



# Financial Statements

*For the Year Ended December 31, 2016*

*(With Summarized Financial Information for the Year Ended December 31, 2015)*



**and**  
**Report Thereon**





*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Student Veterans of America

We have audited the accompanying financial statements of the Student Veterans of America (SVA), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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 of 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 the Student Veterans of America as of December 31, 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.

## Report on Summarized Comparative Information

We have previously audited SVA's 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated May 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Raffa, P.C.", with a stylized flourish.

**Raffa, P.C.**

Washington, DC  
May 8, 2017

**STUDENT VETERANS OF AMERICA**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2016**  
**(With Summarized Financial Information as of December 31, 2015)**

	2016	2015
<b>ASSETS</b>		
Cash	\$ 699,842	\$ 1,805,845
Investments	301,410	296,397
Grants receivable, net	3,021,667	4,453,986
Prepaid expenses and other assets	160,330	124,085
Property and equipment, net	452,518	531,662
<b>TOTAL ASSETS</b>	<b>\$ 4,635,767</b>	<b>\$ 7,211,975</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 53,507	\$ 160,499
Deferred income	113,925	164,413
Deferred rent and lease incentives	413,408	356,181
<b>TOTAL LIABILITIES</b>	<b>580,840</b>	<b>681,093</b>
<b>Net Assets (Deficit)</b>		
Unrestricted deficit	(620,298)	(449,584)
Temporarily restricted	4,675,225	6,980,466
<b>TOTAL NET ASSETS</b>	<b>4,054,927</b>	<b>6,530,882</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,635,767</b>	<b>\$ 7,211,975</b>

The accompanying notes are an integral part of these financial statements.

# STUDENT VETERANS OF AMERICA

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

(With Summarized Financial Information for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
<b>REVENUE AND SUPPORT</b>				
Grants and contributions	\$ 362,506	\$ 1,113,181	\$ 1,475,687	\$ 6,911,907
Conference fees	183,464	-	183,464	56,729
Other	19,023	-	19,023	9,559
Donated goods and services	11,375	-	11,375	104,584
Investment income (loss)	6,540	-	6,540	(4,662)
Net assets released from restrictions:				
Satisfaction of program restrictions	3,418,422	(3,418,422)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	4,001,330	(2,305,241)	1,696,089	7,078,117
<b>EXPENSES</b>				
<b>Program Services:</b>				
National Conference	853,810	-	853,810	697,067
Research	668,481	-	668,481	405,680
Veterans Center Initiative	509,415	-	509,415	497,626
Leadership Institute Series	442,816	-	442,816	324,651
Chapter Services and Grants	407,178	-	407,178	366,737
Scholarship	259,988	-	259,988	200,294
Alumni Initiative	28,679	-	28,679	198,855
National Veterans Center	-	-	-	152,489
Total Program Services	3,170,367	-	3,170,367	2,843,399
<b>Supporting Services:</b>				
General and administrative	854,116	-	854,116	983,387
Fundraising	147,561	-	147,561	171,055
Total Supporting Services	1,001,677	-	1,001,677	1,154,442
<b>TOTAL EXPENSES</b>	4,172,044	-	4,172,044	3,997,841
<b>CHANGE IN NET ASSETS</b>	(170,714)	(2,305,241)	(2,475,955)	3,080,276
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	(449,584)	6,980,466	6,530,882	3,450,606
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	\$ (620,298)	\$ 4,675,225	\$ 4,054,927	\$ 6,530,882

The accompanying notes are an integral part of these financial statements.

**STUDENT VETERANS OF AMERICA**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2016**

**(With Summarized Financial Information for the Year Ended December 31, 2015)**

**Increase (Decrease) in Cash**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,475,955)	\$ 3,080,276
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	95,864	41,675
Discount to present value	167,049	297,514
Net realized and unrealized losses (gains)	(4,878)	13,974
Changes in assets and liabilities:		
Grants receivable	1,265,270	(3,842,732)
Prepaid expenses and other assets	(36,245)	(14,297)
Accounts payable and grants payable	(106,992)	69,453
Deferred income	(50,488)	114,570
Deferred rent and lease incentives	<u>57,227</u>	<u>68,755</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(1,089,148)</u>	<u>(170,812)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,601)	(9,312)
Sales of investments	1,465	4,536
Acquisition of property and equipment	<u>(16,719)</u>	<u>(209,331)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(16,855)</u>	<u>(214,107)</u>
<b>NET DECREASE IN CASH</b>	(1,106,003)	(384,919)
<b>CASH, BEGINNING OF YEAR</b>	<u>1,805,845</u>	<u>2,190,764</u>
<b>CASH, END OF YEAR</b>	<u>\$ 699,842</u>	<u>\$ 1,805,845</u>
<b>NONCASH FINANCING AND INVESTING ACTIVITIES</b>		
Leasehold improvements	\$ -	\$ 265,932
Deferred lease incentive	<u>-</u>	<u>(265,932)</u>
	<u>\$ -</u>	<u>\$ -</u>

**The accompanying notes are an integral part of these financial statements.**

# STUDENT VETERANS OF AMERICA

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

The Student Veterans of America (SVA) was incorporated under the laws of the State of Michigan on January 23, 2008. SVA was formed to provide financial and educational assistance to student veteran organizations established on university and college campuses across the United States, aimed at assisting with the transition of veterans who have served, or who are serving, in the US military into campus life and the civilian community; to offer financial and educational assistance to student veterans attending colleges and universities in the US; and to educate and inform student veterans regarding the rights and opportunities which are available to them as veterans through federal, state and local governments and their respective institutions. These activities are primarily funded from donations and grants.

