



SILVER SPRING, MARYLAND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015



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 (the "Foundation") as of September 30, 2015, 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.

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, 2015, 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.

Mullins PC

Washington, D.C.
November 15, 2015

Certified Public Accountants

Veterans Support Foundation
Statement of Financial Position
September 30, 2015
(With Comparative Totals as of September 30, 2014)

	2015	2014
Assets		
Current Assets		
Cash	\$ 184,280	\$ 131,703
Per Diem Grants Receivable	25,940	24,267
Unconditional Promises to Give (Net of Allowance for Uncollectible Promises to Give of \$17,854)	53,236	56,862
Prepaid Expenses	14,906	20,229
Fixed Index Annuities	653,863	634,063
Total Current Assets	932,225	867,124
Property and Equipment - Net	554,196	568,733
Total Assets	\$ 1,486,421	\$ 1,435,857
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 104,887	\$ 37,821
Grants Payable	227,192	208,870
Total Current Liabilities - Total Liabilities	332,079	246,691
Net Assets		
Unrestricted	1,096,188	1,130,312
Temporarily Restricted	58,154	58,854
Total Net Assets	1,154,342	1,189,166
Total Liabilities and Net Assets	\$ 1,486,421	\$ 1,435,857

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Statement of Activities

For the Year Ended September 30, 2015

(With Comparative Totals for the Year Ended September 30, 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
Support and Revenues				
Contributions	\$ 1,635,541	\$ 105,196	\$ 1,740,737	\$ 1,972,286
Per Diem Grants	302,262	-	302,262	261,608
Veterans Housing	70,273	-	70,273	51,289
Miscellaneous	1,500	-	1,500	-
Unrealized Gains	19,800	-	19,800	24,492
Net Assets Released from Restrictions	105,896	(105,896)	-	-
Total Support and Revenues	2,135,272	(700)	2,134,572	2,309,675
Expenses				
Program Services				
Transitional Housing	422,252	-	422,252	422,590
Veterans Support	208,251	-	208,251	243,943
Total Program Services	630,503	-	630,503	666,533
Supporting Services				
General and Administrative	500,679	-	500,679	644,628
Fund-Raising	1,038,214	-	1,038,214	1,076,108
Total Supporting Services	1,538,893	-	1,538,893	1,720,736
Total Expenses	2,169,396	-	2,169,396	2,387,269
Increase (Decrease) in Net Assets	(34,124)	(700)	(34,824)	(77,594)
Net Assets - Beginning of Year	1,130,312	58,854	1,189,166	1,281,933
Net Assets - End of Year	\$ 1,096,188	\$ 58,154	\$ 1,154,342	\$ 1,204,339

See accompanying Notes to Financial Statements.

Veterans Support Foundation

**Statement of Functional Expenses
For the Year Ended September 30, 2015
(With Comparative Totals for the Year Ended September 30, 2014)**

	Program Services	Supporting Services		2015 Total	2014 Total
		General and Administrative	Fund-Raising		
Expenses					
Salaries and Benefits	\$ 170,521	\$ -	\$ -	\$ 170,521	\$ 175,207
Grants and Donations	208,251	-	-	208,251	243,943
Professional Fees	33,521	454,018	1,015,929	1,503,468	1,685,281
Marketing	-	33,725	-	33,725	19,331
Utilities	52,430	-	-	52,430	50,334
Repairs and Maintenance	49,627	-	-	49,627	30,837
Bank Fees	-	2,094	22,285	24,379	27,453
Travel	16,906	-	-	16,906	34,067
Depreciation	37,200	-	-	37,200	36,193
Insurance	36,728	2,229	-	38,957	31,676
Telephone	12,315	-	-	12,315	13,815
Taxes, Licenses, Etc.	1,043	4,671	-	5,714	8,821
Office Supplies	5,891	391	-	6,282	11,252
Printing	2	1,296	-	1,298	1,714
State Registration Fees and Expenses	-	971	-	971	-
Miscellaneous	288	-	-	288	931
Postage and Shipping	695	1,284	-	1,979	2,757
Furniture and Equipment	5,085	-	-	5,085	13,657
Total Functional Expenses	\$ 630,503	\$ 500,679	\$1,038,214	\$2,169,396	\$2,387,269

