

**FINANCIAL STATEMENTS**



**NATIONAL VETERANS LEGAL  
SERVICES PROGRAM, INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2018**

**NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.**

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
National Veterans Legal Services Program, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of the National Veterans Legal Services Program, Inc. (NVLSP), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 entity'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 entity'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 NVLSP as of December 31, 2019, and the change 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.

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### **Report on Summarized Comparative Information**

We have previously audited NVLSP's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Friedman*

October 7, 2020

## NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

## ASSETS

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 396,024	\$ 169,380
Investments	5,612,978	5,510,400
Accounts receivable	702,493	547,134
Prepaid expenses	103,752	151,294
Property and equipment, net of accumulated depreciation and amortization of \$724,541 and \$794,245 in 2019 and 2018, respectively	69,315	72,306
Deposits	<u>41,142</u>	<u>36,182</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,925,704</u></b>	<b><u>\$ 6,486,696</u></b>

## LIABILITIES AND NET ASSETS

## LIABILITIES

Accounts payable and accrued liabilities	\$ 508,868	\$ 366,443
Deferred revenue	29,000	35,250
Incentive from lessor	25,653	43,762
Deferred rent	<u>84,075</u>	<u>132,023</u>
Total liabilities	647,596	577,478

## NET ASSETS

Without donor restrictions	<u>6,278,108</u>	<u>5,909,218</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,925,704</u></b>	<b><u>\$ 6,486,696</u></b>

## NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	<u>Without Donor Restrictions</u>	
	<u>2019</u>	<u>2018</u>
<b>REVENUE AND SUPPORT</b>		
Attorneys' fees	\$ 4,491,825	\$ 5,504,576
Grants and contracts	355,077	393,531
Publications	289,352	201,793
Contributions	1,299,041	943,973
Training	73,860	69,146
Investment income (loss), net of investment expenses	<u>747,589</u>	<u>(165,631)</u>
Total revenue and support	<u>7,256,744</u>	<u>6,947,388</u>
<b>EXPENSES</b>		
Program Services:		
Lawyers Serving Warriors	1,531,990	1,194,556
The American Legion	302,640	1,152,989
General Fund	2,718,114	2,092,783
Nehmer	685,237	123,829
Publications	<u>177,310</u>	<u>143,759</u>
Total program services	<u>5,415,291</u>	<u>4,707,916</u>
Supporting Services:		
Management and General	990,041	731,546
Fundraising	<u>482,522</u>	<u>428,853</u>
Total supporting services	<u>1,472,563</u>	<u>1,160,399</u>
Total expenses	<u>6,887,854</u>	<u>5,868,315</u>
Change in net assets	368,890	1,079,073
Net assets at beginning of year	<u>5,909,218</u>	<u>4,830,145</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 6,278,108</u></b>	<b><u>\$ 5,909,218</u></b>

## NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019						2018				
	Program Services					Supporting Services					
	Lawyers Serving Warriors	The American Legion	General Fund	Nehmer	Publications	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	\$ 1,044,213	\$ 207,766	\$ 1,735,439	\$ 382,546	\$ 122,014	\$ 3,491,978	\$ 667,339	\$ 258,341	\$ 925,680	\$ 4,417,658	\$ 3,604,824
Employee benefits	231,221	44,785	367,778	74,568	24,991	743,343	138,608	52,824	191,432	934,775	763,939
Consultants	4,470	608	81,610	148,856	2,493	238,037	2,000	4,280	6,280	244,317	283,116
Travel	9,215	3,609	37,778	-	18	50,620	-	624	624	51,244	29,705
Communications	14,459	3,029	35,307	9,882	1,662	64,339	10,481	4,298	14,779	79,118	74,882
Printing and production	620	124	38,887	-	71	39,702	328	132	460	40,162	46,641
Office Supplies	25,748	6,917	110,851	9,040	2,688	155,244	20,076	8,314	28,390	183,634	152,506
Occupancy	127,219	26,507	188,814	53,460	12,056	408,056	66,806	26,870	93,676	501,732	492,663
Equipment rental and maintenance	43,540	7,734	67,950	4,080	7,107	130,411	21,344	8,937	30,281	160,692	103,389
Books and reference materials	1,260	412	11,907	707	213	14,499	-	5,631	5,631	20,130	25,386
Other costs	-	-	-	-	-	-	36,550	-	36,550	36,550	72,118
Depreciation and amortization	24,433	-	7,464	-	-	31,897	-	-	-	31,897	30,113
Event costs	-	-	-	-	-	-	-	94,087	94,087	94,087	105,318
Staff development	2,060	95	20,663	218	-	23,036	-	506	506	23,542	30,837
Insurance	3,362	1,054	6,991	1,880	536	13,823	8,125	1,105	9,230	23,053	19,787
Licenses, permits and fees	170	-	6,675	-	3,461	10,306	18,384	16,573	34,957	45,263	33,091
<b>TOTAL</b>	<b>\$ 1,531,990</b>	<b>\$ 302,640</b>	<b>\$ 2,718,114</b>	<b>\$ 685,237</b>	<b>\$ 177,310</b>	<b>\$ 5,415,291</b>	<b>\$ 990,041</b>	<b>\$ 482,522</b>	<b>\$ 1,472,563</b>	<b>\$ 6,887,854</b>	<b>\$ 5,868,315</b>

See accompanying notes to financial statements.

## NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 368,890	\$ 1,079,073
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	31,897	30,113
Unrealized (gain) loss on investments	(311,024)	269,279
Realized (gain) loss on investments	(286,621)	90
(Increase) decrease in:		
Accounts receivable	(155,359)	(117,258)
Prepaid expenses	47,542	2,083
Deposits	(4,960)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	142,425	62,180
Deferred revenue	(6,250)	17,128
Incentive from lessor	(18,109)	(18,108)
Deferred rent	<u>(47,948)</u>	<u>(38,027)</u>
Net cash (used) provided by operating activities	<u>(239,517)</u>	<u>1,286,553</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(28,906)	(10,549)
Purchase of investments	(2,091,026)	(4,523,421)
Proceeds from sale of investments	<u>2,586,093</u>	<u>3,069,786</u>
Net cash provided (used) by investing activities	<u>466,161</u>	<u>(1,464,184)</u>
Net increase (decrease) in cash and cash equivalents	226,644	(177,631)
Cash and cash equivalents at beginning of year	<u>169,380</u>	<u>347,011</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 396,024</u></b>	<b><u>\$ 169,380</u></b>



# NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

The National Veterans Legal Services Program, Inc. (NVLSP), is a non-profit organization located in the District of Columbia, which serves as a veterans service organization and national support center in the area of veterans law. The services of NVLSP are available to veterans and their families, veterans service organizations, state and county veterans offices, community-based veterans organizations, volunteer attorneys, private bar attorneys, Legal Service Corporation (LSC)-funded programs and other veterans advocates.

During 2019, NVLSP had contracts and grants with the Military Order of the Purple Heart, and other veterans services organizations. NVLSP also has a contract with the Veterans Consortium Pro Bono Program for nationwide training of pro bono attorneys.

#### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service. NVLSP did not have any net assets with donor restrictions as of December 31, 2019.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NVLSP's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

#### New accounting pronouncements adopted -

During 2019, NVLSP adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

**NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements adopted (continued) -

This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. NVLSP adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

NVLSP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, except for money market funds included in investments.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NVLSP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income (loss), which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$2,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2019 totaled \$31,897.

Revenue -

For contributions, grants and contracts qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, grants and contracts qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

**NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Revenue (continued) -

NVLSP receives funding under contracts for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as exchange transactions within the "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Contract awards received in advance of incurring the related expenses for direct and indirect program costs are recorded as deferred revenue.

Attorneys' fees revenue is recognized when the related service has been performed. Publication revenue is recognized when the publication has been delivered.

Income taxes -

NVLSP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. NVLSP is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, NVLSP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of NVLSP are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort.

Risks and uncertainties -

NVLSP invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements not yet adopted -

FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

NVLSP plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impact of the new standards on its accompanying financial statements.

Fair value measurement -

NVLSP adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. NVLSP accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

2. INVESTMENTS

Investments consisted of the following at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 388,728	\$ 388,728
Common stocks	5,023	5,023
Fixed income mutual funds	2,503,970	2,544,656
Equities mutual funds	815,679	836,567
Exchange-traded funds	<u>1,553,482</u>	<u>1,838,004</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 5,266,882</u></b>	<b><u>\$ 5,612,978</u></b>

**NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**2. INVESTMENTS (Continued)**

Included in investment income, net, are the following:

Interest and dividends	\$ 177,327
Unrealized gain on investments	311,024
Realized gain on investments	286,621
Investment fees	<u>(27,383)</u>

**TOTAL INVESTMENT INCOME** **\$ 747,589**

**3. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2019:

Furniture and equipment	\$ 229,230
Computer software	17,934
Leasehold improvements	<u>546,691</u>

Total property and equipment	793,855
Less: Accumulated depreciation and amortization	<u>(724,540)</u>

**PROPERTY AND EQUIPMENT, NET** **\$ 69,315**

**4. LEASE COMMITMENT**

NVLSP leases office space on K Street, Washington, D.C., under an operating lease. In February 2011, the lease term was extended for ten years until May 2021. The lease contains escalation clauses providing for a 2.5% annual increase in the base rent and increases in taxes and operating expenses.

