



Financial Statements

For the Year Ended December 31, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)



**and
Report Thereon**





Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Student Veterans of America

Report on the Financial Statements

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, 2014, 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, 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.

Continued

Report on Summarized Comparative Information

We have previously audited SVA's December 31, 2013, financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Raffa, P.C.

Washington, DC
July 30, 2015

STUDENT VETERANS OF AMERICA
STATEMENT OF FINANCIAL POSITION
December 31, 2014
(With Summarized Financial Information as of December 31, 2013)

	2014	2013
ASSETS		
Cash	\$ 2,190,764	\$ 1,902,323
Investments	305,595	-
Grants receivable, net	908,768	1,713,767
Prepaid expenses and other assets	109,788	190,185
Property and equipment, net	88,235	14,921
TOTAL ASSETS	\$ 3,603,150	\$ 3,821,196
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 91,046	\$ 146,238
Deferred income	49,843	26,924
Deferred rent	11,655	13,711
TOTAL LIABILITIES	152,544	186,873
Net Assets		
Unrestricted	480,091	763,853
Temporarily restricted	2,970,515	2,870,470
TOTAL NET ASSETS	3,450,606	3,634,323
TOTAL LIABILITIES AND NET ASSETS	\$ 3,603,150	\$ 3,821,196

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

STUDENT VETERANS OF AMERICA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	2014 Total	2013 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 890,654	\$ 1,492,317	\$ 2,382,971	\$ 3,979,323
Donated goods and services	44,247	-	44,247	34,193
Conference fees	28,491	-	28,491	22,874
Other	25,180	-	25,180	7,752
Investment income	7,649	-	7,649	-
Net assets released from restrictions:				
Satisfaction of program restrictions	1,142,272	(1,142,272)	-	-
Satisfaction of time restrictions	250,000	(250,000)	-	-
	2,388,493	100,045	2,488,538	4,044,142
EXPENSES				
Program Services:				
Learning and measurement	360,408	-	360,408	525,898
National conference	302,462	-	302,462	157,945
Scholarship	247,201	-	247,201	147,225
National Veterans Center	204,449	-	204,449	183,339
Chapter services	201,908	-	201,908	127,349
Leadership summits	171,903	-	171,903	77,596
Leadership institute	167,764	-	167,764	40,296
Chapter grants	161,295	-	161,295	63,234
PAL program	105,586	-	105,586	61,029
Alumni initiative	78,143	-	78,143	3,302
Employment initiative	9,359	-	9,359	5,677
	2,010,478	-	2,010,478	1,392,890
Supporting Services:				
General and administrative	537,340	-	537,340	76,438
Fundraising	124,437	-	124,437	70,618
	661,777	-	661,777	147,056
	2,672,255	-	2,672,255	1,539,945
CHANGE IN NET ASSETS	(283,762)	100,045	(183,717)	2,504,197
NET ASSETS, BEGINNING OF YEAR	763,853	2,870,470	3,634,323	1,130,126
NET ASSETS, END OF YEAR	\$ 480,091	\$ 2,970,515	\$ 3,450,606	\$ 3,634,323

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, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)
Increase (Decrease) in Cash

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (183,717)	\$ 2,504,197
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,132	2,838
Net realized and unrealized losses	5,896	-
Changes in assets and liabilities:		
Grants receivable	804,999	(1,059,682)
Prepaid expenses and other assets	80,397	(182,967)
Accounts payable and grants payable	(55,192)	127,244
Deferred income	22,919	6,350
Deferred rent	(2,056)	(975)
	676,378	1,397,005
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(313,570)	-
Sales of investments	2,079	-
Acquisition of property and equipment	(76,446)	(10,388)
	(387,937)	(10,388)
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE IN CASH	288,441	1,386,617
CASH, BEGINNING OF YEAR	1,902,323	515,706
CASH, END OF YEAR	\$ 2,190,764	\$ 1,902,323

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, 2014

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 for the purpose of assisting student veterans in social settings, acquiring guaranteed benefits and educating the general public regarding veterans' issues – specifically, those issues involving student veterans. 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 entirely of mutual funds. 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 Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, 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 measurements 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.

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.

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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

Fair Value Measurements (continued)

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

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.

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.

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

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

Revenue Recognition (continued)

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 Leadership Institute 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.

2. Investments

Investments, at fair value, at December 31, 2014, consisted of \$234,732 in equity mutual funds, \$70,791 in fixed-income mutual funds, and \$72 cash held for investment purposes.

The composition of investment returns is as follows for the years ended December 31, 2014.

Dividends	\$ 13,545
Net realized and unrealized losses	<u>(5,896)</u>
Total Investment Income	<u>\$ 7,649</u>

STUDENT VETERANS OF AMERICA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

3. Grants Receivable

As of December 31, 2014, grants receivable consist of amounts due from corporations, foundations, and others as follows:

Corporations	\$ 500,000
Foundations	400,000
Others	<u>8,768</u>
Total Grants Receivable	<u>\$ 908,768</u>

All amounts are deemed fully collectible and are due within the year.

