

# **AMVETS NATIONAL SERVICE FOUNDATION**

## AUDITED FINANCIAL STATEMENTS

For the years ended August 31, 2016 and 2015

# AMVETS NATIONAL SERVICE FOUNDATION

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## **REPORT OF INDEPENDENT AUDITORS**

The Board of Trustees  
AMVETS National Service Foundation  
Lanham, Maryland

We have audited the accompanying financial statements of AMVETS National Service Foundation (the Foundation), which comprise the statements of financial position as of August 31, 2016 and 2015, and the related statements of activities, functional expenses, 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits 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 AMVETS National Service Foundation as of August 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.

WHY LLP

Columbia, Maryland  
December 7, 2016

**AMVETS NATIONAL SERVICE FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**August 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 628,399	\$ 668,337
Accounts receivable	163,171	184,596
Unconditional promises to give	-	75,000
Inventory - thrift store contributed merchandise	330,556	321,045
Prepaid expenses	<u>325,393</u>	<u>255,258</u>
Total current assets	<u>1,447,519</u>	<u>1,504,236</u>
INVESTMENTS	<u>16,103,025</u>	<u>16,040,229</u>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	1,538,373	1,526,385
Autos and trucks	745,696	745,696
Leasehold improvements	387,715	387,715
Buildings	<u>4,884,602</u>	<u>4,884,602</u>
	<u>7,556,386</u>	<u>7,544,398</u>
Less accumulated depreciation and amortization	<u>4,107,899</u>	<u>3,680,726</u>
	<u>3,448,487</u>	<u>3,863,672</u>
Land	<u>1,353,589</u>	<u>1,353,589</u>
Net property and equipment	<u>4,802,076</u>	<u>5,217,261</u>
<b>OTHER ASSETS</b>		
Deposits	<u>97,725</u>	<u>97,724</u>
	<u>\$ 22,450,345</u>	<u>\$ 22,859,450</u>

See notes to financial statements.

<b>LIABILITIES AND NET ASSETS</b>	<b>2016</b>	<b>2015</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 802,059	\$ 617,619
Accrued expenses	63,155	59,266
Due to related party	190,330	963
Payroll and related liabilities	453,940	492,030
Deferred revenue	917	11,000
Mortgage payable, current portion	149,000	131,221
Scholarships payable, current portion	58,000	65,000
Pass-through bequest, current portion	30,000	-
	<u>1,747,401</u>	<u>1,377,099</u>
<b>LONG-TERM LIABILITIES</b>		
Mortgage payable, net of current portion	1,887,811	2,047,733
Other accrued expenses	25,420	30,181
Scholarships payable, net of current portion	94,000	99,000
Pass-through bequest, net of current portion	273,821	-
	<u>2,281,052</u>	<u>2,176,914</u>
Total long-term liabilities	<u>2,281,052</u>	<u>2,176,914</u>
Total liabilities	<u>4,028,453</u>	<u>3,554,013</u>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	3,511,796	4,995,938
Board designated	125,759	194,499
	<u>3,637,555</u>	<u>5,190,437</u>
Total unrestricted net assets	<u>3,637,555</u>	<u>5,190,437</u>
Temporarily restricted	781,450	115,000
Permanently restricted	14,002,887	14,000,000
	<u>18,421,892</u>	<u>19,305,437</u>
Total net assets	<u>18,421,892</u>	<u>19,305,437</u>
	<u>\$ 22,450,345</u>	<u>\$ 22,859,450</u>

**AMVETS NATIONAL SERVICE FOUNDATION**  
**STATEMENTS OF ACTIVITIES**  
For the years ended August 31, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Support and Revenue</b>				
Contributions:				
Public contributions	\$ 12,693,375	\$ 10,000	\$ -	\$ 12,703,375
Bequests and grants	223,876	-	-	223,876
Thrift stores merchandise sold by independently-owned thrift stores	2,398,571	-	-	2,398,571
Interest income	58,618	446,845	2,887	508,350
Realized gain (loss) on investments	415,995	-	-	415,995
Unrealized gain (loss) on investments	193,907	327,605	-	521,512
Other income	58,556	-	-	58,556
Release from restriction	118,000	(118,000)	-	-
<b>Total support and revenue</b>	<b>16,160,898</b>	<b>666,450</b>	<b>2,887</b>	<b>16,830,235</b>
<b>Expenses</b>				
Program services:				
Service to Veterans	6,134,969	-	-	6,134,969
Americanism	657,705	-	-	657,705
Carillon Program	154,323	-	-	154,323
Scholarships	18,400	-	-	18,400
Thrift Store Operations	7,561,739	-	-	7,561,739
Total program services	14,527,136	-	-	14,527,136
Supporting services:				
Management and general	2,307,956	-	-	2,307,956
Fundraising	878,688	-	-	878,688
Total supporting services	3,186,644	-	-	3,186,644
<b>Total expenses</b>	<b>17,713,780</b>	<b>-</b>	<b>-</b>	<b>17,713,780</b>
<b>Change in Net Assets</b>	<b>(1,552,882)</b>	<b>666,450</b>	<b>2,887</b>	<b>(883,545)</b>
<b>Net Assets, Beginning</b>	<b>5,190,437</b>	<b>115,000</b>	<b>14,000,000</b>	<b>19,305,437</b>
<b>Net Assets, Ending</b>	<b>\$ 3,637,555</b>	<b>\$ 781,450</b>	<b>\$ 14,002,887</b>	<b>\$ 18,421,892</b>

See notes to financial statements.

