

VETERANS SUPPORT FOUNDATION

SILVER SPRING, MARYLAND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2014



Independent Auditors' Report

The Board of Directors
Veterans Support Foundation
Silver Spring, Maryland

Report on the Financial Statements

We have audited the accompanying statement of financial position of Veterans Support Foundation as of September 30, 2014, the related statements of activities, 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the Foundation'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 Foundation'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.

The Board of Directors
Veterans Support Foundation

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, 2014, and the changes 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.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
December 2, 2014

Certified Public Accountants

Veterans Support Foundation
Statement of Financial Position
September 30, 2014
(With Comparative Totals as of September 30, 2013)

	2014	2013
Assets		
Current Assets		
Cash	\$ 131,703	\$ 271,449
Per Diem Grants Receivable	24,267	17,651
Unconditional Promises to Give (Net of Allowance for Uncollectible Promises to Give of \$20,337)	56,862	88,970
Prepaid Expenses	20,229	8,826
Investments	634,063	529,570
 Total Current Assets	 867,124	 916,466
 Property and Equipment - Net	 568,733	 591,525
 Total Assets	 \$ 1,435,857	 \$ 1,507,991
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 37,821	\$ 26,781
Grants Payable	208,870	214,450
 Total Current Liabilities - Total Liabilities	 246,691	 241,231
Net Assets		
Unrestricted	1,130,312	1,168,393
Temporarily Restricted	58,854	98,367
 Total Net Assets	 1,189,166	 1,266,760
 Total Liabilities and Net Assets	 \$ 1,435,857	 \$ 1,507,991

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Statement of Activities For the Year Ended September 30, 2014 (With Comparative Totals for the Year Ended September 30, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
Support and Revenues				
Contributions	\$ 1,872,077	\$ 100,209	\$ 1,972,286	\$ 1,578,512
Per Diem Grants	261,608	-	261,608	262,654
Veterans Housing	51,289	-	51,289	62,933
Miscellaneous	-	-	-	6,188
Unrealized Gains on Investments	24,492	-	24,492	13,358
Net Assets Released from Restrictions	139,722	(139,722)	-	-
Total Support and Revenues	2,349,188	(39,513)	2,309,675	1,923,645
Expenses				
Program Services				
Transitional Housing	422,590	-	422,590	395,112
Veterans Support	243,943	-	243,943	230,448
Total Program Services	666,533	-	666,533	625,560
Supporting Services				
General and Administrative	644,628	-	644,628	492,442
Fund-Raising	1,076,108	-	1,076,108	820,816
Total Supporting Services	1,720,736	-	1,720,736	1,313,258
Total Expenses	2,387,269	-	2,387,269	1,938,818
Decrease in Net Assets	(38,081)	(39,513)	(77,594)	(15,173)
Net Assets - Beginning of Year	1,168,393	98,367	1,266,760	1,281,933
Net Assets - End of Year	\$ 1,130,312	\$ 58,854	\$ 1,189,166	\$ 1,266,760

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Statement of Functional Expenses For the Year Ended September 30, 2014 (With Comparative Totals for the Year Ended September 30, 2013)

	Program Services	Supporting Services		2014 Total	2013 Total
		General and Administrative	Fund-Raising		
Expenses					
Salaries and Benefits	\$ 174,689	\$ 518	\$ -	\$ 175,207	\$ 173,926
Grants and Donations	243,943	-	-	243,943	230,448
Professional Fees	32,916	603,703	1,048,662	1,685,281	1,253,063
Marketing	-	19,331	-	19,331	35,084
Utilities	50,334	-	-	50,334	48,111
Repairs and Maintenance	30,837	-	-	30,837	39,024
Bank Fees	123	895	26,435	27,453	23,474
Travel	27,949	6,118	-	34,067	22,641
Depreciation	36,193	-	-	36,193	34,554
Insurance	29,601	2,075	-	31,676	22,150
Telephone	13,182	633	-	13,815	12,440
Taxes, Licenses, Etc.	3,104	5,717	-	8,821	8,541
Office Supplies	8,390	2,862	-	11,252	8,746
Printing	522	1,192	-	1,714	5,993
State Registration Fees and Expenses	-	-	-	-	1,295
Miscellaneous	(149)	69	1,011	931	2,930
Postage and Shipping	1,242	1,515	-	2,757	3,245
Furniture and Equipment	13,657	-	-	13,657	13,153
Total Functional Expenses	<u>\$ 666,533</u>	<u>\$ 644,628</u>	<u>\$ 1,076,108</u>	<u>\$ 2,387,269</u>	<u>\$ 1,938,818</u>

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Statement of Cash Flows For the Year Ended September 30, 2014 (With Comparative Totals for the Year Ended September 30, 2013)