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Statement of Cash Flows
For the Year Ended September 30, 2015
(With Comparative Totals for the Year Ended September 30, 2014)

	2015	2014
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (34,824)	\$ (77,594)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	37,200	36,193
Gain on Fixed Index Annuities	(19,800)	(24,492)
<u>(Increase) Decrease in Assets</u>		
Per Diem Grants Receivable	(1,673)	(6,616)
Unconditional Promises to Give	3,626	32,108
Prepaid Expenses	5,323	(11,403)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	67,066	11,040
Grants Payable	18,322	(5,580)
	75,240	(46,344)
Net Cash Provided by (Used in) Operating Activities	75,240	(46,344)
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(22,663)	(13,402)
Purchases of Fixed Index Annuities	-	(80,000)
	(22,663)	(93,402)
Net Cash Provided by (Used) in Investing Activities	(22,663)	(93,402)
Net Increase (Decrease) in Cash	52,577	(139,746)
Cash, Beginning of Year	131,703	271,449
Cash, End of Year	\$ 184,280	\$ 131,703

See accompanying Notes to Financial Statements.

Veterans Support Foundation

Notes to Financial Statements September 30, 2015

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, 2014, 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, 2015

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 and vehicles 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 and vehicles are depreciated over five years.

Fixed Index Annuities

Fixed index annuities are contracts with insurance companies that provide a guaranteed annual interest rate and earnings potential linked to the S&P 500 Index. Realized and unrealized gains and losses are included in the statement of activities. Investment income is 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, 2015**

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, 2015, 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, 2015.

Generally, the tax years before 2011 are no longer subject to examination by federal, state, or local taxing authorities.

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, 2015, the deposits did not exceed the insured coverage.

4. FIXED INDEX ANNUITIES

The cost basis and contract value are summarized below:

	<u>Cost</u>	<u>Fair Value</u>
Indexed Annuity Contracts	<u>\$ 506,000</u>	<u>\$ 653,863</u>

The cash surrender value of both funds as of September 30, 2015, is \$580,748.

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.

Veterans Support Foundation

Notes to Financial Statements September 30, 2015

4. FIXED INDEX ANNUITIES (CONTINUED)

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%

5. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2015, were as follows:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 80,000	\$ -	\$ 80,000
Buildings	403,221	(268,399)	134,822
Improvements	619,230	(304,242)	314,988
Vehicles	29,725	(5,339)	24,386
	<u>\$ 1,132,176</u>	<u>\$ (577,980)</u>	<u>\$ 554,196</u>

Depreciation expense was \$37,200 for the year ended September 30, 2015.

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 \$129,566 in fiscal year 2015 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

Veterans Support Foundation

Notes to Financial Statements September 30, 2015

7. RELATED PARTY TRANSACTIONS (CONTINUED)

used are credited to program services expense. Total grants payable to VVA were \$130,790 as of September 30, 2015.

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 2015 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 represents time restrictions that fully expire in the fiscal year ending September 30, 2015 and purpose restrictions for the repair and maintenance of the transitional houses. The restricted activity is as follows:

	<u>October 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>September 30</u>
Time Restrictions	\$ 56,862	\$ 77,696	\$ (81,322)	\$ 53,236
Transitional Houses	<u>1,992</u>	<u>27,500</u>	<u>(24,574)</u>	<u>4,918</u>
	<u>\$ 58,854</u>	<u>\$ 105,196</u>	<u>\$ (105,896)</u>	<u>\$ 58,154</u>

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 \$302,262 for the year ended September 30, 2015.

10. 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.

11. SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through November 15, 2015, the date on which the financial statements were available to be issued.