

**NATIONAL VETERANS FOUNDATION, INC.**

**FINANCIAL STATEMENTS AS OF  
JUNE 30, 2015 TOGETHER WITH  
AUDITOR'S REPORT**

**SILVANO & LOMBARD**

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**CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION**

**NATIONAL VETERANS FOUNDATION, INC.  
FINANCIAL STATEMENTS AS OF JUNE 30, 2015**

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Veterans Foundation, Inc.

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of National Veterans Foundation, Inc., which comprise the statement of financial position as of June 30, 2015 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.

#### **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 National Veterans Foundation, Inc. as of June 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.



Silvano & Lombard, Certified Public Accountants, A Professional Corporation  
Torrance, California  
September 29, 2015

**National Veterans Foundation, Inc.**  
**Statement of Financial Position**  
**June 30, 2015**

**ASSETS**

CURRENT ASSETS

Cash and cash equivalents	\$ 150,661
Investment in short-term securities	671
Other assets	53
<b>TOTAL CURRENT ASSETS</b>	<b>151,385</b>

PROPERTY AND EQUIPMENT, at cost

Vehicles	36,646
Furniture and office equipment	48,922
	85,568
Less: accumulated depreciation	(81,174)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>4,394</b>

ENDOWMENT INVESTMENT ACCOUNT

Cash and cash equivalents in brokerage account	3,891
Investment in mutual funds	2,371,217
<b>TOTAL ENDOWMENT INVESTMENT ACCOUNT</b>	<b>2,375,108</b>

OTHER ASSET - Security deposit	506
	506

<b>TOTAL ASSETS</b>	<b>\$ 2,531,393</b>
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**LIABILITIES AND NET ASSETS**

CURRENT LIABILITIES

Accounts payable	\$ 1,856
Accrued vacation pay	4,878
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,734</b>

NET ASSETS

Unrestricted	149,550
Temporarily restricted	2,375,109
<b>TOTAL NET ASSETS</b>	<b>2,524,659</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,531,393</b>
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See independent auditor's report and accompanying notes to the financial statements.

**National Veterans Foundation, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

UNRESTRICTED NET ASSETS	
REVENUE AND SUPPORT	
Donations from individuals and organizations	\$ 261,678
Miscellaneous income	14,059
Net assets released from temporarily restricted assets	<u>328,587</u>
TOTAL REVENUE AND SUPPORT	<u>604,324</u>
EXPENSES	
Program services - veteran support services	449,440
Management and general expenses	81,992
Fundraising expenses	<u>33,693</u>
TOTAL EXPENSES	<u>565,125</u>
INCREASE IN UNRESTRICTED NET ASSETS	<u>39,199</u>
TEMPORARILY RESTRICTED ASSETS (See Note 2)	
Dividend income	75,684
Net decrease in fair value of investments	(114,310)
Net assets released to unrestricted assets	<u>(328,587)</u>
DECREASE IN TEMPORARILY RESTRICTED ASSETS	<u>(367,213)</u>
TOTAL DECREASE IN NET ASSETS	(328,014)
NET ASSETS, beginning of year	<u>2,852,673</u>
NET ASSETS, end of year	<u><u>\$ 2,524,659</u></u>

See independent auditor's report and accompanying notes to the financial statements.

**National Veterans Foundation, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2015**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Veterans Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	
Accounting	\$ -	\$ 24,700	\$ -	\$ 24,700
Automobile expenses	4,697	829	-	5,526
Depreciation	350	18	-	368
Education, awareness and promotion	1,478	-	3,231	4,709
Insurance	5,992	4,371	375	10,738
Legal expenses	-	8,994	-	8,994
Office and hotline expenses	29,772	9,368	4,365	43,505
Outreach programs	8,627	-	-	8,627
Outside consulting services	26,572	6,000	21,858	54,430
Payroll and related costs	310,492	20,631	-	331,123
Rent	37,766	7,081	2,360	47,207
Storage	17,827	-	-	17,827
Travel	921	-	454	1,375
Website and internet	4,946	-	1,050	5,996
	<u>\$ 449,440</u>	<u>\$ 81,992</u>	<u>\$ 33,693</u>	<u>\$ 565,125</u>
Percent of Total Expenses	<u>80%</u>	<u>15%</u>	<u>6%</u>	<u>100%</u>

See independent auditor's report and accompanying notes to the financial statements.