#### **Cash and Cash Equivalents**

Cash includes non-interest-bearing demand deposit accounts and an interest-bearing savings account.

#### **Investments**

Investments consist of fixed-income mutual funds and cash held for investment purposes. These investments are recorded in the accompanying financial statements at fair market value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales are reflected on a trade date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period.

#### **Fair Value Measurement**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value for assets and liabilities that are measured at fair value on a recurring basis. In accordance with the accounting standards for fair value measurement for those assets and liabilities that are measured at fair value on a recurring basis, SVA has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

## STUDENT VETERANS OF AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### **Fair Value Measurement (continued)**

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2016, only SVA's investments, as described in Note 2, were measured at fair value on a recurring basis.

##### **Property and Equipment and Related Accumulated Depreciation**

Property and equipment are recorded at cost. Depreciation on furniture, fixtures and equipment, and computers is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to ten years. SVA recognizes costs incurred in the development of its website in accordance with the provisions of the accounting standards for website development costs. Accordingly, costs incurred for planning and operating the website are expensed, whereas costs incurred in developing the applications and infrastructure are capitalized and amortized on a straight-line basis over an estimated useful life of three years. The cost of property and equipment retired or disposed of is removed from the accounts, along with the related accumulated depreciation, and any gain or loss is reflected in income or expense in the accompanying statement of activities. Major additions of \$500 and greater are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

##### **Net Assets**

The net assets of SVA are classified as follows:

- Unrestricted net assets represent funds that are available for support of SVA's operations.
- Temporarily restricted net assets represent amounts that are subject to donor-imposed restrictions to be used for a particular purpose or within a specific time period.

##### **Revenue Recognition**

Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. Conditional promises to give are not included as support until such time as the conditions are substantially met. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

**STUDENT VETERANS OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue Recognition (continued)**

Grants and contracts treated as exchange transactions are recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on these grants and contracts for which billings have not been presented to, or collected from, the awarding agency is included in grants receivable in the accompanying statement of financial position.

Revenue and the related costs of the annual conference, meetings and workshops are recognized in the year in which the conference, meeting or workshop is held. Accordingly, registration and related fees received in advance of the related conference or meetings are reflected as deferred income in the accompanying statement of financial position.

**Donated Goods and Services**

Donated goods and services consist of goods and services for the National Conference and general and administrative supporting services that are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor at the date of receipt.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated proportionately among the programs and supporting services to which they relate on the basis of salaries.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**STUDENT VETERANS OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

2. Investments

The following table summarizes SVA's investments measured at fair value on a recurring basis as of December 31, 2016:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Fixed-income mutual funds	\$ 69,174	\$ 69,174	\$ -	\$ -
Cash held for investment purposes	<u>232,236</u>	<u>232,236</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 301,410</u>	<u>\$ 301,410</u>	<u>\$ -</u>	<u>\$ -</u>

Fixed-income mutual funds are valued at readily available quoted market prices from an active market where there is significant transparency in the executed/quoted market price.

The composition of investment income is as follows for the year ended December 31, 2016.

Dividends	\$ 1,662
Net realized and unrealized gains	<u>4,878</u>
Total Investment Income	<u>\$ 6,540</u>

3. Grants Receivable

As of December 31, 2016, grants receivable consisted of amounts due from corporations and foundations are expected to be received as follows:

Less than one year	\$ 1,188,716
One to five years	<u>2,000,000</u>
Total Grants Receivable	3,188,716
Less: Discount on Multiyear Grants	<u>(167,049)</u>
Grants Receivable, Net	<u>\$ 3,021,667</u>

All amounts are deemed fully collectible. The discount rate used for the present value of a multiyear grant was 3.5%.

**STUDENT VETERANS OF AMERICA**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2016**

4. Property and Equipment

Property and equipment were composed of the following at December 31, 2016:

Leasehold improvements	\$ 265,932
Furniture, fixtures and equipment	140,635
Computer equipment	115,399
Website development costs	<u>60,593</u>
Total Property and Equipment	582,559
Less: Accumulated Depreciation	<u>(130,041)</u>
Property and Equipment, Net	<u>\$ 452,518</u>

Depreciation and amortization expense was \$95,864 for the year ended December 31, 2016.