<b>2015</b>			
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 12,515,371	\$ 200	\$ -	\$ 12,515,571
747,200	-	-	747,200
2,531,042	-	-	2,531,042
569,051	-	-	569,051
182,489	-	-	182,489
(1,218,814)	-	-	(1,218,814)
41,534	-	-	41,534
160,200	(160,200)	-	-
<u>15,528,073</u>	<u>(160,000)</u>	<u>-</u>	<u>15,368,073</u>
6,066,461	-	-	6,066,461
686,542	-	-	686,542
193,063	-	-	193,063
48,000	-	-	48,000
7,586,433	-	-	7,586,433
<u>14,580,499</u>	<u>-</u>	<u>-</u>	<u>14,580,499</u>
2,200,090	-	-	2,200,090
870,295	-	-	870,295
<u>3,070,385</u>	<u>-</u>	<u>-</u>	<u>3,070,385</u>
17,650,884	-	-	17,650,884
(2,122,811)	(160,000)	-	(2,282,811)
<u>7,313,248</u>	<u>275,000</u>	<u>14,000,000</u>	<u>21,588,248</u>
<u>\$ 5,190,437</u>	<u>\$ 115,000</u>	<u>\$ 14,000,000</u>	<u>\$ 19,305,437</u>



**Amvets National Service Foundation**  
**Statement of Functional Expenses**  
**For the year ended August 31, 2016**

	<b>PROGRAM SERVICES</b>			
	<b>Service to Veterans</b>	<b>Americanism</b>	<b>Carillon Program</b>	<b>Scholarships</b>
Advertising	\$ -	\$ -	\$ -	\$ -
Alarm and security	-	-	-	-
Auto	-	-	-	-
Awards and grants	1,658,796	9,161	-	18,400
Bank fees	-	-	-	-
Building maintenance	-	-	-	-
Data processing	-	-	-	-
Dues and subscriptions	-	-	-	-
Equipment rental	-	-	-	-
Flags	-	119,703	-	-
General insurance	8,766	-	-	-
Medical insurance	310,091	8,131	8,131	-
Interest	-	-	-	-
Mail program	1,151,597	444,935	104,690	-
Management fees	-	-	-	-
Meetings and conferences	-	-	-	-
Miscellaneous	8,434	-	-	-
Office expense	68,421	-	-	-
Payroll taxes	205,666	5,410	5,410	-
Pension	93,020	1,820	1,820	-
Professional services	-	-	-	-
Rent	-	-	-	-
Salaries and wages	2,475,800	68,545	34,272	-
Taxes - other	-	-	-	-
Telephone and utilities	7,534	-	-	-
Trash removal	-	-	-	-
Travel	146,844	-	-	-
Depreciation and amortization	-	-	-	-
<b>Total Expenses</b>	<b>\$ 6,134,969</b>	<b>\$ 657,705</b>	<b>\$ 154,323</b>	<b>\$ 18,400</b>

See notes to financial statements.

<b>Supporting Services</b>					
<b>Thrift Store Operations</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total</b>
\$ 97,671	\$ 97,671	\$ -	\$ -	\$ -	\$ 97,671
10,072	10,072	2,499	-	2,499	12,571
170,058	170,058	40	-	40	170,098
369,099	2,055,456	-	-	-	2,055,456
126,284	126,284	126,238	14,626	140,864	267,148
131,017	131,017	1,186	-	1,186	132,203
-	-	74,597	33,713	108,310	108,310
27,395	27,395	11,184	-	11,184	38,579
12,490	12,490	5,869	-	5,869	18,359
-	119,703	-	-	-	119,703
267,391	276,157	101,035	-	101,035	377,192
101,676	428,029	91,251	22,813	114,064	542,093
-	-	82,769	-	82,769	82,769
-	1,701,222	314,071	601,973	916,044	2,617,266
-	-	136,704	-	136,704	136,704
-	-	74,366	-	74,366	74,366
33,437	41,871	79,402	-	79,402	121,273
269,124	337,545	140,523	4,519	145,042	482,587
271,994	488,480	36,809	15,732	52,541	541,021
47,473	144,133	26,537	11,373	37,910	182,043
87,157	87,157	166,843	-	166,843	254,000
1,039,514	1,039,514	2,940	-	2,940	1,042,454
3,600,945	6,179,562	537,845	137,090	674,935	6,854,497
101,588	101,588	720	9,157	9,877	111,465
394,735	402,269	28,427	-	28,427	430,696
160,609	160,609	-	-	-	160,609
91,764	238,608	16,866	-	16,866	255,474
150,246	150,246	249,235	27,692	276,927	427,173
<b>\$ 7,561,739</b>	<b>\$ 14,527,136</b>	<b>\$ 2,307,956</b>	<b>\$ 878,688</b>	<b>\$ 3,186,644</b>	<b>\$ 17,713,780</b>

