

VETERANS SUPPORT FOUNDATION

SILVER SPRING, MARYLAND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011



Independent Auditors' Report

The Board of Directors
Veterans Support Foundation
Silver Spring, Maryland

We have audited the accompanying statement of financial position of Veterans Support Foundation (the "Foundation") as of September 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Foundation's 2010 financial statements and, in our report dated November 22, 2010, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Veterans Support Foundation as of September 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
November 30, 2011

Certified Public Accountants

Veterans Support Foundation
Statement of Financial Position
September 30, 2011
(With Comparative Totals as of September 30, 2010)

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 349,982	\$ 139,403
Investments	181,741	244,286
Per Diem Grants Receivable	40,703	37,627
Unconditional Promises to Give (Net of Allowance for Uncollectible Promises to Give of \$36,014 and \$42,837 for 2011 and 2010, Respectively)	95,113	107,029
Prepaid Expenses	<u>10,636</u>	<u>9,755</u>
Total Current Assets	678,175	538,100
Property and Equipment - Net	<u>655,722</u>	<u>674,661</u>
Total Assets	<u><u>\$ 1,333,897</u></u>	<u><u>\$ 1,212,761</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 27,403	\$ 58,226
Grants Payable	<u>246,000</u>	<u>123,168</u>
Total Current Liabilities - Total Liabilities	<u>273,403</u>	<u>181,394</u>
Net Assets		
Unrestricted	965,381	881,913
Temporarily Restricted	<u>95,113</u>	<u>149,454</u>
Total Net Assets	<u>1,060,494</u>	<u>1,031,367</u>
Total Liabilities and Net Assets	<u><u>\$ 1,333,897</u></u>	<u><u>\$ 1,212,761</u></u>

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Statement of Activities
For the Year Ended September 30, 2011
(With Comparative Totals for the Year Ended September 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
Support and Revenues				
Contributions	\$ 2,260,586	\$ 158,056	\$ 2,418,642	\$ 303,398
Per Diem Grants	249,214	-	249,214	222,178
Veterans Housing	60,101	-	60,101	73,010
Gain on Sale of Property	-	-	-	89,852
Miscellaneous	-	-	-	2,345
Net Investment Income (Loss)	(467)	-	(467)	21,866
Net Assets Released from Restrictions	212,397	(212,397)	-	-
Total Support and Revenues	<u>2,781,831</u>	<u>(54,341)</u>	<u>2,727,490</u>	<u>712,649</u>
Expenses				
Program Services				
Transitional Housing	436,842	-	436,842	384,883
Veterans Support	240,000	-	240,000	91,126
Total Program Services	<u>676,842</u>	<u>-</u>	<u>676,842</u>	<u>476,009</u>
Supporting Services				
General and Administrative	846,731	-	846,731	112,240
Fund-Raising	1,174,790	-	1,174,790	7,680
Total Supporting Services	<u>2,021,521</u>	<u>-</u>	<u>2,021,521</u>	<u>119,920</u>
Total Expenses	<u>2,698,363</u>	<u>-</u>	<u>2,698,363</u>	<u>595,929</u>
Increase (Decrease) in Net Assets	83,468	(54,341)	29,127	116,720
Net Assets - Beginning of Year	881,913	149,454	1,031,367	914,647
Net Assets - End of Year	<u><u>\$ 965,381</u></u>	<u><u>\$ 95,113</u></u>	<u><u>\$ 1,060,494</u></u>	<u><u>\$ 1,031,367</u></u>

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Statement of Functional Expenses
For the Year Ended September 30, 2011
(With Comparative Totals for the Year Ended September 30, 2010)

	Program Services	Supporting Services		2011 Total	2010 Total
		General and Administrative	Fund-Raising		
Expenses					
Salaries and Benefits	\$ 208,189	\$ 19,746	\$ 1,141	\$ 229,076	\$ 222,152
Grants and Donations	240,000	-	-	240,000	91,126
Professional Fees	12,264	741,513	1,173,649	1,927,426	52,905
Utilities	46,112	-	-	46,112	42,530
Repairs and Maintenance	72,501	-	-	72,501	40,075
Bank Fees	364	41,064	-	41,428	2,084
Travel	16,695	8,405	-	25,100	38,866
Depreciation	37,385	-	-	37,385	38,644
Insurance	19,256	2,017	-	21,273	21,643
Audit Fees	-	16,165	-	16,165	15,100
Telephone	10,682	41	-	10,723	9,350
Taxes, Licenses, Etc.	2,248	3,947	-	6,195	5,618
Office Supplies	2,323	161	-	2,484	5,050
Printing	-	1,819	-	1,819	3,153
State Registration Fees and Expenses	-	10,782	-	10,782	3,000
Miscellaneous	1,398	245	-	1,643	565
Postage and Shipping	306	826	-	1,132	2,279
Furniture and Equipment	7,119	-	-	7,119	1,789
Total Functional Expenses	<u>\$ 676,842</u>	<u>\$ 846,731</u>	<u>\$ 1,174,790</u>	<u>\$ 2,698,363</u>	<u>\$ 595,929</u>

