

Financial Statements

Veterans on the Rise, Inc.

December 31, 2015 and 2014

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CG DAVIS & ASSOCIATES, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, 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, 2015 and 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.

CG DAVIS & ASSOCIATES, P.A.
Certified Public Accountants

January 4, 2017

VETERANS ON THE RISE, INC.STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
<u>Current assets:</u>		
Cash	\$ 77,981	\$ 59,649
Grants and other receivables	188,278	186,712
Prepaid expenses and security deposits	<u>49,800</u>	<u>26,500</u>
Total assets	<u>\$ 316,059</u>	<u>\$ 272,861</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities:</u>		
Accounts payable and accrued expenses	\$ 189,897	\$ 177,930
Accrued salaries	24,280	-
Notes payable-current portion	34,992	26,244
Security deposits	<u>6,287</u>	<u>7,055</u>
Total current liabilities	255,456	211,229
<u>Long-term debt:</u>		
Notes payable-long-term portion	<u>12,047</u>	<u>29,123</u>
Total liabilities	267,503	240,352
<u>Net assets:</u>		
Unrestricted net assets	48,556	32,509
Temporarily restricted net assets	<u>-</u>	<u>-</u>
Total net assets	<u>48,556</u>	<u>32,509</u>
Total liabilities and net assets	<u>\$ 316,059</u>	<u>\$ 272,861</u>

VETERANS ON THE RISE, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<u>Revenue:</u>				
Grants:				
Community Transitional Housing Services	\$ 1,518,760	\$ -	\$ 1,518,760	\$ 1,336,168
Adult Mentoring and Transitional Services	110,000	-	110,000	165,000
Residential rental	257,942	-	257,942	146,530
Contributions	16,276	-	16,276	5,300
	<u>1,902,978</u>	<u>-</u>	<u>1,902,978</u>	<u>1,652,998</u>
<u>Expenditures:</u>				
Program services	1,598,666	-	1,598,666	1,417,180
General and administrative	288,265	-	288,265	216,197
	<u>1,886,931</u>	<u>-</u>	<u>1,886,931</u>	<u>1,633,377</u>
Change in net assets	16,047	-	16,047	19,621
Net assets at beginning of year	<u>32,509</u>	<u>-</u>	<u>32,509</u>	<u>12,888</u>
Net assets at end of year	<u>\$ 48,556</u>	<u>\$ -</u>	<u>\$ 48,556</u>	<u>\$ 32,509</u>

See Accompanying Notes to Financial Statements

VETERANS ON THE RISE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Cash flows from operating activities:</u>		
Change in net assets per Exhibit "B"	\$ 16,047	\$ 19,621
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in grants and other receivables	(1,566)	106,525
Change in accounts payable and accrued expenses	11,967	35,212
Change in security deposits paid	(14,850)	
Change in prepaid expenses	(8,450)	5,500
Change in accrued wages	24,280	(39,454)
Change in security deposits held	(768)	(2,020)
Net cash provided by (used in) operating activities	26,660	125,384
<u>Cash flows from investing activities:</u>		
Principal payments on note payable (net)	(8,328)	-
Proceeds from loan	-	(146,492)
Net cash provided by (used in) investing activities	(8,328)	(146,492)
Net increase (decrease) in cash	18,332	(21,108)
Cash balance at beginning of year	59,649	80,757
Cash balance at end of year	\$ <u>77,981</u>	\$ <u>59,649</u>

VETERANS ON THE RISE, INC.

STATEMENT OF EXPENSES BY PROGRAM AREAS
FOR THE YEAR ENDED DECEMBER 31, 2015 and 2014

	Community Transitional Housing Services	Adult Mentoring and Transitional Services	Total Programs	General and Administrative	2015 Total	2014 Total
Personnel	\$ 577,067	\$ 32,076	\$ 609,143	\$ 60,501	\$ 669,644	\$ 467,653
Fringe benefits	54,658	3,038	57,696	5,731	63,427	52,759
Contracted services	34,017	20,167	54,184	87,770	141,954	314,433
Rent	647,424	500	647,924	1,500	649,424	532,706
Utilities	98,036	-	98,036	19,455	117,491	82,510
Materials	6,185	-	6,185	11,772	17,957	49,657
Repairs and maintenance	31,083	-	31,083	-	31,083	63,620
Kitchen supplies	10,518	-	10,518	4,936	15,454	10,893
Computer expenses	750	-	750	7,735	8,485	14,562
Training	-	34,292	34,292	-	34,292	-
Insurance	-	-	-	14,666	14,666	9,995
Office expenses	8,017	352	8,369	21,980	30,349	9,788
Travel and auto	9,785	120	9,905	4,487	14,392	7,015
Accounting	-	-	-	24,620	24,620	5,020
Payroll processing	117	-	117	3,393	3,510	2,153
Promotion and marketing	1,131	-	1,131	11,738	12,869	700
Security services	2,200	-	2,200	400	2,600	1,480
Other expenses	26,998	135	27,133	1,981	29,114	8,383
Interest expense	-	-	-	5,600	5,600	-
	\$ 1,507,986	\$ 90,680	\$ 1,598,666	\$ 288,265	\$ 1,886,931	\$ 1,633,327

See Accompanying Notes to Financial Statements

VETERANS ON THE RISE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

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, 2013 remain subject to examination by federal and state authorities.

VETERANS ON THE RISE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

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, 2015 and 2014 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 \$45,000 per month.

VETERANS ON THE RISE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

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, 2015 and 2014 the unpaid balance of the loan was \$47,039 and \$55,367, 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 2014. 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 year ended December 31, 2015 VOTR received 86% 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 January 4, 2017, which is the date the financial statements were available to be issued.