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Financial Statements

Veterans on the Rise, Inc.

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Veterans on the Rise, Inc.
5002 Sheriff Road, NE
Washington, DC 20019

We have audited the accompanying financial statements of Veterans on the Rise, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years 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 audits 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 Veterans on the Rise, Inc. as of December 31, 2016 and 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.

Certified Public Accountants

November 15, 2017

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VETERANS ON THE RISE, INC.

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STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>Current assets:</u>		
Cash	\$ 43,809	\$ 77,981
Grants and other receivables	300,129	188,278
Prepaid expenses and security deposits	<u>52,350</u>	<u>49,800</u>
Total assets	<u>\$ 396,288</u>	<u>\$ 316,059</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 115,059	\$ 189,897
Accrued salaries	32,292	24,280
Notes payable-current portion	47,039	34,992
Security deposits	<u>6,287</u>	<u>6,287</u>
Total current liabilities	200,677	255,456
<u>Long-term debt:</u>		
Notes payable-long-term portion	<u>-</u>	<u>12,047</u>
Total liabilities	200,677	267,503
<u>Net assets:</u>		
Unrestricted net assets	195,611	48,556
Temporarily restricted net assets	<u>-</u>	<u>-</u>
Total net assets	<u>195,611</u>	<u>48,556</u>
Total liabilities and net assets	<u>\$ 396,288</u>	<u>\$ 316,059</u>

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VETERANS ON THE RISE, INC.
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<u>Revenue:</u>				
Grants:				
Community Transitional Housing Services	\$ 1,734,752	\$ -	\$ 1,734,752	\$ 1,518,760
Adult Mentoring and Transitional Services	-	-	-	110,000
Residential rental	385,387	-	385,387	257,942
Contributions	15,000	-	15,000	16,276
Other revenue	27,024	-	27,024	-
	<u>2,162,163</u>	<u>-</u>	<u>2,162,163</u>	<u>1,902,978</u>
<u>Expenditures:</u>				
Program services	1,712,573	-	1,712,573	1,598,666
General and administrative	302,535	-	302,535	288,265
	<u>2,015,108</u>	<u>-</u>	<u>2,015,108</u>	<u>1,886,931</u>
Change in net assets	147,055	-	147,055	16,047
Net assets at beginning of year	48,556	-	48,556	32,509
Net assets at end of year	<u>\$ 195,611</u>	<u>\$ -</u>	<u>\$ 195,611</u>	<u>\$ 48,556</u>

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EXHIBIT "C"

VETERANS ON THE RISE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Cash flows from operating activities:</u>		
Change in net assets per Exhibit "B"	\$ 147,055	\$ 16,047
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in grants and other receivables	(111,851)	(1,566)
Change in accounts payable and accrued expenses	(74,838)	11,967
Change in security deposits paid	(2,550)	(14,850)
Change in prepaid expenses	-	(8,450)
Change in accrued wages	8,012	24,280
Change in security deposits held	-	(768)
Net cash provided by (used in) operating activities	(34,172)	26,660
<u>Cash flows from investing activities:</u>		
Principal payments on note payable (net)	-	(8,328)
Net cash provided by (used in) investing activities	-	(8,328)
Net increase (decrease) in cash	(34,172)	18,332
Cash balance at beginning of year	77,981	59,649
Cash balance at end of year	\$ <u>43,809</u>	\$ <u>77,981</u>

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EXHIBIT "D"

VETERANS ON THE RISE, INC.

STATEMENT OF EXPENSES BY PROGRAM AREAS
FOR THE YEAR ENDED DECEMBER 31, 2016 and 2015

	<u>Community Transitional Housing Services</u>	<u>General and Administrative</u>	<u>2016 Total</u>	<u>2015 Total</u>
Personnel	\$ 573,217	\$ 102,025	\$ 675,242	\$ 669,644
Fringe benefits	49,729	10,839	60,568	63,427
Contracted services	46,302	31,236	77,538	141,954
Rent	804,786	11,000	815,786	649,424
Utilities	127,568	1,680	129,248	117,491
Materials	10,395	1,987	12,382	17,957
Repairs and maintenance	34,220	-	34,220	31,083
Kitchen supplies	34,167	3,713	37,880	15,454
Computer expenses	3,834	3,202	7,036	8,485
Training	891	2,000	2,891	34,292
Insurance	822	10,508	11,330	14,666
Office expenses	8,285	8,178	16,463	30,349
Travel and auto	4,069	10,326	14,395	14,392
Accounting	-	45,680	45,680	24,620
Payroll processing	-	4,023	4,023	3,510
Promotion and marketing	-	33,571	33,571	12,869
Security services	2,735	159	2,894	2,600
Other expenses	11,553	22,408	33,961	29,114
Interest expense	-	-	-	5,600
	<u>\$ 1,712,573</u>	<u>\$ 302,535</u>	<u>\$ 2,015,108</u>	<u>\$ 1,886,931</u>