**AMVETS NATIONAL SERVICE FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended August 31, 2015

	<b>Program Services</b>			
	<b>Service to Veterans</b>	<b>Americanism</b>	<b>Carillon Program</b>	<b>Scholarships</b>
Advertising	\$ -	\$ -	\$ -	\$ -
Alarm and security	-	-	-	-
Auto	-	-	-	-
Awards and grants	1,812,465	44,268	-	48,000
Bank fees	-	-	-	-
Building maintenance	-	-	-	-
Data processing	-	-	-	-
Dues and subscriptions	-	-	-	-
Equipment rental	-	-	-	-
Flags	-	119,437	-	-
General insurance	7,254	-	-	-
Medical insurance	266,183	7,505	7,505	-
Interest	-	-	-	-
Mail program	1,124,211	444,455	130,722	-
Management fees	-	-	-	-
Meetings and conferences	-	-	-	-
Miscellaneous	6,542	-	-	-
Office expense	93,639	-	-	-
Payroll taxes	194,001	5,152	5,152	-
Pension	85,268	1,563	1,563	-
Professional services	-	-	-	-
Rent	-	-	-	-
Salaries and wages	2,342,987	64,162	48,121	-
Taxes - other	-	-	-	-
Telephone and utilities	8,184	-	-	-
Trash removal	-	-	-	-
Travel	125,727	-	-	-
Depreciation and amortization	-	-	-	-
<b>Total expenses</b>	<b>\$ 6,066,461</b>	<b>\$ 686,542</b>	<b>\$ 193,063</b>	<b>\$ 48,000</b>

See notes to financial statements.

		<b>Supporting Services</b>				
<b>Thrift Store Operations</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Supporting Services</b>	<b>Total</b>	
\$ 94,693	\$ 94,693	\$ -	\$ -	\$ -	\$ 94,693	
27,057	27,057	3,773	-	3,773	30,830	
192,858	192,858	48	-	48	192,906	
353,188	2,257,921	-	-	-	2,257,921	
130,928	130,928	76,651	14,638	91,289	222,217	
205,230	205,230	6,468	-	6,468	211,698	
-	-	82,235	36,907	119,142	119,142	
4,695	4,695	10,039	-	10,039	14,734	
21,143	21,143	6,545	-	6,545	27,688	
-	119,437	-	-	-	119,437	
225,770	233,024	49,287	-	49,287	282,311	
134,859	416,052	88,977	22,515	111,492	527,544	
-	-	91,342	-	91,342	91,342	
-	1,699,388	313,734	601,322	915,056	2,614,444	
-	-	118,829	-	118,829	118,829	
-	-	84,053	-	84,053	84,053	
97,972	104,514	28,295	-	28,295	132,809	
305,536	399,175	175,766	5,847	181,613	580,788	
261,851	466,156	33,806	15,277	49,083	515,239	
40,759	129,153	17,193	9,955	27,148	156,301	
171,362	171,362	217,649	-	217,649	389,011	
982,506	982,506	3,685	-	3,685	986,191	
3,323,466	5,778,736	509,179	128,325	637,504	6,416,240	
140,378	140,378	185	8,046	8,231	148,609	
455,023	463,207	12,334	-	12,334	475,541	
150,457	150,457	-	-	-	150,457	
102,594	228,321	22,863	-	22,863	251,184	
164,108	164,108	247,154	27,463	274,617	438,725	
<b>\$ 7,586,433</b>	<b>\$ 14,580,499</b>	<b>\$ 2,200,090</b>	<b>\$ 870,295</b>	<b>\$ 3,070,385</b>	<b>\$ 17,650,884</b>	

