




**VIETNAM VETERANS OF SAN DIEGO
DBA
VETERANS VILLAGE OF SAN DIEGO**

Financial Statements and Supplemental Information

Years Ended June 30, 2016 and 2015



VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vietnam Veterans of San Diego dba Veterans Village of San Diego

We have audited the accompanying financial statements of Vietnam Veterans of San Diego dba Veterans Village of San Diego (a nonprofit organization), which comprise the statements of financial position as of June 30, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Vietnam Veterans of San Diego dba Veterans Village of San Diego as of June 30, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures

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applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of Vietnam Veterans of San Diego dba Veterans Village of San Diego's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vietnam Veterans of San Diego dba Veterans Village of San Diego's internal control over financial reporting and compliance.

AKT LLP

San Diego, California
December 8, 2016

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 741,835	\$ 1,043,132
Investments	178,028	178,027
Grants receivable, net of allowance for doubtful accounts of \$2,002 (2016 and 2015)	830,597	878,577
Cash in bank - reserved for grants	741,423	691,126
Prepaid expenses and other current assets	<u>155,779</u>	<u>142,077</u>
Total Current Assets	2,647,662	2,932,939
Non-Current Assets:		
Fund control - vision	282	523,523
Construction in progress	1,039,693	3,320,381
Property and equipment, net of accumulated depreciation	<u>33,177,940</u>	<u>30,198,693</u>
Total Non-Current Assets	<u>34,217,915</u>	<u>34,042,597</u>
Total Assets	<u>\$ 36,865,577</u>	<u>\$ 36,975,536</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 93,423	\$ 158,761
Accrued expenses	371,920	592,318
Grant payable	656,500	-
Current portion of long-term debt	-	36,046
Deferred revenue	<u>161,513</u>	<u>103,251</u>
Total Current Liabilities	1,283,356	890,376
Non-Current Liabilities:		
Forgivable grants-loans	21,845,893	22,600,973
Accrued interest	229,359	191,859
Capital reserve fund liability	48,000	36,000
Construction line of credit	598,434	416,182
Long-term debt, net of current portion	<u>-</u>	<u>29,113</u>
Total Non-Current Liabilities	<u>22,721,686</u>	<u>23,274,127</u>
Total Liabilities	24,005,042	24,164,503
Net Assets:		
Unrestricted	12,721,188	12,561,783
Temporarily restricted	<u>139,347</u>	<u>249,250</u>
Total Net Assets	<u>12,860,535</u>	<u>12,811,033</u>
Total Liabilities and Net Assets	<u>\$ 36,865,577</u>	<u>\$ 36,975,536</u>

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Statement of Activities
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Grants	\$ 8,369,904	\$ -	\$ 8,369,904
Contributions	387,449	411,913	799,362
Donated goods and services	598,648	-	598,648
Rent	297,147	-	297,147
Food stamps	79,467	-	79,467
Forgiveness of debt	1,000,000	-	1,000,000
Other revenue	48,491	-	48,491
Interest income	356	-	356
Net assets released from restrictions, satisfaction of program restrictions	<u>521,816</u>	<u>(521,816)</u>	<u>-</u>
Total Revenue and Support	11,303,278	(109,903)	11,193,375
Expenses:			
Program services	9,970,802	-	9,970,802
Supporting services:			
Management and general	1,058,052	-	1,058,052
Fundraising	<u>115,019</u>	<u>-</u>	<u>115,019</u>
Total Expenses	<u>11,143,873</u>	<u>-</u>	<u>11,143,873</u>
Change in Net Assets	159,405	(109,903)	49,502
Net Assets, beginning	<u>12,561,783</u>	<u>249,250</u>	<u>12,811,033</u>
Net Assets, ending	<u>\$ 12,721,188</u>	<u>\$ 139,347</u>	<u>\$ 12,860,535</u>

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Statement of Activities
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Grants	\$ 8,523,872	\$ -	\$ 8,523,872
Contributions	544,568	422,465	967,033
Donated goods and services	768,114	-	768,114
Rent	288,526	-	288,526
Food stamps	85,264	-	85,264
Other revenue	11,017	-	11,017
Interest income	1,461	-	1,461
Net assets released from restrictions, satisfaction of program restrictions	<u>332,667</u>	<u>(332,667)</u>	<u>-</u>
Total Revenue and Support	10,555,489	89,798	10,645,287
Expenses:			
Program services	9,755,335	-	9,755,335
Supporting services:			
Management and general	1,072,316	-	1,072,316
Fundraising	<u>166,630</u>	<u>-</u>	<u>166,630</u>
Total Expenses	<u>10,994,281</u>	<u>-</u>	<u>10,994,281</u>
Change in Net Assets	(438,792)	89,798	(348,994)
Net Assets, beginning	<u>13,000,575</u>	<u>159,452</u>	<u>13,160,027</u>
Net Assets, ending	<u>\$ 12,561,783</u>	<u>\$ 249,250</u>	<u>\$ 12,811,033</u>

