



SILVER SPRING, MARYLAND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016



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, 2016, and 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.

7625 Wisconsin Avenue, Suite 317 | Bethesda, Maryland 20814

202.770.6371

| www.mullinspc.com

| john@mullinspc.com

Report on the Financial Statements (Continued)

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, 2016, 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.



Washington, D.C.
November 15, 2016

Certified Public Accountants

Veterans Support Foundation
Statement of Financial Position
September 30, 2016
(With Comparative Totals As of September 30, 2015)

	2016	2015
Assets		
Current Assets		
Cash	\$ 488,626	\$ 184,280
Per Diem Grants Receivable	25,505	25,940
Unconditional Promises to Give (Net of Allowance for Uncollectible Promises to Give of \$16,878)	52,061	53,236
Prepaid Expenses	16,130	14,906
Fixed Index Annuities	687,912	653,863
Total Current Assets	1,270,234	932,225
Property and Equipment - Net	526,055	554,196
Total Assets	\$ 1,796,289	\$ 1,486,421
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 88,028	\$ 104,887
Grants Payable	348,703	227,192
Total Current Liabilities - Total Liabilities	436,731	332,079
Net Assets		
Unrestricted	1,307,497	1,096,188
Temporarily Restricted	52,061	58,154
Total Net Assets	1,359,558	1,154,342
Total Liabilities and Net Assets	\$ 1,796,289	\$ 1,486,421

See Accompanying Notes to Financial Statements

Veterans Support Foundation
Statement of Activities
For the Year Ended September 30, 2016
(With Comparative Totals For the Year Ended September 30, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
Support and Revenues				
Contributions	\$ 4,049,678	\$ 139,280	\$ 4,188,958	\$ 1,740,737
Per Diem Grants	262,364	-	262,364	302,262
Veterans Housing	40,834	-	40,834	70,273
Miscellaneous	1,784	-	1,784	1,500
Unrealized Gains	4,050	-	4,050	19,800
Net Assets Released from Restrictions	145,373	(145,373)	-	-
Total Support and Revenues	4,504,083	(6,093)	4,497,990	2,134,572
Expenses				
Program Services				
Transitional Housing	414,744	-	414,744	422,252
Veterans Support	342,800	-	342,800	208,251
Total Program Services	757,544	-	757,544	630,503
Supporting Services				
General and Administrative	1,301,169	-	1,301,169	500,679
Fund-Raising	2,234,061	-	2,234,061	1,038,214
Total Supporting Services	3,535,230	-	3,535,230	1,538,893
Total Expenses	4,292,774	-	4,292,774	2,169,396
Increase (Decrease) in Net Assets	211,309	(6,093)	205,216	(34,824)
Net Assets - Beginning of Year	1,096,188	58,154	1,154,342	1,189,166
Net Assets - End of Year	\$ 1,307,497	\$ 52,061	\$ 1,359,558	\$ 1,154,342

See Accompanying Notes to Financial Statements

Veterans Support Foundation
Statement of Functional Expenses
For the Year Ended September 30, 2016
(With Comparative Totals For the Year Ended September 30, 2015)

	Program Services	Supporting Services		2016 Total	2015 Total
		General and Administrative	Fund-Raising		
Expenses					
Salaries and Benefits	\$ 185,220	\$ 1,144	\$ -	\$ 186,364	\$ 170,521
Grants and Donations	342,800	-	-	342,800	208,251
Professional Fees	35,016	1,273,509	2,214,891	3,523,416	1,503,468
Marketing	-	15,835	-	15,835	33,725
Utilities	41,569	21	-	41,590	52,430
Repairs and Maintenance	38,286	-	-	38,286	49,627
Bank Fees	-	1,265	19,095	20,360	24,379
Travel	10,243	1,288	-	11,531	16,906
Depreciation	43,790	-	-	43,790	37,200
Insurance	31,892	2,150	-	34,042	38,957
Telephone	12,767	-	-	12,767	12,315
Taxes, Licenses, Etc.	909	4,051	-	4,960	6,685
Office Supplies	4,316	223	75	4,614	6,282
Printing	602	1,040	-	1,642	1,298
Miscellaneous	2,135	-	-	2,135	288
Postage and Shipping	541	643	-	1,184	1,979
Furniture and Equipment	7,458	-	-	7,458	5,085
Total Functional Expenses	\$ 757,544	\$ 1,301,169	\$ 2,234,061	\$ 4,292,774	\$ 2,169,396