**AMVETS NATIONAL SERVICE FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
For the years ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (883,545)	\$ (2,282,811)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	427,173	438,725
Realized gain on sale of investments	(415,995)	(182,489)
Unrealized (gain) loss on investments	(521,512)	1,218,814
Change in assets and liabilities:		
Accounts receivable	21,425	111,398
Promise to give	75,000	14,075,000
Inventory - thrift store contributed merchandise	(9,511)	(1,645)
Prepaid expenses	(70,136)	200,331
Deposits	-	(7,086)
Accounts payable	184,439	92,129
Accrued expenses	(872)	(959)
Due to related parties	189,368	(29,984)
Payroll and related liabilities	(38,090)	132,091
Deferred revenue	(10,083)	-
Scholarships payable	(12,000)	(4,000)
Pass-through bequest	303,821	-
	<u>(760,518)</u>	<u>13,759,514</u>
<b>Net cash provided (used) by operating activities</b>		
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(11,988)	(440,178)
Purchase of investments	(1,197,037)	(14,902,740)
Proceeds from sale of investments	2,071,748	1,813,000
	<u>862,723</u>	<u>(13,529,918)</u>
<b>Net cash provided (used) by investing activities</b>		
<b>Cash Flows from Financing Activities</b>		
Payments on mortgage payable	(142,143)	(233,570)
	<u>(142,143)</u>	<u>(233,570)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(39,938)	(3,974)
<b>Cash and Cash Equivalents, Beginning</b>	668,337	672,311
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 628,399</u>	<u>\$ 668,337</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 82,769</u>	<u>\$ 91,343</u>

See notes to financial statements.

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended August 31, 2016 and 2015**

**NOTE 1 – ORGANIZATION**

AMVETS National Service Foundation (the Foundation), incorporated in the District of Columbia, offers Americans the opportunity to support veterans’ service programs as well as community and youth oriented programs designed to promote unity and patriotism. The Foundation, through its National Service Officers, counsels and represents veterans and their dependents before the Veterans Administration without charge. The Foundation also supports the Veterans Administration Voluntary Service Program with 1,130 volunteers to assist veterans in 100 Veterans Administration Medical Centers. The Foundation employs many disabled veterans and represents veterans regardless of whether they are members of AMVETS.

AMVETS National Service Foundation generates revenue through direct mail appeals, operating community thrift stores throughout the country, and receiving special gifts and bequests.

The program activities of AMVETS National Service Foundation are as follows:

Service to Veterans – The purpose of this program is to inform veterans and their dependents of potential benefits. AMVETS National Service Officers (NSO), who are funded by the Foundation, act as educators, counselors and advocates assuring that veterans and their dependents receive all of the benefits to which they are entitled under the current law. To support these functions, AMVETS averaged 59 NSOs working during the year at 30 Veterans Administration (VA) regional offices, 14 military bases and the Board of Appeals in Washington, D.C. who provided services to the active duty military, veterans, members of the National Guard and the Reserves and surviving family members without any charge whatsoever. Additionally, AMVETS Department Service Officers and accredited state and county government service officers provide services to veterans at a number of the 142 Veterans Administration Medical Centers and Community Based Out-patient Clinics. Approximately 96,250 veterans were contacted during calendar year 2015. This resulted in 66,380 claims of benefits being filed on their behalf. Also, 2,408 contacts were made with National Guard/Reserve troops and their dependents for information and claims assistance.

Americanism – The Americanism program operates to heal the wounds of war and promote the unity of patriotism. In accomplishing these objectives, more than 15,000 high quality flags with embroidered stars and sewn stripes were sent during the past year to local posts, Ladies Auxiliary units of AMVETS and National Service Officers for distribution to schools, communities and groups. These flags were distributed without charge.

Carillon Program – The Carillon program operates to honor all those devoted men and women who served with honor and are now deceased. The bells are a “living” memorial and serve to remind us of our legacy and of our debt to those who fought to preserve freedom throughout the world. These chimes are heard throughout many national cemeteries in the country. The Foundation has funded and maintains memorial carillons at the following locations:

Phoenix, Arizona  
Gustine, California  
Bay Pines, Florida

Sierra Vista, Arizona  
Igo, California  
Bushnell, Florida

Fort Smith, Arkansas  
Riverside, California  
Jacksonville, Florida

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended August 31, 2016 and 2015

**NOTE 1 – ORGANIZATION (Continued)**

Decatur, Georgia	Honolulu, Hawaii	Pearl Harbor, Hawaii
Camp Butler, Illinois	Chicago, Illinois	Danville, Illinois
Peoria, Illinois	Quincy, Illinois	Rock Island, Illinois
Wheaton, Illinois	Marion, Indiana	Madison, Indiana
West Lafayette, Indiana	Waterloo, Iowa	West Branch, Iowa
Abilene, Kansas	Leavenworth, Kansas	Grayson, Kentucky
Greenup County, Kentucky	Hopkinsville, Kentucky	Radcliff, Kentucky
Williamstown, Kentucky	Lebanon, Kentucky	Louisville, Kentucky
Chalmette, Louisiana	Jackson, Louisiana	Keithville, Louisiana
Leesville, Louisiana	Metairie, Louisiana	Caribou, Maine
Rayville, Louisiana	Slidell, Louisiana	Crownsville, Maryland
Flintstone, Maryland	Lanham, Maryland	Agawam, Massachusetts
Boston, Massachusetts	Bourne, Massachusetts	Chelsea, Massachusetts
Augusta, Michigan	Grand Rapids, Michigan	Holly, Michigan
Marquette, Michigan	Independence, Missouri	Jefferson Barracks, Missouri
Springfield, Missouri	St. Louis, Missouri	Lyndhurst, New Jersey
Buffalo, New York (2)	Calverton, New York	Montrose, New York
Northport, New York	Schuylerville, New York	Stony Brook, New York
Asheville, North Carolina	Durham, North Carolina	Fayetteville, North Carolina
Salisbury, North Carolina (2)	Dayton, Ohio	Georgetown, Ohio
Rittman, Ohio	Sandusky, Ohio	Fort Gibson, Oklahoma
Portland, Oregon	Eagle Point, Oregon	Indiantown Gap, Pennsylvania
Valley Forge, Pennsylvania	Florence, South Carolina	Abilene, Texas
Corpus Christi, Texas	Dallas, Texas	Houston, Texas
Killeen, Texas	Mission, Texas	Salt Lake City, Utah
Quantico, Virginia	Milwaukee, Wisconsin	Spoooner, Wisconsin
Union Grove, Wisconsin		