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 3,580,952	\$ 659,407	\$ 95,447	\$ 4,335,806
Participant support	1,763,941	-	-	1,763,941
Payroll tax and benefits	894,602	116,506	18,426	1,029,534
Depreciation	779,636	38,161	-	817,797
Donated expenses	598,648	-	-	598,648
Food and kitchen supplies	488,076	270	-	488,346
Repairs and maintenance	299,159	63,739	-	362,898
Utilities	310,767	23,628	-	334,395
Contract services	246,033	25,804	-	271,837
Supplies and postage	203,804	39,045	-	242,849
Building rent	153,863	3,221	-	157,084
Telephone	104,823	32,480	-	137,303
Insurance	90,117	32,267	-	122,384
Legal and accounting	85,634	-	-	85,634
Training and travel	64,311	16,759	-	81,070
Interest - bank charges	76,868	-	-	76,868
Minor equipment purchased	68,033	3,470	-	71,503
Licenses and permit	61,540	225	-	61,765
Diagnostic testing	56,908	170	-	57,078
Other	10,810	1,494	-	12,304
Reserve for repairs	12,000	-	-	12,000
Advertising	9,609	95	-	9,704
Equipment rental	7,672	1,286	-	8,958
Special events	2,696	-	-	2,696
Fundraising	-	-	1,146	1,146
Property taxes	300	25	-	325
	<u>\$ 9,970,802</u>	<u>\$ 1,058,052</u>	<u>\$ 115,019</u>	<u>\$ 11,143,873</u>

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Statement of Functional Expenses
Year Ended June 30, 2015

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 3,583,466	\$ 664,367	\$ 121,667	\$ 4,369,500
Participant support	1,305,397	-	-	1,305,397
Payroll tax and benefits	899,758	122,737	44,542	1,067,037
Depreciation	805,947	8,069	-	814,016
Donated expenses	784,114	-	-	784,114
Food and kitchen supplies	625,336	257	-	625,593
Repairs and maintenance	368,850	21,953	-	390,803
Utilities	295,613	20,298	-	315,911
Supplies and postage	229,328	51,589	-	280,917
Building rent	128,534	48,523	-	177,057
Telephone	96,223	34,570	-	130,793
Minor equipment purchased	115,848	14,566	-	130,414
Insurance	75,587	26,553	-	102,140
Contract services	64,159	32,660	-	96,819
Legal and accounting	73,535	5,000	-	78,535
Interest - bank charges	76,943	-	-	76,943
Training and travel	60,971	15,964	-	76,935
Equipment rental	70,799	1,756	-	72,555
Diagnostic testing	65,042	350	-	65,392
Reserve for repairs	12,000	-	-	12,000
Licenses and permits	9,518	268	-	9,786
Other	2,385	2,709	-	5,094
Advertising	4,603	100	-	4,703
Special events	1,007	-	421	1,428
Property taxes	372	27	-	399
	<u>\$ 9,755,335</u>	<u>\$ 1,072,316</u>	<u>\$ 166,630</u>	<u>\$ 10,994,281</u>

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO**Statements of Cash Flows**

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 49,502	\$ (348,994)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	817,797	814,016
Forgiveness of debt	(1,000,000)	-
Loss on disposal of property and equipment	-	38,083
Changes in operating assets and liabilities:		
Grants receivable	47,980	233,999
Prepaid expenses and other current assets	(13,702)	211,568
Accounts payable	(65,338)	80,906
Accrued expenses	(220,398)	(90,175)
Grant payable	656,500	-
Deferred revenue	58,262	(141,961)
Net Cash Provided by Operating Activities	330,603	797,442
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(26,845)
Proceeds from sales of property and equipment	-	3,000
Construction in progress purchases	(1,516,357)	(2,566,547)
Payments to capital reserve	12,000	5,870
Withdrawals from fund control - Vision	523,241	1,252,771
Withdrawals from cash in bank - reserved for grants	(50,297)	(451,950)
Net Cash Used by Investing Activities	(1,031,413)	(1,783,701)
Cash Flows from Financing Activities:		
Repayment of long-term debt	(65,159)	(33,625)
Proceeds from forgivable grants-loans	244,920	1,182,608
Accrued interest	37,500	35,140
Proceeds from construction line of credit	182,252	26,532
Net Cash Provided by Financing Activities	399,513	1,210,655
Net Increase (Decrease) in Cash and Cash Equivalents	(301,297)	224,396
Cash and cash equivalents, beginning	1,043,132	818,736
Cash and cash equivalents, ending	\$ <u>741,835</u>	\$ <u>1,043,132</u>
Supplemental Disclosures of Cash Flow Information		
Interest paid	\$ <u>37,652</u>	\$ <u>38,062</u>

See accompanying notes to financial statements.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies

Nature of Activities

Vietnam Veterans of San Diego dba Veterans Village of San Diego (Organization) is a non-profit corporation that assists veterans and certain non-veterans in San Diego County. The Organization operates various programs funded by government contracts. The programs cover a wide range of social services including drug and alcohol rehabilitation, mental and emotional health counseling, job education and training, and transitional housing for homeless veterans.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization had no permanently restricted net assets during the years ended June 30, 2016 and 2015.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Investments

Investments with readily determinable fair values are reported at fair value with realized and unrealized gains and losses included in the change in net assets.