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Statement of Cash Flows
For the Year Ended September 30, 2011
(With Comparative Totals for the Year Ended September 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 29,127	\$ 116,720
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	37,385	38,644
Gain on Investments	(349)	(19,882)
Gain on Sale of Property and Equipment	-	(89,852)
<u>(Increase) Decrease in Assets</u>		
Per Diem Grants Receivable	(3,076)	2,679
Unconditional Promises to Give	11,916	61,065
Prepaid Expenses	(881)	3,603
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(30,823)	18,185
Grants Payable	<u>122,832</u>	<u>(93,332)</u>
Net Cash Provided by Operating Activities	<u>166,131</u>	<u>37,830</u>
Cash Flows from Investing Activities		
Sales of Property and Equipment	-	175,750
Purchase of Property and Equipment	(18,446)	-
Purchases of Investments	(215,537)	(358,884)
Sales of Investments	<u>278,431</u>	<u>236,521</u>
Net Cash Provided by Investing Activities	<u>44,448</u>	<u>53,387</u>
Cash Flows from Financing Activities		
Repayment of Loan Payable	<u>-</u>	<u>(64,272)</u>
Net Increase in Cash and Cash Equivalents	210,579	26,945
Cash and Cash Equivalents, Beginning of Year	<u>139,403</u>	<u>112,458</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 349,982</u></u>	<u><u>\$ 139,403</u></u>

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Notes to Financial Statements September 30, 2011

1. ORGANIZATION

Veterans Support Foundation (the "Foundation", formerly Vietnam Veterans Assistance Fund) is a nonprofit organization headquartered in Silver Spring, Maryland. Its dual functions are providing funds to selected nonprofit organizations to support community-based, veteran-related projects throughout the United States and running several houses as transitional and permanent residences for homeless veterans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation uses the accrual method of accounting. Under this method, revenues are recognized when earned rather than when received and expenses are recognized when incurred rather than when paid.

Use of Estimates

The preparation of 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 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.

Comparative Information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2010, from which the summarized information was derived.

Cash and Cash Equivalents

The Foundation considers cash in operating bank accounts, cash on hand, and money market funds to be cash and cash equivalents.

Veterans Support Foundation

Notes to Financial Statements September 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in equity securities are reported at their fair values in the statement of financial position. Any realized and unrealized gains and losses are included in the statement of activities.

Per Diem Grants Receivable

Per diem grants receivable are stated at their outstanding balances in accordance with accounting principles generally accepted in the United States of America. Per diem grants are expected to be collected within three months. In management's judgment, no valuation allowance is considered necessary for per diem grants receivable because there has never been collection issues with these types of receivables.

Promises to Give

Promises to give are stated at their outstanding balances, net of an allowance for doubtful accounts and the Combined Federal Campaign administrative fees, in accordance with accounting principles generally accepted in the United States of America.

Promises to give are expected to be collected within one year. Management provides for possible uncollectible amounts for prior year's unpaid promises to give through a provision for bad debt expense and a valuation allowance based on a historical analysis of the collections and accounts written-off. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give.

Property and Equipment

Property and equipment in excess of \$1,000 are recorded at cost. Buildings, improvements, vehicles, and computer equipment are depreciated under the straight-line method over their estimated economic useful lives. Buildings and improvements are depreciated over useful lives of 23 to 30 years, vehicles are depreciated over five years, and computer equipment is depreciated over two years.

Veterans Support Foundation

Notes to Financial Statements September 30, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

All contributed services, primarily administrative and financial support services, were recorded as contribution support and expensed to both program and supporting services at their fair value in the amount of \$40,504. Contributed services are increases to both contribution support on the statement of activities and salaries and benefits expense on the statement of functional expenses.

Income Taxes and Uncertain Tax Positions

The Foundation is a tax-exempt organization under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Foundation follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides guidance on accounting for uncertainty in income taxes recognized in the Foundation's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of September 30, 2011, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in its financial statements.

The Foundation's policy is to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were recorded during the year ended September 30, 2011.