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See Accompanying Notes to Financial Statements

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VETERANS ON THE RISE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

a. Organization

Veterans on the Rise, Inc. (VOTR) is a non-profit organization incorporated under the laws of the District of Columbia on July 9, 2009. Its purpose is to end homelessness for veterans and their families through prevention, education, supportive services and advocacy.

VOTR derives revenue from Federal government grants (primarily the Veterans Administration), contributions from foundations and individuals and residential rentals. The Federal grants provide funds to rent appropriate residences on a short term basis to qualified veterans of the US armed services. Qualifications for veterans to participate in these housing programs is determined by the Veterans Administration. VOTR headquarters are located in Washington, DC as are many of the residences.

b. Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements for Not-for-Profit Organizations."

c. Revenue Recognition

Contributions are recognized as revenue when received unless otherwise designated by the donor, at which time revenue is recognized in accordance with the donor's instructions. Revenue from grants is recognized in amounts equal to the cost incurred to perform the program for which the grant was awarded. The Federal grants provide funding at per diem rental rates which are used to calculate the amounts that are reimbursed to VOTR on a monthly basis.

d. Income Tax Status

VOTR is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. VOTR has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

VOTR follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification 740-10, *Accounting for Uncertainty in Income Taxes* which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the financial statements.

VOTR analyzes tax positions taken, including those related to the requirements set forth in IRS Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and board members, the reporting of unrelated business income, and its status as a tax-exempt organization under District of Columbia regulations. VOTR does not know of any tax benefits arising from uncertain tax positions and there was no effect on VOTR's financial position or changes in net assets as a result of analyzing its tax positions. Tax years ending on or after December 31, 2014 remain subject to examination by federal and state authorities.

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VETERANS ON THE RISE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

e. Estimates

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

f. Classification of Net Assets

The net assets of the Foundation are reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation.

g. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Expenses by Program Area. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 – GRANTS AND OTHER RECEIVABLES

Grants and other receivables consist of amounts billed to Federal government agencies for services provided under the terms of grants or similar documents. Management reviews the list of outstanding receivables periodically to determine if any of the balances are not collectible and if an account is not collectible appropriate adjustments are made. Due to the nature of the grants and due to the sources for the revenue, bad debts are quite rare. If an account needs to be adjusted downward the adjustment is most often a correction to revenue rather than a bad debt expense. Management has determined that the balances receivable as of December 31, 2016 and 2015 are collectible.

NOTE 3 – OPERATING LEASE OBLIGATIONS

VOTR has entered into various leases for its headquarters offices in the District of Columbia and for residences in and around the District of Columbia for purposes of providing housing to veterans under Federal programs. The leases are generally short-term in nature. Average monthly rental for various locations amounts to \$67,000 per month. However, rental expenses can be increased or decreased based on available funding.

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VETERANS ON THE RISE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 4 – NOTE PAYABLE

From time to time Avery and Associates, a company that is owned by Charles Avery who is the Executive Director of VOTR, has made loans to VOTR to help with cash flow. As of December 31, 2016 and 2015 the unpaid balance of the loan was \$47,039 and \$47,039, respectively. On May 4, 2015 VOTR and Avery and Associates agreed to repayment terms in which VOTR will make monthly principle payments of \$2,916 and monthly interest payments of \$700. The loan is unsecured and interest accrues at 12% per annum.

NOTE 5 - CONTINGENCY

VOTR receives grants from various agencies of the Federal government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under Federal government grants is based upon the allowance of costs reported to and accepted by the Federal government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2016. Until such audits have been accepted by the United States government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

NOTE 6 – CONCENTRATION OF CREDIT RISK

Significant funding source:

During the years ended December 31, 2016 and 2015 VOTR received 80% and 86% respectively of its total revenue from Federal government agencies. If a significant reduction in this source of revenue occurs, it may effect the future operations of VOTR.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 15, 2017, which is the date the financial statements were available to be issued.

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