See Accompanying Notes to Financial Statements

Veterans Support Foundation
Statement of Cash Flows
For the Year Ended September 30, 2016
(With Comparative Totals For the Year Ended September 30, 2015)

	2016	2015
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 205,216	\$ (34,824)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	43,790	37,200
Gain on Fixed Index Annuities	(4,050)	(19,800)
<u>(Increase) Decrease in Assets</u>		
Per Diem Grants Receivable	436	(1,673)
Unconditional Promises to Give	1,175	3,626
Prepaid Expenses	(1,224)	5,323
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	(16,859)	67,066
Grants Payable	121,511	18,322
Net Cash Provided by (Used in) Operating Activities	349,995	75,240
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(15,649)	(22,663)
Purchases of Fixed Index Annuities	(30,000)	-
Net Cash Provided by (Used) in Investing Activities	(45,649)	(22,663)
Net Increase (Decrease) in Cash	304,346	52,577
Cash, Beginning of Year	184,280	131,703
Cash, End of Year	\$ 488,626	\$ 184,280

See Accompanying Notes to Financial Statements

Veterans Support Foundation

Notes to Financial Statements September 30, 2016

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, 2015, 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.

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.

Veterans Support Foundation

Notes to Financial Statements September 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

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 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, 2016, 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, 2016.

Generally, the tax years before 2012 are no longer subject to examination by federal, state, or local taxing authorities.

Veterans Support Foundation

Notes to Financial Statements September 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Foundation has evaluated subsequent events through November 15, 2016, the date on which the financial statements were available to be issued. There were no subsequent events that meet the criteria for disclosure.

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, 2016, 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	\$ 616,000	\$ 687,912

The cash surrender value of both funds as of September 30, 2016, is \$624,318.

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:

	<u>7 Year</u>		<u>10 Year</u>	
	<u>Minimum Guarantee</u>	<u>Maximum Cap</u>	<u>Minimum Guarantee</u>	<u>Maximum Cap</u>
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. 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.

Veterans Support Foundation

**Notes to Financial Statements
September 30, 2016**

6. PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2016, were as follows:

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 80,000	\$ -	\$ 80,000
Buildings	403,221	(281,841)	121,380
Improvements	619,230	(324,683)	294,547
Vehicles	45,375	(15,247)	30,128
	<u>\$ 1,147,826</u>	<u>\$ (621,771)</u>	<u>\$ 526,055</u>

Depreciation expense was \$43,790 for the year ended September 30, 2016.

7. RELATED PARTY TRANSACTIONS

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

The Foundation granted \$208,181 in fiscal year 2016 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 \$201,154 as of September 30, 2016.

During 2013, the Foundation agreed to pay VVA \$50,000 annually for the financial and accounting assistance provided by VVA to the Foundation and the personnel providing those services. Total management fees paid to VVA during 2016 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, 2016 and purpose restrictions for the repair and maintenance of the transitional houses. The restricted activity is as follows:

	October 1	Contributions	Releases	September 30
Time Restrictions	\$ 53,236	\$ 83,549	\$ (84,724)	\$ 52,061
Transitional Houses	4,918	55,731	(60,649)	-
	<u>\$ 58,154</u>	<u>\$ 139,280</u>	<u>\$ (145,373)</u>	<u>\$ 52,061</u>

Veterans Support Foundation

Notes to Financial Statements September 30, 2016

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 \$262,364 for the year ended September 30, 2016.

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.