,118</td>
</tr>
<tr>
<td>US government securities</td>
<td>1,798,005</td>
<td>149,743</td>
<td>1,947,743</td>
</tr>
<tr>
<td>US government bonds</td>
<td>149,743</td>
<td>149,743</td>
<td>149,743</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>681,633</td>
<td>681,633</td>
<td>681,633</td>
</tr>
<tr>
<td>US government agency notes</td>
<td>801,563</td>
<td>801,563</td>
<td>801,563</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>138,411</td>
<td>138,411</td>
<td>138,411</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>3,667,479</td>
<td>3,667,479</td>
<td>3,667,479</td>
</tr>
<tr>
<td>Common stocks</td>
<td>1,534,205</td>
<td>1,534,205</td>
<td>1,534,205</td>
</tr>
<tr>
<td>Mutual funds/ETFs:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic equity funds/ETFs</td>
<td>24,652,546</td>
<td>24,652,546</td>
<td>24,652,546</td>
</tr>
<tr>
<td>Domestic fixed income funds</td>
<td>357,867</td>
<td>357,867</td>
<td>357,867</td>
</tr>
<tr>
<td>International fixed income funds</td>
<td>1,100,148</td>
<td>1,100,148</td>
<td>1,100,148</td>
</tr>
<tr>
<td>International equity funds</td>
<td>7,164,815</td>
<td>7,164,815</td>
<td>7,164,815</td>
</tr>
<tr>
<td><strong>Total mutual funds/ETFs</strong></td>
<td><strong>33,275,376</strong></td>
<td><strong>33,275,376</strong></td>
<td><strong>33,275,376</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 38,823,704</strong></td>
<td><strong>$ 5,438,829</strong></td>
<td><strong>$ 44,262,533</strong></td>
</tr>
</tbody>
</table>

Fair value of the annuity payment liability of $3,887,883, classified as Level 2 within the fair value hierarchy, as of December 31, 2021, 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; and
2. The mortality assumption based on expected annuitant longevity.

6. RELATED-PARTY TRANSACTIONS

During 2021, 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 $177,796 in 2021. As of December 31, 2021, the Trust owed DAV $219,338. DAV provides the Trust with the use of facilities, equipment, and occasional magazine space at no charge.
In 2021, the Trust distributed the following in support of DAV programs and services:

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAV Employment Initiative</td>
<td>$781,000</td>
</tr>
<tr>
<td>Assistance to disabled veterans and their families</td>
<td>$593,163</td>
</tr>
<tr>
<td>DAV “Just B Kids” Scholarship</td>
<td>$308,500</td>
</tr>
<tr>
<td>Transportation Network</td>
<td>$200,000</td>
</tr>
<tr>
<td>Veterans retreats</td>
<td>$150,000</td>
</tr>
<tr>
<td>Jesse Brown Youth Scholarship Program</td>
<td>$45,000</td>
</tr>
<tr>
<td>DAV Night Out Program</td>
<td>$38,000</td>
</tr>
<tr>
<td>DAV 5K Program</td>
<td>$14,852</td>
</tr>
<tr>
<td>National Disabled Veterans Winter Sports Clinic</td>
<td>$2,500</td>
</tr>
<tr>
<td>DAV Disaster Relief</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

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 2021, the Trust provided $4,000 to the DAV National Service Foundation for use in assisting disabled veterans and their dependents.

7. **ANNUITY PAYMENT LIABILITY**

The Trust enters into charitable gift annuity agreements with donors. In the statement of activities, contributions of charitable gift annuities of $291,151 for the year ended December 31, 2021, 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, 2021.

In 2021, the Trust used the mortality table IAR-2012 in determining the liability to reflect the most up-to-date expectations with regard to longevity for individual annuitant lives.

In 2021, the Charitable Gift Annuity Valuation Adjustment of $392,100 consists of:

- Gain from deceased annuitants of $779,325, and
- Other actuarial adjustments of $(387,225), which are primarily related to discounting of the liability during the year ended December 31, 2021.

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 $6,133,419 as of December 31, 2021.

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 $1,179,237 as of December 31, 2021. 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 net assets without donor restrictions as required by any state for the acceptance of charitable gift annuities, which is $1,000,000. The total net assets without donor restrictions that are subject to state statutes or regulations (calculated as the reserve funds (investments), less the annuity payment liability) amounted to $3,424,773 as of December 31, 2021.

8. **SUBSEQUENT EVENTS**

No other events have occurred after December 31, 2021, but before April 7, 2022, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.

* * * * *