**National Veterans Foundation, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

Cash flows from operating activities:	
Decrease in net assets	<u>\$ (328,014)</u>
Adjustments to reconcile decrease in net assets to net cash utilized by operating activities	
Depreciation	368
Increase in other assets	(459)
Decrease in fair value of investment account	38,626
Decrease in accounts payable and accrued liabilities	<u>6,074</u>
Total adjustments	<u>44,609</u>
Net cash utilized by operating activities	<u>(283,405)</u>
Cash flows from investing activities	
Transfer of cash from endowment account to general operating account	<u>328,587</u>
Net cash provided by investing activities	<u>328,587</u>
Net increase in cash and cash equivalents	45,182
Cash and cash equivalents, beginning of year	105,479
Cash and cash equivalents, end of year	<u><u>\$ 150,661</u></u>

See independent auditor's report and accompanying notes to the financial statements.

**NATIONAL VETERANS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

National Veterans Foundation, Inc. (the "Foundation") is a nonprofit organization operating a national crisis and information hotline for veterans and their families throughout the United States, implementing public awareness programs that consistently draw attention to the needs of America's veterans and providing outreach services that provide veterans in need with food, clothing, transportation, employment and other essential services. The Foundation's support comes primarily from individual and corporate donor contributions. Cash donations are recognized as donation revenue upon receipt.

Basis of presentation

As required by the Not for Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Foundation is required to present a statement of cash flows and a statement of functional expenses.

Investments

As required by the Not for Profit Topic of the FASB Accounting Standards Codification, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. The fair value of investments is based on quoted market prices for those or similar investments. Net appreciation (depreciation) of the fair value of investments, which consist of the realized gains and losses and unrealized appreciation (depreciation) on those investments for the year, are reported in the statement of activities.

Property and Equipment

Property and equipment is recorded at cost. Depreciation and amortization of property and equipment is computed using the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Classification</u>	<u>Life in Years</u>
Automobiles	5
Furniture and office equipment	5

Ordinary repairs and maintenance are expensed in the year incurred.

Revenue Recognition and Allocation of Expenses

The Foundation received endowment contributions in 2004, 2005 and 2006 totaling \$4,939,072 from the estate of an individual donor. The terms of the donation permit an annual distribution from the endowment of 5% of the original principal amount. The initial donation was treated as a restricted donation when it was received and recorded as restricted revenue. Each year 5% of the initial amount contributed is relieved from restricted revenues when distributed and recorded as unrestricted revenue (see Note 3). The endowment agreement places no restrictions on the dividend and interest income earned by the endowment. Thus, interest and dividend income are recorded as unrestricted net assets when earned.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation's Form 990 is subject to examination by the IRS for three years after they are filed.



**NATIONAL VETERANS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash Flows

For the purposes of the statements of cash flows, the Foundation considers all cash, money market funds and highly liquid debt instruments with a maturity of three months or less to be cash and cash equivalents.

Estimates

Generally accepted accounting principles require that the financial statements include estimates by management in the valuation of certain assets and liabilities. Management estimates the useful lives of property and equipment and the value of donated assets and services. Management uses its historical records and knowledge of its business in making these estimates. Accordingly, actual results may differ from those estimates.

Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents at financial institutions located in Los Angeles, California. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. In addition, deposits in noninterest bearing accounts are covered in full. As of June 30, 2015, all of the Foundation's cash balances were covered by FDIC insurance.