Generally, the tax years before 2007 are no longer subject to examination by federal, state, or local taxing authorities.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform with the current year presentation.

Veterans Support Foundation

Notes to Financial Statements September 30, 2011

3. CONCENTRATION OF CREDIT RISK

The Foundation maintains its cash in accounts with financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for interest bearing accounts and unlimited insurance for non-interest bearing accounts. As of September 30, 2011, the deposits did not exceed the insured coverage. Additionally, the Foundation had approximately \$17,000 in a money market fund that is not covered by the FDIC insurance as of September 30, 2011.

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation's investments constitute its only assets or liabilities measured at fair value on a recurring basis as of September 30, 2011. These investments and their fair value measurements are summarized below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>
Equity Securities	\$ 178,909	\$ 181,741	\$ 181,741

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets.

Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets.

Financial assets valued using Level 3 inputs are based on the entity's own assumptions, using unobservable inputs and the best information available in the circumstances.

None of the Foundation's financial assets are valued using Level 2 or Level 3 inputs at September 30, 2011.

Investment income (loss) consists of the following for the year ended September 30, 2011:

Realized Loss on Investments	\$ (1,413)
Unrealized Gain on Investments	389
Dividends and Interest	<u>557</u>
Net Investment Loss	<u>\$ (467)</u>

Veterans Support Foundation

Notes to Financial Statements September 30, 2011

5. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2011, are as follows:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 80,000	\$ -	\$ 80,000
Buildings	403,220	(176,697)	226,523
Improvements	605,831	(260,600)	345,231
Vehicles	24,940	(20,972)	3,968
Computer Equipment	<u>1,503</u>	<u>(1,503)</u>	<u>-</u>
	<u>\$ 1,115,494</u>	<u>\$ (459,772)</u>	<u>\$ 655,722</u>

Depreciation expense was \$37,385 for the year ended September 30, 2011.

6. VETERANS HOUSING

The Foundation owns and operates four residential properties located in West Haven and Manchester, Connecticut. Three of the four houses comprise the Foundation's Transitional Housing Program, which provides up to twenty-four homeless veterans the opportunity to live in a secure, supported environment while each works on his individual recovery. One of the residences provides permanent housing to six veterans. The veterans remain in active treatment with the U.S. Department of Veterans Affairs (VA) while they reside in the houses.

7. RELATED PARTY TRANSACTIONS

Vietnam Veterans of America, Inc., (VVA) is a related party because of common members of administrative management.

The Foundation granted \$200,000 in fiscal year 2011 to VVA, which is included in program services expense. These funds are subsequently used by VVA to help administer the nationwide VVA service officer program. Any previously awarded grants that are not used are credited to program services expense. Total grants payable to VVA were \$200,000 as of September 30, 2011.

The Foundation pays its employees through the VVA payroll system and paid \$185,730 in salary, benefits, and related payroll costs. The Foundation reimburses VVA regularly for these costs and as of September 30, 2011, \$9,527 remained due to VVA. The amount due to VVA for salary, benefits, and related payroll costs is included in accounts payable and accrued expenses in the statement of financial position.

Veterans Support Foundation

Notes to Financial Statements September 30, 2011

8. TEMPORARILY RESTRICTED NET ASSETS

Net assets of \$95,113 are temporarily restricted as of September 30, 2011. This amount represents time restrictions that fully expire in the fiscal year ending September 30, 2012.

9. PER DIEM GRANT REVENUE

The Foundation participates in the VA's homeless grant and per diem program to support the housing of homeless veterans on a per diem basis. The VA pays the Foundation a portion of the cost associated with housing veterans referred by the VA or for those for whom the VA authorizes the provision of supportive housing or supportive services. Total per diem grant revenue associated with this program was \$249,214 for the year ended September 30, 2011.

10. NET ASSETS RELEASED FROM RESTRICTIONS

During the fiscal year ended September 30, 2011, net assets of \$212,397 were released from donor restrictions. Of this amount, \$155,972 of Combined Federal Campaign contributions were released from donor restrictions by satisfying the time restrictions specified by the donors, and \$56,425 were released from donor restriction by using the funds for the purpose restricted by the donor.

11. VETERANS SUPPORT

The Foundation, as part of its ongoing service to veterans, provides funding in the form of grants to projects sponsored, supported, or endorsed by the National Board of Directors, State Councils, and/or Chapters of Vietnam Veterans of America, Inc. The Foundation gives priority to matching funds projects. The Foundation provides funding solely for scientific, charitable, and educational purposes. These grants are scheduled for a one-year period.

12. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 30, 2011, the date on which the financial statements were available to be issued.