AMVETS and The McCormick Foundation have installed and dedicated carillons in Europe and North Africa as follows:

Aisne-Marne American Cemetery, Belleau, France  
Ardennes American Cemetery, Neuville-en-Condroz, Belgium  
Brittany American Cemetery, St. James, France  
Brookwood American Cemetery, Surrey, England  
Cambridge American Cemetery, Cambridge, England  
Epinal American Cemetery, Epinal, France  
Flanders Field American Cemetery, Waregem, Belgium  
Florence American Cemetery, Florence, Italy

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended August 31, 2016 and 2015**

**NOTE 1 - ORGANIZATION (Continued)**

Henri-Chapelle American Cemetery, Hombourg, Belgium  
Lorraine American Cemetery, St. Avold, France  
Manila American Cemetery, Republic of the Philippines;  
Meuse-Argonne American Cemetery, Romagne-sous-Montfaucon, France  
Netherlands American Cemetery, Margraten, The Netherlands  
Normandy American Cemetery, Colleville- Sur Mer, France  
North Africa American Cemetery, Carthage, Tunisia  
Oise-Aisne American Cemetery, Seringes-et-Nesles, France  
Rhone American Cemetery, Draguignan, France  
Saint Mihiel American Cemetery, Thiaucourt, France  
Sicily- Rome American Cemetery, Nettuno, Italy  
Somme American Cemetery, Bony, France  
Suresnes American Cemetery, Suresnes, France

VAVS - The Department of Veterans Affairs Voluntary Service (VAVS) assists patients in AMVETS' VAs by augmenting staff in such settings as end-of-life care programs, foster care, community-based volunteer programs, hospital wards, nursing homes, and veteran outreach centers. The Foundation serves as one of the 60 major veteran, civic, and service organizations that comprise the VAVS National Advisory Committee. During the government fiscal year ending September 2015, 1,768 AMVETS, AMVETS Ladies Auxiliary, and Sons of AMVETS provided a total of 147,278 hours of service in over 120 VA Medical Facilities around the country. In the fiscal year ending September 2016, 1,611 AMVETS, AMVETS Ladies Auxiliary, and Sons of AMVETS provided a total of 139,651 hours of service in over 150 VA Medical Facilities around the country.

Freedoms Foundation - The Spirit of America Program is a four-day conference centering on topics such as freedom, civil rights and civic responsibilities, citizenship, public policy, self-development and leadership, entrepreneurship, and salient aspects of American history. Since 1987, this program has been offered to students all across the nation in an effort to expand their interpersonal skills and leadership potential through leadership skills workshops, group skills activities, and discussions with fellow participants. The Foundation sponsors one student from every state to attend this 4-day conference at no cost to the student.

Healing Heroes - AMVETS Healing Heroes is a program providing assistance to the families of wounded warriors as they recuperate. While the government provides for all of the medical expenses for treating our wounded warriors and limited support for the spouses, many spend months recuperating and receiving therapy in polytrauma centers far from their homes. AMVETS' Healing Heroes Program provides financial assistance to help their entire family unit spend some precious time together during this difficult time. To date, we have provided over \$1.3 million to service members and their families as they heal.

Scholarships - The Foundation annually awards scholarships to veterans, their sons, daughters, or grandchildren. A son, daughter, or grandchild of a deceased veteran is also eligible.



**AMVETS NATIONAL SERVICE FOUNDATION**  
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**For the years ended August 31, 2016 and 2015**

**NOTE 1 - ORGANIZATION (Continued)**

Awarded on the basis of academic excellence and financial need, the scholarships go to deserving high school seniors, high school JROTC students, and veterans pursuing a higher education. Each year the Foundation awards approximately ten scholarships to deserving veterans and their family members.

Thrift Store Operations – The Foundation operates thrift shops, which sell donated clothing and merchandise to war veterans, as well as, the general public. Its aim is to provide low cost second hand goods to war veterans and the public. The net proceeds of the operation of such stores are used to help fund the other programs of the Foundation.