The Foundation maintains investment accounts with licensed brokers valued at approximately \$2,375,000 as of June 30, 2015. The cash and securities in the account are insured up to \$500,000 (coverage on cash limited to \$250,000) by the Securities Investor Protection Corporation ("SIPC"). The broker also carries excess SIPC insurance which insures the net equity of investor accounts. The coverage covers losses of cash or securities from customer accounts if the broker were to fail and be unable to meet its obligations to its customers. The coverage does not cover any losses from changes in the market value of investments. Although created by Congress, SIPC is not a government agency. It is a non-profit membership corporation which receives its revenue from those brokers and dealers that are required by law to be SIPC members and from its own investments.

**NOTE 2 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily Restricted Assets consist of an endowment the Foundation had received in 2005, 2006 and 2007 from a specific individual donor's estate. The total amount of the contribution was approximately \$4,900,000.

Terms of the endowment fund permit the Foundation to withdraw 5% of the original principal contributed each year. In addition, the Foundation may withdraw income earned on the principal in the endowment fund, however terms of the endowment specify that income does not include appreciation on principal. During the year ended June 30, 2015, the \$328,587 of the original principal and earnings were released from temporarily restricted assets. Interest and dividends are recorded as unrestricted net assets when earned. Each year, \$247,288 of the original principal is permitted to be released to unrestricted assets from the fund.

**NATIONAL VETERANS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 INVESTMENTS**

Investments in the endowment investment account as of June 30, 2015, are as follows:

Description	Type	Cost	Fair Market Value
Money market fund	Money market	\$ 3,891	\$ 3,891
Blackrock Global Allocation Fund C	Mutual fund	169,686	174,721
First Eagle Global Fund C	Mutual fund	103,704	108,700
IVA Worldwide Fund C	Mutual fund	118,056	123,948
JPMorgan Core Bond Fund A	Mutual fund	219,059	218,540
JPMorgan Strategic Income Opps Fund C	Mutual fund	237,014	235,010
JPMorgan Income Builder Fund C	Mutual fund	208,544	202,832
Lord Abbett Short Duration Income Fund C	Mutual fund	170,348	167,012
Clearbridge Appreciation Fund C	Mutual fund	32,729	36,859
Pimco Total Return Fund A	Mutual fund	351,650	335,821
Pimco Income Fund A	Mutual fund	324,102	320,980
Prudential Total Return Bond Fund C	Mutual fund	169,681	166,395
Oppenheimer International Bond Fund C	Mutual fund	299,519	280,399
		<u>\$ 2,407,983</u>	<u>\$ 2,375,108</u>

A brief description of the investment objectives of these investments follows:

**Blackrock Global Allocation Fund C** - The investment seeks to provide high total investment return. The fund invests in a portfolio of equity, debt and money market securities. It may invest up to 35% of its total assets in junk bonds, corporate loans and distressed securities. The fund may also invest in Real Estate Investment Trusts (REITs). It has no geographic limits on where it may invest and may invest in the securities of companies of any market capitalization.

**First Eagle Global Fund C** – Seeks long-term growth by investing in a range of asset classes from markets in the United States and around the world. The fund is managed to minimize risk.

**IVA Worldwide Fund C** - The investment seeks long-term growth of capital. The fund invests at least 40% but no less than 30% of total assets in equity and debt securities issued by foreign companies and governments. It may invest in a range of securities and asset classes from markets around the world, including U.S. markets. Normally, no one position in equity securities will exceed 5% of the total assets of the Worldwide Fund at the time of investment. If the position in one of the below referenced securities exceeds 5% of the fund's total assets after the time of investment, the fund may continue to hold such securities.

**JPMorgan Core Bond Fund A** - The investment seeks to maximize total return. The fund is designed to maximize total return by investing in a portfolio of investment grade intermediate- and long-term debt securities. As a matter of fundamental policy, the fund will invest at least 80% of assets in bonds. The fund's average weighted maturity will ordinarily range between 4 and 12 years.

**JPMorgan Strategic Income Opportunity C** - The fund seeks to provide high total return. The fund attempts to achieve a positive total return in diverse market environments over time. It may invest in a wide range of debt securities of issuers from the U.S. and other markets, both developed and emerging. Although the fund may invest up to 100% of total assets in junk bonds if deemed advantageous by the adviser given current market conditions at the time of investment, it generally invests at least 25% of total assets in securities that, at the time of purchase, are rated investment-grade or better or the unrated equivalent.

