

AMVETS CHARITIES, INC.

AUDITED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

AMVETS CHARITIES, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
AMVETS Charities, Inc.
Lanham, Maryland

We have audited the accompanying financial statements of AMVETS Charities, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows 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.

Auditors' 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 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 the Organization as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Columbia, Maryland

March 10, 2017

AMVETS CHARITIES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 442,471	\$ 554,764
Unconditional promises to give	46,987	42,183
Due from related party	163,498	-
Prepaid carillons	34,090	46,443
	<u>687,046</u>	<u>643,390</u>
INVESTMENTS	617,319	584,372
LAND	<u>7,000</u>	<u>7,000</u>
	<u>\$ 1,311,365</u>	<u>\$ 1,234,762</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants payable	\$ 15,987	\$ 16,252
Due to related party	-	32,154
	<u>15,987</u>	<u>48,406</u>
NET ASSETS		
Unrestricted	1,257,589	1,124,817
Temporarily restricted	37,789	61,539
	<u>1,295,378</u>	<u>1,186,356</u>
	<u>\$ 1,311,365</u>	<u>\$ 1,234,762</u>

See notes to financial statements.

AMVETS CHARITIES, INC.
STATEMENTS OF ACTIVITIES
For the years ended December 31, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions:			
Tortorell Trust	\$ 81,611	\$ 31,973	\$ 113,584
Wills Program	100,000	-	100,000
Carillons	-	30,234	30,234
Combined Federal Campaign	43,209	-	43,209
Donated Services	2,654	-	2,654
Other	54,828	10,000	64,828
Interest and dividends	30,589	-	30,589
Unrealized gain (loss) on investments	24,392	-	24,392
Release from restriction	95,957	(95,957)	-
	<u>433,240</u>	<u>(23,750)</u>	<u>409,490</u>
Expenses			
Program services:			
AMVETS Post #18	79,818	-	79,818
Carillons	132,258	-	132,258
Healing Heroes	43,209	-	43,209
Other	20,000	-	20,000
Total program services	<u>275,285</u>	<u>-</u>	<u>275,285</u>
Supporting services:			
Management and general	25,183	-	25,183
	<u>300,468</u>	<u>-</u>	<u>300,468</u>
Change in Net Assets	132,772	(23,750)	109,022
Net Assets, Beginning	1,124,817	61,539	1,186,356
Net Assets, Ending	<u>\$ 1,257,589</u>	<u>\$ 37,789</u>	<u>\$ 1,295,378</u>

See notes to financial statements.

2015		
Unrestricted	Temporarily Restricted	Total
\$ 152,602	\$ 31,539	\$ 184,141
-	-	-
-	15,000	15,000
44,101	-	44,101
-	-	-
56,057	-	56,057
18,971	-	18,971
(60,090)	-	(60,090)
35,806	(35,806)	-
<u>247,447</u>	<u>10,733</u>	<u>258,180</u>
96,621	-	96,621
21,939	-	21,939
44,101	-	44,101
20,000	-	20,000
<u>182,661</u>	<u>-</u>	<u>182,661</u>
<u>40,100</u>	<u>-</u>	<u>40,100</u>
<u>222,761</u>	<u>-</u>	<u>222,761</u>
24,686	10,733	35,419
<u>1,100,131</u>	<u>50,806</u>	<u>1,150,937</u>
<u><u>\$ 1,124,817</u></u>	<u><u>\$ 61,539</u></u>	<u><u>\$ 1,186,356</u></u>

AMVETS CHARITIES, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 109,022	\$ 35,419
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities		
Unrealized (gain) loss on investments	(24,392)	60,090
Change in assets and liabilities:		
Unconditional promises to give	(4,804)	2,729
Prepaid carillons	12,353	(13,141)
Grants payable	(265)	(3,946)
Due to/from related party	(195,652)	49,207
	<u>(103,738)</u>	<u>130,358</u>
Net cash provided (used) by operating activities		
Cash Flows from Investing Activities		
Purchase of investments	(44,486)	(751)
Proceeds from sale of investments	35,931	-
	<u>(8,555)</u>	<u>(751)</u>
Net cash used by investing activities		
Increase (Decrease) in Cash	(112,293)	129,607
Cash, Beginning	<u>554,764</u>	<u>425,157</u>
Cash, Ending	<u><u>\$ 442,471</u></u>	<u><u>\$ 554,764</u></u>

AMVETS CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

NOTE 1 - ORGANIZATION

AMVETS Charities, Inc. (the Organization) was incorporated in the District of Columbia as a not-for-profit corporation to be operated exclusively for charitable, educational, patriotic, and civil improvement purposes. The Organization seeks to perpetuate the principles upon which the United States of America was founded and to maintain an active interest in veterans and to represent them before the Veteran's Administration. The Organization raises revenues through contributions from the general public and investment income.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are resources available to support operations. They are not subject to donor-imposed stipulations, but may be internally designated by the Organization. Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

Support and investment earnings that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

There were no permanently restricted net assets at December 31, 2016 or 2015.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Pledges made to the Organization for future contributions expected to be fully collectible are recorded as a receivable and as revenue at the present value of such future payments. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

AMVETS CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Investments

Investments are carried at their fair value as of the date of the Statements of Financial Position, which may differ from the amount ultimately realized at the time of sale. 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.