	2014	2013
Cash Flows from Operating Activities		
Decrease in Net Assets	\$ (77,594)	\$ (15,173)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Used in Operating Activities		
Depreciation	36,193	34,554
Gain on Disposal of Property and Equipment	-	(6,188)
Gain on Investments	(24,492)	(13,238)
<u>(Increase) Decrease in Assets</u>		
Per Diem Grants Receivable	(6,616)	4,720
Unconditional Promises to Give	32,108	10,178
Prepaid Expenses	(11,403)	(421)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	11,040	(4,555)
Grants Payable	(5,580)	(38,550)
Net Cash Used in Operating Activities	(46,344)	(28,673)
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(13,402)	(7,064)
Purchases of Investments	(80,000)	(91,000)
Proceeds from Disposal of Property and Equipment	-	7,363
Net Cash Used in Investing Activities	(93,402)	(90,701)
Net Decrease in Cash	(139,746)	(119,374)
Cash, Beginning of Year	271,449	390,823
Cash, End of Year	\$ 131,703	\$ 271,449

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Notes to Financial Statements September 30, 2014

1. ORGANIZATION

Veterans Support Foundation (the “Foundation”) 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 or functional expense category. 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, 2013, from which the summarized information was derived.

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 as these grants are paid by the Federal Government’s Department of Veterans Affairs Grant and Per Diem Program. 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.

Veterans Support Foundation

Notes to Financial Statements September 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$2,000 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.

Investments

Investments in indexed annuity contracts and equity securities are reported at their fair values in the statement of financial position. Indexed annuity contracts are investment vehicles that yield returns based on a specified equity-based index. Realized and unrealized gains and losses are included in the statement of activities. For indexed annuities, investment income is based on the S&P 500 Index and allocated to the Foundation based on minimums and caps as specified in the contracts. Investment income is allocated to the contract on the anniversary date. Income accrued, but not yet allocated to the Foundation is not material.

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

Veterans Support Foundation

Notes to Financial Statements September 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes and Uncertain Tax Positions (Continued)

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, 2014, 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, 2014.

Generally, the tax years before 2010 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.

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 per institution. As of September 30, 2014, the deposits did not exceed the insured coverage.

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, 2014. These investments and their fair value measurements are summarized below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Level 2 Inputs</u>
Indexed Annuity Contracts	<u>\$ 506,000</u>	<u>\$ 634,063</u>	<u>\$ 634,063</u>

The cash surrender value of both funds as of September 30, 2014, is \$560,116.

Veterans Support Foundation

Notes to Financial Statements September 30, 2014

4. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The Foundation has two indexed annuity contracts. Investment income is allocated to the Foundation based on income crediting strategies stated in the contracts. Both indexed annuities are allocated 10%, 55%, and 35% to the fixed rate strategy, point-to-point cap index strategy and monthly cap index strategy, respectively. The guaranteed investment income minimums and caps are shown below:

	7 Year		10 Year	
	Minimum Guarantee	Maximum Cap	Minimum Guarantee	Maximum Cap
Fixed Rate	1.00%	1.50%	1.00%	1.50%
Point-to-Point	0.00%	4.25%	0.00%	3.50%
Monthly Cap Index	0.00%	1.90%	0.00%	1.50%

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 1 or Level 3 inputs at September 30, 2014.

5. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2014, were as follows:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 80,000	\$ -	\$ 80,000
Buildings	403,220	(253,209)	150,011
Improvements	619,230	(285,218)	334,012
Vehicles	7,064	(2,354)	4,710
	<u>\$ 1,109,514</u>	<u>\$ (540,781)</u>	<u>\$ 568,733</u>

Depreciation expense was \$36,193 for the year ended September 30, 2014.

Veterans Support Foundation

Notes to Financial Statements September 30, 2014

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 \$61,500 in fiscal year 2014 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 \$127,870 as of September 30, 2014.

During 2013, the Foundation agreed to pay VVA \$50,000 annually for the financial and accounting assistance provided by VVA to VSF and the personnel providing those services. Total management fees paid to VVA during 2014 were \$50,000. This amount is allocated 54% and 46% to program service expense and general and administrative expense, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Net assets of \$58,854 are temporarily restricted as of September 30, 2014. This amount represents \$56,862 in time restrictions that fully expire in the fiscal year ending September 30, 2014, and \$1,992 in purpose restrictions for the repair and maintenance of the transitional houses.

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 \$261,608 for the year ended September 30, 2014.

Veterans Support Foundation

Notes to Financial Statements September 30, 2014

10. NET ASSETS RELEASED FROM RESTRICTIONS

During the fiscal year ended September 30, 2014, net assets of \$139,722 were released from donor restrictions. Of this amount, \$118,482 of Combined Federal Campaign contributions were released from donor restrictions by satisfying the time restrictions specified by the donors, and \$21,240 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 veteran-related projects throughout the United States. 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 December 2, 2014, the date on which the financial statements were available to be issued.