



Financial Statements

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)



**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, 2015, 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, 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.

Report on Summarized Comparative Information

We have previously audited SVA's 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Raffa, P.C.

Washington, DC
May 18, 2016

STUDENT VETERANS OF AMERICA
STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With Summarized Financial Information as of December 31, 2014)

	2015	2014
ASSETS		
Cash	\$ 1,805,845	\$ 2,190,764
Investments	296,397	305,595
Grants receivable, net	4,453,986	908,768
Prepaid expenses and other assets	124,085	109,788
Property and equipment, net	531,662	88,235
TOTAL ASSETS	\$ 7,211,975	\$ 3,603,150
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 160,499	\$ 91,046
Deferred income	164,413	49,843
Deferred rent and lease incentives	356,181	11,655
TOTAL LIABILITIES	681,093	152,544
Net Assets		
Unrestricted	(449,584)	480,091
Temporarily restricted	6,980,466	2,970,515
TOTAL NET ASSETS	6,530,882	3,450,606
TOTAL LIABILITIES AND NET ASSETS	\$ 7,211,975	\$ 3,603,150

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

STUDENT VETERANS OF AMERICA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
REVENUE AND SUPPORT				
Grants and contributions	\$ 563,454	\$ 6,348,453	\$ 6,911,907	\$ 2,382,971
Donated goods and services	104,584	-	104,584	44,247
Conference fees	56,729	-	56,729	28,491
Other	9,559	-	9,559	25,180
Investment income (loss)	(4,662)	-	(4,662)	7,649
Net assets released from restrictions:				
Satisfaction of program restrictions	2,338,502	(2,338,502)	-	-
	3,068,166	4,009,951	7,078,117	2,488,538
TOTAL REVENUE AND SUPPORT				
EXPENSES				
Program Services:				
National Conference	697,067	-	697,067	302,462
Veterans Center Initiative	497,626	-	497,626	105,169
Learning and Measurement	405,680	-	405,680	360,408
Chapter Services and Grants	366,737	-	366,737	258,034
Leadership Institute Series	324,651	-	324,651	339,667
Scholarship	200,294	-	200,294	247,201
Alumni Initiative	198,855	-	198,855	78,143
National Veterans Center	152,489	-	152,489	204,449
PAL Program	-	-	-	105,586
Employment Initiative	-	-	-	9,359
	2,843,399	-	2,843,399	2,010,478
Total Program Services				
Supporting Services:				
General and administrative	983,387	-	983,387	537,340
Fundraising	171,055	-	171,055	124,437
	1,154,442	-	1,154,442	661,777
Total Supporting Services				
TOTAL EXPENSES	3,997,841	-	3,997,841	2,672,255
CHANGE IN NET ASSETS	(929,675)	4,009,951	3,080,276	(183,717)
NET ASSETS, BEGINNING OF YEAR	480,091	2,970,515	3,450,606	3,634,323
NET ASSETS (DEFICIT), END OF YEAR	\$ (449,584)	\$ 6,980,466	\$ 6,530,882	\$ 3,450,606

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, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)
Increase (Decrease) in Cash

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,080,276	\$ (183,717)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	41,675	3,132
Discount to present value	297,514	-
Net realized and unrealized losses	13,974	5,896
Changes in assets and liabilities:		
Grants receivable	(3,842,732)	804,999
Prepaid expenses and other assets	(14,297)	80,397
Accounts payable and grants payable	69,453	(55,192)
Deferred income	114,570	22,919
Deferred rent and lease incentives	68,755	(2,056)
	<u>(170,812)</u>	<u>676,378</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(9,312)	(313,570)
Sales of investments	4,536	2,079
Acquisition of property and equipment	(209,331)	(76,446)
	<u>(214,107)</u>	<u>(387,937)</u>
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	(384,919)	288,441
CASH, BEGINNING OF YEAR	<u>2,190,764</u>	<u>1,902,323</u>
CASH, END OF YEAR	<u>\$ 1,805,845</u>	<u>\$ 2,190,764</u>
NONCASH FINANCING AND INVESTING ACTIVITIES		
Leasehold Improvements	\$ 265,932	\$ -
Deferred lease incentive	(265,932)	-
	<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, 2015

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 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.

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

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

Fair Value Measurements (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, 2015, 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, 2015

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 Leadership Institute Series 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, 2015

2. Investments

The following table summarizes SVA's investments measured at fair value on a recurring basis as of December 31, 2015:

	<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>
Mutual funds:				
Equities	\$ 227,710	\$ 227,710	\$ -	\$ -
Fixed income	<u>68,687</u>	<u>68,687</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 296,397</u>	<u>\$ 296,397</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.