5. Temporarily Restricted Net Assets

Net assets were released from donor-imposed restrictions by incurring expenses that satisfied purpose and time restrictions. For the year ended December 31, 2016, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
National Conference	\$ 693,400
Research	622,231
Veterans Center Initiative	531,647
Leadership Institute Series	449,686
Chapter Services and Grants	406,847
Scholarship	259,500
Alumni Network	<u>5,331</u>
Total Satisfaction of Purpose Restrictions	2,968,642
Total Satisfaction of Time Restriction	<u>449,780</u>
Total Satisfaction of Purpose and Time Restrictions	<u>\$ 3,418,422</u>

Temporarily restricted net assets were available with the following time and purpose restrictions at December 31, 2016:

Time restriction for general use through December 31, 2019	<u>\$ 908,333</u>
Purpose restrictions:	
Chapter Services and Grants	2,399,677
National Conference	704,500
Scholarship	597,700
Research	<u>65,015</u>
Total Purpose Restrictions	<u>3,766,892</u>
Total Temporarily Restricted Net Assets	<u>\$ 4,675,225</u>

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## STUDENT VETERANS OF AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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#### 6. Commitments and Risks

##### **Hotel Commitments**

SVA has entered into several agreements with hotels providing for room accommodations for its meetings and conferences through 2018. These agreements contain clauses whereby SVA is liable for liquidated damages in the event of cancellation. Management is of the opinion that no material liability is likely. The maximum possible amount of liquidated damages was approximately \$89,000 as of December 31, 2016.

##### **Concentration of Credit Risk**

SVA maintains its cash and cash equivalents with a commercial financial institution with which its aggregate balance may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2016, the entity had approximately \$625,000 composed of demand deposits, exceeding the maximum limit insured by the FDIC by approximately \$375,000. SVA monitors the creditworthiness of this institution and has not experienced any historical credit losses on its cash and cash equivalents.

##### **Operating Leases**

SVA entered into a 108-month noncancelable operating lease for its headquarters in Washington, DC, which expires on August 31, 2024. Under the terms of the lease, the rent escalates annually over the term of the lease. The terms of the lease included a leasehold incentive in 2015 of \$265,932, which SVA used to build out the office space.

Under GAAP, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position. The leasehold incentive is included in the accompanying statement of financial position, and is amortized and recognized as a reduction to rent expense over the life of the lease.

Future minimum lease payments required under these operating lease agreements are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 240,268
2018	247,476
2019	254,900
2020	262,547
2021	270,423
2022 and beyond	<u>760,476</u>
Total	<u>\$ 2,036,090</u>

Occupancy expense totaled \$193,323 for the year ended December 31, 2016.

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## STUDENT VETERANS OF AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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#### 7. Income Taxes

SVA is exempt from the payment of income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. SVA is subject to tax only on its net unrelated business income. For the year ended December 31, 2016, no provision for income taxes is required, as SVA had no unrelated business income.

SVA has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. SVA evaluated its uncertainty in income taxes for the year ended December 31, 2016, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2016, the statute of limitations for tax years 2013 through 2015 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which SVA files tax returns. It is SVA's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

#### 8. Deficit in Unrestricted Net Assets

SVA has a deficit balance in unrestricted net assets as of December 31, 2016. The deficit principally resulted from net decreases in unrestricted net assets that occurred since 2014, due principally to program and supporting services exceeding unrestricted support. Management of SVA has analyzed the cost of its programs and begun to cut expenses in a way that will not hinder the effective outcome of its programs. In addition, management and the Board of Directors of SVA are currently exploring other additional unrestricted support that can be raised in the coming years. Both should help to eliminate the current deficit in unrestricted net assets.

#### 9. Retirement Plan

SVA sponsors a defined contribution retirement plan, which covers all employees who have been employed for at least three months and are 21 years of age. Employees are fully vested in the Plan after three years of service. Employees are eligible to participate and SVA contributes 3% of each employee's elective deferrals, up to a maximum of 6% of eligible earnings. The plan permits additional voluntary contributions by each employee, up to annual Internal Revenue Service limits. Employer matching contribution expense totaled \$874 for the year ended December 31, 2016.

## STUDENT VETERANS OF AMERICA

### NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2016

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#### 10. Related Parties

In 2016, SVA entered into an agreement with a member of the Board of Directors to perform professional services. The Board member's professional services firm provided in-kind services of \$11,375 and his firm was paid \$7,817 for the year ended December 31, 2016. As of December 31, 2016, SVA does not owe the Board member for any professional services as of year-end. This amount provided as in-kind services is included in donated goods and services in the accompanying statement of activities.

#### 11. Summarized Prior Year Financial 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 GAAP. Accordingly, such information should be read in conjunction with SVA's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

#### 12. Subsequent Events

In preparing the financial statements, SVA has evaluated events and transactions for potential recognition or disclosure through May 8, 2017, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in these financial statements.