Additionally, the landlord provided a tenant allowance of \$434,928 used for costs of construction and design of the initial tenant improvements. Any unused balance shall be used by NVLSP for office furniture, equipment, relocation expenses and free rent. Accounting principles generally accepted in the United States of America require that the total deferred leasehold improvement account, herein referred to as "Incentive from lessor" in the accompanying Statement of Financial Position, be amortized on a straight-line basis over the life of the lease. The remaining unamortized amount at December 31, 2019 was \$25,653; the current portion of the unamortized amount totaled \$18,108.

During 2019, NVLSP entered into a further amendment and extension of the lease. The extended lease will expire on December 31, 2022. In addition, NVLSP increased its space under the lease agreement, commencing June 2019.

During October 2016, NVLSP entered into a lease for office space at 17th Street, Washington, D.C. The lease commenced on November 1, 2016 and expired on October 31, 2017. The base monthly rent was \$4,500, together with an additional \$90 per month for Internet services. Upon expiration of the lease, NVLSP agreed to continue use of the office space on a month-to-month basis until August 31, 2019, at a initial monthly rent of \$4,590, including internet service.

**NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**4. LEASE COMMITMENT (Continued)**

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position. As of December 31, 2019, the deferred rent liability was \$84,075. Occupancy expense for the year ended December 31, 2019 totaled \$501,732.

The following are the future minimum lease payments:

<u>Year Ending December 31,</u>	
2020	\$ 521,469
2021	533,352
2022	<u>545,506</u>
	<b><u>\$ 1,600,327</u></b>

**5. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position, comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 396,024
Investments	5,612,978
Accounts receivable	<u>702,493</u>

<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 6,711,495</u></b>
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NVLSP has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, NVLSP had financial assets equal to approximately twelve months of operating expenses.

**6. PUBLISHING AGREEMENTS**

NVLSP has three longstanding agreements with a publisher. The publisher produces and markets specific works authored by NVLSP. NVLSP receives royalties from the publisher, calculated as a percentage of sales and the royalty payments are made to NVLSP semi-annually. During the year ended December 31, 2019, NVLSP earned royalties, included in publications income in the accompanying Statement of Activities and Change in Net Assets, totaling \$289,352, of which \$139,190 is included in accounts receivables in the accompanying Statement of Financial Position. Subsequent to year-end, the receivable balance was fully collected.

**7. RETIREMENT PLAN**

NVLSP has a profit sharing plan that covers all full-time employees who are 21 and older and have completed one year of service. Annual contributions to the Plan are at the discretion of NVLSP's management and the Board of Directors. Vesting under the Plan is graduated based on years of service, and contributions become fully vested following six years of service.

**NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**7. RETIREMENT PLAN (Continued)**

NVLSP also has a plan under Internal Revenue Code Section 401(k), covering the same employees that are eligible for the profit sharing plan. Contributions to the Plan are at the discretion of NVLSP employees. NVLSP provides a matching contribution equal to 25% of the employee's contribution, up to an amount equal to 2% of the employee's salary. Employer and employee contributions under this Plan are immediately fully vested.

For the year ended December 31, 2019, the employee benefit expense associated with these plans totaled \$101,622.

In addition, NVLSP adopted a plan under Internal Revenue Code Section 403(b) that covers all full-time employees without restriction as to age or years of service. Contributions to the Plan are at the discretion of NVLSP employees with no employer contribution.

**8. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, Fair Value Measurement, NVLSP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market NVLSP has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

- *Money market funds* - The money market fund is an open-end funds that are registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by NVLSP are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. Mutual funds held by NVLSP are deemed to be actively traded.
- *Exchange-traded funds* - Valued at the closing price reported on the active market in which the individual funds are traded.

**NATIONAL VETERANS LEGAL SERVICES PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS  
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**8. FAIR VALUE MEASUREMENT (Continued)**

The table below summarizes, by level within the fair value hierarchy, NVLSP's investments as of December 31, 2019:

<b>Asset Class: Investments</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 388,728	\$ -	\$ -	\$ 388,728
Common stocks	5,023	-	-	5,023
Fixed income mutual funds	2,544,656	-	-	2,544,656
Equities mutual funds	836,567	-	-	836,567
Exchange-traded funds	<u>1,838,004</u>	<u>-</u>	<u>-</u>	<u>1,838,004</u>
<b>TOTAL</b>	<b><u>\$ 5,612,978</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,612,978</u></b>

**9. SUBSEQUENT EVENTS**

In preparing these financial statements, NVLSP has evaluated events and transactions for potential recognition or disclosure through October 7, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact NVLSP's operations. The overall potential impact is unknown at this time.

On May 5, 2020, NVLSP entered into a two-year promissory note agreement in the amount of \$901,459 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.