**NATIONAL VETERANS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3 INVESTMENTS (continued)**

**JPMorgan Income Builder Fund C** - The Fund seeks to maximize income while maintaining prospects for capital appreciation. The Fund primarily invests in a broad range of income-producing securities, including debt and equity securities in the U.S. as well as other markets, both developed and emerging.

**Lord Abbett Short Duration Income Fund C** - The Fund seeks to deliver a high level of current income consistent with the preservation of capital by investing primarily in a variety of short duration investment grade and high yield debt securities, U.S. government securities, and mortgage- and other asset-backed debt securities.

**Clearbridge Appreciation Fund C** - The investment seeks to provide long-term appreciation of shareholders' capital. The fund invests primarily in equity securities of U.S. companies. It typically invests in medium and large capitalization companies, but may also invest in small capitalization companies. The fund may invest up to 20% of its net assets in the equity securities of foreign issuers.

**Pimco Total Return A** - The investment seeks maximum total return. The fund normally invests at least 65% of total assets in a diversified portfolio of fixed-income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment-grade debt securities, but may invest up to 10% of total assets in high-yield securities (junk bonds). The fund may invest in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage- or asset-backed securities.

**Pimco Income Fund A** - The fund is designed for investors who need steady income. It takes a broad-based approach to investing in income-generating bonds.

**Prudential Total Return Bond Fund C** - The fund seeks to achieve its objective through a mix of current income and capital appreciation. It invests, under normal circumstances, at least 80% of the fund's investable assets in bonds. For purposes of this policy, bonds include all fixed-income securities, other than preferred stock, with a maturity at date of issue of greater than one year. The fund may invest up to 30% of its investable assets in high risk, below investment-grade securities having a rating of not lower than CCC. It may invest up to 30% of its investable assets in foreign debt securities.

**Oppenheimer International Bond Fund C** - The investment seeks total return with a secondary objective of income consistent with total return. The fund invests mainly in debt securities of foreign government and corporate issuers. It normally invests at least 80% of assets in bonds and at least in three countries other than the United States. The fund does not limit its investments to securities of issuers in a particular market capitalization or maturity range or rating category. It is non-diversified.

The activity in the endowment account is summarized below:

Balance, June 30, 2014	\$2,742,321
Dividend Income	75,684
Decrease in fair value of assets	-114,310
Transferred to unrestricted cash	-328,587
Balance, June 30, 2015	<u>\$2,375,108</u>

**NATIONAL VETERANS FOUNDATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 FAIR VALUE MEASUREMENTS**

The Foundation's investments are reported at fair value in the accompanying statement of financial position, in accordance with the Fair Value Measurements & Disclosures Topic of the FASB Accounting Standards Codification. The Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Plan has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The initial pricing input is the quoted price obtained for the underlying mutual fund which is then adjusted to apply the expense factor disclosed in the annuity contract. The following tables present the Plan's investments that are measured at fair value as of June 30, 2015:

<b>Assets at Fair Value as of June 30, 2015</b>				
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market fund	\$ 3,891	\$ 3,891	\$ -	\$ -
Mutual funds	<u>2,371,217</u>	<u>2,371,217</u>	<u>-</u>	<u>-</u>
	<u><b>\$2,375,108</b></u>	<u><b>\$2,375,108</b></u>	<u><b>\$-</b></u>	<u><b>\$-</b></u>

**NOTE 5 DATE OF MANAGEMENT'S REVIEW**

Subsequent events were evaluated through September 29, 2015 which is the date the financial statements were available to be issued.

**NOTE 6 LEASE COMMITMENTS**

The Foundation entered a noncancelable five year lease for its office space commencing April 16, 2015. The following is a schedule of future minimum lease commitments under the lease.

For the year ended June 30,	
2016	\$36,932
2017	39,836
2018	41,031
2019	42,261
2020	<u>33,363</u>
	<u><b>\$193,423</b></u>