These financial statements include only transactions of the AMVETS National Service Foundation and are not intended to present fairly the consolidated position of the AMVETS National Service Foundation and its related organization or its results of operations and cash flows in conformity with generally accepted accounting principles. The related organization through common board members is AMVETS Charities, Inc.

**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.

**Restricted and Unrestricted Support and Revenues**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and or the nature of any donor restrictions. 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 restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts invested in short-term investments with original maturities of 90 days or less. The Foundation maintains its cash and cash equivalents in major financial institutions. The balance at times may exceed federally insured limits. Management does not anticipate any losses related to this concentration.

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended August 31, 2016 and 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts Receivable**

Accounts receivable are valued at management's estimate of the amount that will ultimately be collected. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Foundation's historical collection experience. Management considers all receivables collectible at August 31, 2016 and 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 Foundation 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.

**Property and Equipment**

The Foundation capitalizes, at cost, all expenditures for property and equipment in excess of \$2,500. Depreciation and amortization expense is provided under the straight-line method over the estimated useful lives of the related assets, generally 3 to 30 years, or the related lease term, whichever is shorter. Land is recognized at cost and is not depreciated. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in the Statements of Activities for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation on assets not placed in service begins when assets are placed in service. Depreciation and amortization expense was \$427,173 and \$438,725 for the years ended August 31, 2016 and 2015, respectively

**Endowment Funds**

Maryland enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on April 14, 2009, the provisions of which apply to endowment funds existing on or established after the date of enactment. The Foundation follows FASB Accounting Standards Codification (ASC) 958 relating to endowments. Management has determined that the Foundation's permanently restricted net assets meet the definition of endowment funds under UPMIFA and ASC 958.

**Inventory - Thrift Store Contributed Merchandise**

Contributed used clothing and furniture is carried at its fair value at the time of receipt, which is determined by its expected selling price.

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 period. 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. Realized and unrealized gains and losses are reflected in the Statements of Activities. The cost of investments sold is determined by the average cost per share method.

The Foundation invests in various money market funds, mutual funds, stocks, REITs 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, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect account balances and 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).
- *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.

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended August 31, 2016 and 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Allocation of Expenses**

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

**Advertising**

The Foundation follows the policy of charging the cost of advertising to expense as incurred. Advertising expense for the years ended August 31, 2016 and 2015 was \$97,671 and \$94,693, respectively.

**Income Taxes**

The Foundation 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 August 31, 2016 and 2015, since the Foundation had no unrelated business activities.

The income tax positions taken by the Foundation for any years open under the various statutes of limitations are that the Center continues to be exempt from income taxes and that the Foundation has properly reported unrelated business income that is subject to income taxes. The Foundation 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 Foundation's federal or state income tax returns are currently under examination.

**NOTE 3 - UNCONDITIONAL PROMISES TO GIVE**

The Foundation had unconditional promises to give of \$-0- and \$75,000 at August 31, 2016 and 2015, respectively. The outstanding balance at August 31, 2015 was due and collected during the current fiscal year.

**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT**

The following are the major categories of assets held by the Foundation and are measured at fair value on a recurring basis during the years ended August 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):

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended August 31, 2016 and 2015

**NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)**

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<u>August 31, 2016</u>			
Cash and cash equivalents	\$ 133,919	\$ 133,919	\$ -
Securities - equity	5,600,857	5,600,857	-
Securities - fixed income	452,039	10,889	441,150
Securities - REITs	76,512	-	76,512
Mutual funds - equity	5,231,750	5,231,750	-
Mutual funds - fixed income	<u>4,607,948</u>	<u>4,607,948</u>	<u>-</u>
	<u>\$16,103,025</u>	<u>\$15,585,363</u>	<u>\$ 517,662</u>
<u>August 31, 2015</u>			
Cash and cash equivalents	\$ 118,229	\$ 118,229	\$ -
Securities - equity	6,337,139	6,337,139	-
Securities - fixed income	478,878	31,681	447,197
Mutual funds - equity	3,982,458	3,982,458	-
Mutual funds - fixed income	<u>5,123,525</u>	<u>5,123,525</u>	<u>-</u>
	<u>\$ 16,040,229</u>	<u>\$ 15,593,032</u>	<u>\$ 447,197</u>

All assets have been valued using a market approach. Fair values for assets in Level 2 are calculated using quoted market prices for similar assets in markets that are not active. There have been no changes in valuation techniques and related inputs.

**NOTE 5 - MORTGAGE PAYABLE**

On June 24, 2013, the Foundation obtained a mortgage in the amount of \$2,550,000 from a financial institution to finance the purchase of building and land. The mortgage is collateralized by the building, improvements, and land. Repayments are due in monthly principal and interest installments of \$18,743. The interest rate is fixed at 3.85% per annum for the term of the mortgage. The term is 10 years with a 15 year amortization and a balloon payment of the outstanding principal, accrued interest, and any unpaid fees due on July 1, 2023. There is a prepayment penalty charge if the loan is paid in full early. For the years ended August 31, 2016 and 2015, the total unpaid principal balance was \$2,036,811 and \$2,178,954, respectively.