The composition of investment returns is as follows for the years ended December 31, 2015.

Dividends	\$ 9,312
Net realized and unrealized losses	<u>(13,974)</u>
Total Investment Loss	<u>\$ (4,662)</u>

3. Grants Receivable

As of December 31, 2015, grants receivable consisted of amounts due from corporations and foundations as follows:

Corporations	\$ 4,067,000
Foundations	<u>684,500</u>
Total Grants Receivable	4,751,500
Less: Discount on Multiyear Grants	<u>(297,514)</u>
Grants Receivable, Net	<u>\$ 4,453,986</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, 2015

4. Property and Equipment

Property and equipment were composed of the following at December 31, 2015:

Leasehold Improvements	\$ 265,932
Furniture, fixtures and equipment	140,531
Computer equipment	98,783
Website development costs	<u>60,594</u>
Total Property and Equipment	565,840
Less: Accumulated Depreciation	<u>(34,178)</u>
Property and Equipment, Net	<u>\$ 531,662</u>

Depreciation and amortization expense was \$41,675 for the year ended December 31, 2015.

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, 2015, net assets released from restrictions were as follows:

Satisfaction of purpose restrictions:	
Chapter Services and Grants	\$ 1,024,734
Leadership Institute Series	350,000
Learning and Measurement	304,500
National Conference	304,250
Scholarship	182,500
Alumni Network	<u>172,518</u>
Total Satisfaction of Purpose Restrictions	<u>\$ 2,338,502</u>

Temporarily restricted net assets were available with the following time and purpose restrictions at December 31, 2015:

Time restriction for general use through December 31, 2019	<u>\$ 1,349,780</u>
Purpose restrictions:	
Chapter Services and Grants	3,626,541
Learning and Measurement	687,245
National Conference	672,400
Scholarship	<u>644,500</u>
Total Purpose Restrictions	<u>5,630,686</u>
Total Temporarily Restricted Net Assets	<u>\$ 6,980,466</u>

Continued

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

6. Commitments and Risks

Hotel Commitments

SVA has entered into several agreements with hotels providing for room accommodations for its meetings and conferences through 2017. 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 \$115,290 as of December 31, 2015.

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, 2015, the entity had approximately \$1,745,700 composed of demand deposits, exceeding the maximum limit insured by the FDIC by approximately \$1,495,700. SVA monitors the creditworthiness of this institution and has not experienced any historical credit losses on its cash and cash equivalents.

Concentration of Receivables and Revenue

During the year ended December 31, 2015, SVA recognized \$5,000,000, or 71% of revenue and support, from a single donor. The entire amount is to be received in annual installments of \$1,000,000 for five years. The first installment was received before December 31, 2015. As a result, 83% of total receivables as of December 31, 2015 are related to the same donor.

Operating Leases

SVA had a noncancelable operating lease for office space that was to expire September 30, 2017. On April 1, 2015, SVA entered into a noncancelable nine-year operating lease agreement for new office space. At the same time, SVA entered into a termination agreement that provided for the termination of the old operating lease at the time SVA took occupancy of the new premises. The old lease was terminated early without penalty.

The new operating lease agreement commenced in October 2015 and contains a tenant improvement allowance and a provision for increases in operating expenses and real estate taxes, plus a five-month rent abatement in year one, and a four-month abatement of rent, operating expenses and real estate taxes in year two. A security deposit and one month's rent totaling \$38,494 was paid when the lease was executed.

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. The lease was subsequently renewed and remained in effect through December 31, 2015.

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.

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

6. Commitments and Risks (continued)

Operating Leases

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

<u>Year Ending December 31,</u>	
2016	\$ 134,729
2017	240,268
2018	247,476
2019	254,900
2020	262,547
2021 and beyond	<u>1,030,901</u>
Total	<u>\$ 2,170,821</u>

Occupancy expense totaled \$247,347 for the year ended December 31, 2015.

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, 2015, no provision for income taxes is required, as SVA had no unrelated business income.

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, 2015, 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, 2015, the statute of limitations for tax years 2012 through 2014 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, 2015, SVA had no accruals for interest and/or penalties.

STUDENT VETERANS OF AMERICA

NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2015

8. 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 \$761 for the year ended December 31, 2015.

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, 2014, from which the summarized information was derived.

10. Subsequent Events

In preparing the financial statements, SVA has evaluated events and transactions for potential recognition or disclosure through May 18, 2016, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition of or disclosure in these financial statements.