Realized and unrealized gains and losses include gains and losses from purchases and sales of investments as well as changes in the value of assets held during the year and are recognized in the accompanying Statements of Activities. Gains or losses on investments are recognized as an increase or decrease in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

The Organization invests in various mutual funds, stocks and bonds. Investments are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in investment values in the near term would materially affect the amounts reported in the accompanying financial statements.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- *Level 1 inputs:* Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date (e. g., equity securities traded on the New York Stock Exchange).
- *Level 2 inputs:* Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e. g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

AMVETS CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Level 3 inputs:* Level 3 inputs are unobservable (e. g., a company's own data) and should be used to measure fair value to the extent that observable inputs are not available.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of the observable inputs and minimize the use of the unobservable inputs.

Land

Land is capitalized at cost, if purchased, or at fair market value at the date of receipt, if acquired by contribution and is not depreciated. All gifts of land or other property are recorded as unrestricted non-operating revenues, unless explicit donor stipulations specify how the donated assets must be used.

Donated Services

In accordance with accounting principles generally accepted in the United States of America, contributions of donated services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. These services were provided to the Organization by a related party and were valued at \$2,654 and \$-0-, for 2016 and 2015, respectively.

Functional Allocation of Expenses

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

Income Taxes

The Organization is exempt from federal and state income taxes (except on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as *other than a private foundation*. No provision for income taxes is required for the years ended December 31, 2016 or 2015, since the Organization had no unrelated business activities.

The income tax positions taken by the Organization for any years open under the various statutes of limitations are that the Organization continues to be exempt from income taxes and that the Organization has properly reported unrelated business income that is subject to income taxes. The Organization believes that there are no tax positions taken or expected to be taken that would require recognition in the financial statements or which may have an effect on its tax-exempt status. None of the Organization's federal or state income tax returns are currently under examination.

AMVETS CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give of \$46,987 and \$42,183 at December 31, 2016 and 2015, respectively, are expected to be collected within one year or less. The Organization considers all promises to be collectible, therefore no allowance for uncollectible accounts considered necessary.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT

The following are the major categories of assets held by the Organization and are measured at fair value on a recurring basis during the years ended December 31, 2016 and 2015, using quoted prices in active markets for identical assets (Level 1); quoted prices in markets that are not active or for significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	<u>Total</u>	<u>Inputs (Level 1)</u>	<u>Inputs (Level 2)</u>	<u>Inputs (Level 3)</u>
<u>December 31, 2016</u>				
Securities – equity	\$ 254,151	\$ 254,151	\$ -	\$ -
Mutual funds - equity	232,568	232,568	-	-
Mutual funds – fixed income	<u>130,600</u>	<u>130,600</u>	<u>-</u>	<u>-</u>
	<u>\$ 617,319</u>	<u>\$ 617,319</u>	<u>\$ -</u>	<u>\$ -</u>
<u>December 31, 2015</u>				
Securities – equity	\$ 253,014	\$ 253,014	\$ -	\$ -
Mutual funds - equity	204,000	204,000	-	-
Mutual funds – fixed income	<u>127,358</u>	<u>127,358</u>	<u>-</u>	<u>-</u>
	<u>\$ 584,372</u>	<u>\$ 584,372</u>	<u>\$ -</u>	<u>\$ -</u>

All investments have been valued using a market approach. There have been no changes in valuation techniques and related inputs.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are subject to donor-imposed stipulations to support program activities. Such stipulations may be or will be satisfied by the actions of the Organization and/or the passage of time.

AMVETS CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets as of December 31, 2016 and 2015 were classified as follows:

	<u>2016</u>	<u>2015</u>
Purpose restrictions		
Carillon Projects	\$ 5,816	\$ 30,000
Time restrictions		
AMVETS Post 18	<u>31,973</u>	<u>31,359</u>
Total temporarily restricted net assets	<u>\$ 37,789</u>	<u>\$ 61,539</u>

Carillon Projects – The Organization works with others to build carillons for U.S. veterans buried in cemeteries around the country.

AMVETS Post 18 – Clarence Tortorell named AMVETS Post 18 (Illinois) (the Post) as the sole beneficiary of his trust. The Post, however, was ineligible to be the beneficiary as required by the trust. A substitute beneficiary was therefore named. Northern Trust Bank, the trustee, named the Organization as the substitute beneficiary. An agreement was entered into between the Organization and the Post to ensure that the Post benefited from the estate as originally intended, and also to provide the Organization an incentive to be the beneficiary. The agreement requires that 50% of any interest income received from the Tortorell Trust is to be paid to the Post. Interest income for purposes of the agreement is defined as interest received from the trust less the total expense incurred by the post for its attendance at the AMVETS National Convention.

NOTE 6 - RELATED PARTY TRANSACTIONS

AMVETS National Service Foundation (the Foundation) is a related party of the Organization. The Organization made contributions for the Foundation’s Healing Heroes program, provided miscellaneous advances and paid expenses on behalf of the Foundation.

Following is a summary of transactions with the Foundation for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Due from (to) the Foundation	\$ 163,498	\$ (32,154)
Grants to the Foundation	43,209	44,101
Services donated by the Foundation	2,654	-

AMVETS CHARITIES, INC.
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

NOTE 7 - CONCENTRATIONS

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and a money market fund. At times, such balances may be in excess of the insurance limit as provided by the Federal Deposit Insurance Corporation. The Organization places its cash and cash equivalents with high credit quality institutions. The Organization has not experienced any losses in such accounts and believes it is not exposed to significant credit risk.

During the years ended December 31, 2016 and 2015 two and one contributor provided 52% and 71%, respectively, of total support.

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 10, 2017, which is the date the financial statements are available to be issued.