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended August 31, 2016 and 2015

**NOTE 5 - MORTGAGE PAYABLE (Continued)**

Future maturities of long-term debt are as follows:

Years ended August 31:	
2017	\$ 149,000
2018	154,838
2019	160,906
2020	167,211
2021	173,764
2022 and thereafter	<u>1,231,092</u>
Total	<u>\$ 2,036,811</u>

Interest expense for the years ended August 31, 2016 and 2015 was \$82,769 and \$91,342, respectively.

**NOTE 6 - ENDOWMENT**

The endowment includes donor-restricted endowment funds. The income from the assets available for appropriation can be used for the purpose of advancing and assisting American military veterans. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Foundation and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Foundation, and the investment policies of the Foundation.

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended August 31, 2016 and 2015

**NOTE 6 – ENDOWMENT (Continued)**

The changes in endowment net assets were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, August 31, 2014	\$ -	\$ -	\$14,000,000	\$14,000,000
Investment return:				
Investment income	468,662	-	-	468,662
Net depreciation (realized and unrealized)	<u>(804,836)</u>	<u>-</u>	<u>-</u>	<u>(804,836)</u>
Total investment return	<u>(336,174)</u>	<u>-</u>	<u>-</u>	<u>(336,174)</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>(65,016)</u>	<u>-</u>	<u>-</u>	<u>(65,016)</u>
Endowment net assets, August 31, 2015	<u>(401,190)</u>	<u>-</u>	<u>14,000,000</u>	<u>13,598,810</u>
Investment return:				
Investment income	-	446,845	2,887	449,732
Net appreciation (realized and unrealized)	<u>401,190</u>	<u>327,605</u>	<u>-</u>	<u>728,795</u>
Total investment return	<u>401,190</u>	<u>774,450</u>	<u>2,887</u>	<u>1,178,527</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, August 31, 2016	<u>\$ -</u>	<u>\$ 774,450</u>	<u>\$ 14,002,887</u>	<u>\$14,777,337</u>

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 – ENDOWMENT (Continued)**

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only):

	<u>2016</u>	<u>2015</u>
Permanently Restricted Net Assets:		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$14,002,887</u>	<u>\$ 14,000,000</u>
Temporarily restricted Net Assets:		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	<u>\$ 774,450</u>	<u>\$ -</u>

**Fund Deficiencies**

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and totaled \$0 and \$401,190 as of August 31, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Foundation must hold in perpetuity or for a donor specified purpose. Under the investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to generate a level of current income (interest and dividends) consistent with the overriding investment goal of the fund while avoiding excessive risk. The Foundation expects its endowment funds, over time, to achieve a total return in excess of the rate of inflation plus cash flow needs over the investment horizon in order to preserve purchasing power of fund assets. The overriding investment goal of the fund is to conserve and enhance the capital value of the fund in real terms, through asset appreciation and income generation. Actual returns in any given year may vary from this goal.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity and fixed income investments to achieve its long-term return objectives within prudent constraints.



**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 – ENDOWMENT (Continued)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The income available for appropriation is defined in the Endowment document as the return in money derived from the use and investment of the permanently restricted principal in excess of 35% of the increase in the U.S. Department of Labor's Bureau of Labor Statistics Consumer Price Index, or the closest equivalent successor index, for the previous year. There is also an extraordinary distribution clause that entitles the Foundation with each five-year period of the existence of the Fund to distribute up to 10% of the amount of the then principle of the Fund for extraordinary purpose of major capital expenditure. In establishing this policy, the Foundation considered the long term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 7.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

**NOTE 7 - NET ASSETS**

**Board Designated**

All board designated net assets at August 31, 2016 and 2015 were available for the Healing Heroes Program. The purpose of the Program is to help specific veterans and their families in need.

**Temporarily Restricted**

The Foundation's temporarily restricted net assets consist of the following at August 31:

	<u>2016</u>	<u>2015</u>
Service Officer Program	\$ -	\$ 75,000
Scholarship grants	<u>7,000</u>	<u>40,000</u>
Total purpose restrictions	7,000	115,000
Time restrictions	<u>774,450</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 781,450</u>	<u>\$ 115,000</u>

**Permanently Restricted**

For the years ended August 31, 2016 and 2015 permanently restricted net assets are restricted to:

	<u>2016</u>	<u>2015</u>
Investments in perpetuity, a portion of the income from which is expendable to support defined activities of the Foundation	<u>\$14,002,887</u>	<u>\$14,000,000</u>

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the years ended August 31, 2016 and 2015

**NOTE 8 - ALLOCATION OF JOINT COSTS**

In 2016 and 2015 the Foundation incurred joint costs for informational materials and activities that included fundraising appeals. Following is a summary of such costs and their allocation:

	<u>2016</u>	<u>2015</u>
Allocation of joint costs to:		
Fundraising expense	\$ 601,973	\$ 601,322
Service to Veterans program	1,151,597	1,124,211
Americanism program	444,935	444,455
Carillon program	104,690	130,722
Management and general expense	<u>314,071</u>	<u>313,734</u>
 Total joint costs	 <u>\$ 2,617,266</u>	 <u>\$ 2,614,444</u>

**NOTE 9 - LEASE COMMITMENTS**

The Foundation leases various buildings for use as thrift stores and warehouses. Lease terms vary, but generally exist for five to ten-year periods with renewal options for additional five to ten-year periods. The future minimum lease payments required under all non-cancelable operating leases are as follows:

Year ending August 31:	
2017	\$ 724,259
2018	628,025
2019	534,884
2020	514,070
2021	391,767
2022 and thereafter	<u>465,432</u>
 Total	 <u>\$ 3,258,437</u>

Total rent expense under operating leases for the years ended August 31, 2016 and 2015 was \$792,826 and \$740,328, respectively.

**NOTE 10 - PENSION PLAN**

The Foundation provides a 401(k) profit sharing and savings plan as part of its employee benefit package which covers all employees who qualify with respect to age and length of service. Under the terms of the plan, the company matches 150% of the participant's salary deferral up to the first four percent of wages deferred by the participant. For the years ended August 31, 2016 and 2015, the Foundation made matching contributions of \$173,506 and \$153,253, respectively.

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 - RELATED PARTY TRANSACTIONS**

AMVETS Charities, Inc. is a related party that paid various expenses on behalf of the Foundation and provided contributions for the Foundation's Healing Heroes program.

AMVETS National Department is a related party to whom the Foundation paid grants, miscellaneous expenses and received miscellaneous advances.

Following is a summary of transactions with these related parties for the years ended August 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>
AMVETS Charities, Inc.:		
Expenses paid by the Foundation	\$ -	\$ 57,628
Due from the Foundation for contributions collected for Charities	23,000	963
Advances to the Foundation	167,331	-
AMVETS National Department:		
Grants paid by the Foundation	761,617	772,356
Expenses paid by the Foundation	49,750	99,410
In-kind Financial services provided by the Foundation	54,776	-
In-kind Human Resources services provided by the Foundation	26,172	-
Post 270, McClean Co. IL-Chapter of AMVETS National Department		
Bequest received by the Foundation for Post 270	303,821	-

On July 5, 2016, the Foundation received \$303,821 from a bequest. According to the bequest, the funds must be distributed to Post 270 in Bloomington, Illinois. The Foundation has no variance power over the funds and simply serves as an agent between the estate and Post 270. The Foundation has recognized \$303,821 as a pass-through bequest liability in the accompanying statements of financial position. According to the terms of the agreement with Post 270, the Foundation must distribute \$10,000 per quarter beginning January 1, 2017. In addition, funding requests for major projects handled by Post 270, will be paid directly by the Foundation out of the bequest funds. Future minimum distributions are as follows:

Years ended August 31:	
2017	\$ 30,000
2018	40,000
2019	40,000
2020	40,000
2021	40,000
2022	40,000
2023	40,000
2024	<u>33,821</u>
Total	<u>\$ 303,821</u>

**AMVETS NATIONAL SERVICE FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended August 31, 2016 and 2015**

**NOTE 12 - COMMITMENTS**

The Foundation has entered into service agreements with various vendors for direct-mail related services. These agreements allow for termination on 30 to 90-day notice.

**NOTE 13 - CONTINGENCY**

A number of Equal Employment Opportunity Commission (EEOC) claims were filed against the Foundation over the past four years. The Foundation has insurance for such claims and carries a policy limit of \$5,000,000 with a deductible of \$25,000 for each year for each claim. As of August 31, 2015, there were three open claims against the Foundation. Two of these claims were dismissed during the year ended August 31, 2016. As of August 31, 2016 there was one claim that remained open.

**NOTE 14 - SUBSEQUENT EVENTS**

Subsequent to August 31, 2016, the Foundation refinanced its mortgage and replaced it with a line of credit with the same financial institution holding the mortgage. The line of credit bears an interest rate of LIBOR (London Interbank Offered Rate) plus 1.25%. The Foundation pledged a portion of its endowment funds as collateral for the line of credit. The terms of the endowment specify that no benefits or monies payable from the Fund shall, prior to distribution, be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge by anyone other than the Foundation. The Board of Directors believes that the pledge of these funds as collateral for the mortgage is prudent and appropriate under the circumstances and obtained the donor's specific consent to clarify the legal status of the use of endowment funds as collateral. The amendment to the endowment terms was approved and signed by the donor on November 21, 2016.

Subsequent events have been evaluated through December 7, 2016, which is the date the financial statements are available to be issued.