4. Property and Equipment

Property and equipment were composed of the following at December 31, 2014:

Website development costs	\$ 58,526
Furniture, fixtures and equipment	19,888
Computer equipment	<u>18,478</u>
Total Property and Equipment	96,892
Less: Accumulated Depreciation	<u>(8,657)</u>
Property and Equipment, Net	<u>\$ 88,235</u>

Depreciation expense was \$3,132 for the year ended December 31, 2014.

5. Temporarily Restricted Net Assets

Net assets were released from donor-imposed restrictions by incurring expenses that satisfied purpose restrictions. For the year ended December 31, 2014, net assets released from restrictions were as follows:

Grants for general use in the year ending December 31, 2015	<u>\$ 250,000</u>
Satisfaction of purpose restrictions:	
Chapter services	550,035
Scholarship	234,000
Learning and measurement	190,755
Alumni network	77,482
Leadership institute	50,000
Chapter grants	<u>40,000</u>
Total Satisfaction of Purpose Restrictions	<u>1,142,272</u>
Total	<u>\$ 1,392,272</u>

Continued

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

5. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were available with the following time and purpose restrictions at December 31, 2014:

Time restriction		<u>\$ 10,000</u>
Purpose restrictions:		
Chapter services		1,537,752
Learning and measurement		891,745
Leadership institute		250,000
Alumni network		172,518
Scholarship		<u>108,500</u>
Total Purpose Restrictions		<u>2,960,515</u>
Total Temporarily Restricted Net Assets		<u>\$ 2,970,515</u>

6. Fair Value Measurements

The following table summarizes SVA's assets measured at fair value on a recurring basis as of December 31, 2014, aggregated by the fair value hierarchy level within which those measurements were made:

	<u>Total Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds:				
Equities	\$ 234,804	\$ 234,804	\$ -	\$ -
Fixed income	<u>70,791</u>	<u>70,791</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 305,595</u>	<u>\$ 305,595</u>	<u>\$ -</u>	<u>\$ -</u>

Fixed-income mutual funds and equity 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.

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

7. Commitments and Risks

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, 2014, the entity had \$1,927,446 comprised of demand deposits, exceeding the maximum limit insured by the FDIC by approximately \$1,677,000. SVA monitors the creditworthiness of this institution and has not experienced any historical credit losses on its cash and cash equivalents.

Operating Leases

In April 2012, SVA entered into a five-year operating lease agreement for office space. The operating lease agreement commenced on June 1, 2012. An amendment was signed in November 2013 to lease additional space beginning on January 1, 2014. The operating lease agreement contains a four-month rent abatement and a provision for increases in operating expenses and tax expenses. A security deposit of \$4,200 was paid upon the execution of the operating lease agreement.

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 statements of financial position.

In addition, in September 2013, SVA entered into a one-year operating lease agreement for the National Veterans Center program, which commenced on October 1, 2013. The annual rent amount is approximately \$73,000. A security deposit of \$1,900 was paid upon execution of the operating lease agreement.

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

<u>Year Ending</u> <u>December 31,</u>	
2015	\$ 106,852
2016	109,524
2017	<u>88,083</u>
Total	<u>\$ 304,459</u>

8. 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, 2014, no provision for income taxes is required, as SVA had no unrelated business income.

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2014

8. Income Taxes (continued)

SVA adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (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 performed an evaluation of uncertain tax positions for the year ended December 31, 2014, and determined that there were no matters that would require recognition in the financial statements or that might have any effect on its tax-exempt status. As of December 31, 2014, the statute of limitations for tax years 2011 through 2013 remains open with the U.S. federal jurisdiction and the various state jurisdictions in which SVA files tax returns. It is SVA's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2014, SVA had no accruals for interest and/or penalties.

9. 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, 2013, from which the summarized information was derived.

10. Reclassification

During the year ended December 31, 2014, management refined its functional expense allocations to better reflect the activities of the organization. As a result, certain 2013 expenses have been reclassified to conform to the 2014 financial statement presentation.

11. Subsequent Events

In March 2015, SVA entered into a nine-year operating lease agreement for new office space. The operating lease agreement is expected to commence in August 2015 and contains a provision for increases in operating and tax expenses, plus a five-month rent abatement in year one. In year two, there is an additional four-month abatement for rent plus abatement for four months of operating expenses and tax expenses. A security deposit and one month's rent, for a total of \$38,494, was paid when the lease was executed.

In preparing the financial statements, SVA has evaluated events and transactions for potential recognition or disclosure through July 30, 2015, the date the financial statements were available to be issued. There were no other subsequent events identified that require recognition of, or disclosure in, these financial statements.