Grants Receivable

The grants receivable arise in the normal course of operations. It is the policy of management to review the outstanding grants receivable at period end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts.

Cash in Bank – Reserved for Grants

The Organization holds a fund control account used for the Vision construction project. Forgivable loans and grants are deposited into this account until they are drawn down by the Organization as construction progresses.

Property and Equipment

Acquisitions of property and equipment of \$5,000 or more are capitalized. Property and equipment are recorded at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of 3 - 65 years.

Advertising

The Organization expenses the cost of advertising as incurred.

Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor restricted support is recorded as an increase in temporary or permanently restricted net assets, depending on the nature of the restriction.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Revenue and Support, continued

When a 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.

Revenue from grants and contracts is recognized to the extent of eligible costs incurred up to an amount not to exceed the total grant or contract authorized. Deferred revenue results from grant awards received that are applicable to the subsequent period.

Donated Goods and Services

Donated goods are recorded at their estimated fair market value at the time of donation. Such items are capitalized or charged to operations as appropriate. The donated goods and services are those used as matching fund under certain government grants. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2016 and 2015, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows the provisions of uncertain tax positions as addressed in Financial Accounting Standards Board (FASB) Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the years ended June 30, 2016 and 2015.

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. The Organization applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2016 and 2015, due to the relative short maturities of these instruments.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 1 – Organization and Summary of Significant Accounting Policies, continued

Use of 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.

Reclassifications

Certain items in the 2015 financial statement have been reclassified to conform to current year classifications. Such reclassifications had no effect on previously reported changes in net assets.

Subsequent Events

The Organization has evaluated subsequent events through December 8, 2016, which is the date the financial statements were available to be issued.

Note 2 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Buildings	\$ 28,932,348	\$ 25,135,305
Land	6,560,558	6,560,558
Furniture and equipment	1,874,897	1,874,897
Building improvements	1,735,346	1,735,346
Vehicles	<u>333,193</u>	<u>333,193</u>
	39,436,342	35,639,299
Less accumulated depreciation	<u>(6,258,402)</u>	<u>(5,440,606)</u>
	<u>\$ 33,177,940</u>	<u>\$ 30,198,693</u>

The Organization acquires property for Veteran Rehabilitation Services using grants from various federal, state and local funding sources subject to operating requirements imposed by donor agencies. Continued operations of the sites for specified charitable purposes over various required number of years is a condition for making grants non-refundable. If operations were ceased, some equity funding grants would have to be repaid.

Note 3 – Restrictions on Cash

The Organization has a separate bank account for temporarily restricted cash, which is shown separately on the statements of financial position as cash in bank-reserved for grants. As of June 30, 2016 and 2015, the balance was \$741,423 and \$691,126, respectively.

Note 4 – Investments

Money market mutual funds are carried at fair value and are intended to provide income for the Organization. The fair value of investments has been measured on recurring basis using quoted prices for identical assets in active markets (level 1 inputs).

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 4 – Investments, continued

Investments at fair value according to the fair value hierarchy are as follows at June 30:

	Investments at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Money Market Mutual Funds	\$ <u>178,028</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>178,028</u>
	Investments at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Money Market Mutual Funds	\$ <u>178,027</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>178,027</u>

Note 5 – Long-Term Debt

Long-term debt consists of the following at June 30:

	2016	2015
Note payable secured by 24th Street property, Wells Fargo Bank, payable in monthly installments of approximately \$2,714. Interest is variable and was 7.25% at June 30, 2015. Paid in full in September 2015.	\$ -	\$ 65,159
Less current portion	-	(36,046)
Long-term debt, less current portion	\$ <u>-</u>	\$ <u>29,113</u>

Note 6 – Forgivable Grants-Loans

San Diego Housing Commission

In May 2007, the Organization received \$4,234,526 of a Construction forgivable loan award for Phase II from the San Diego Housing Commission. The loan is divided in two parts: 1) \$745,575 HUD EDI Funding, 2) Balloon note for \$3,479,925. The loan term is for 65 years with 3% interest. This loan will be forgivable in 65 years as long as the loan proceeds are used for the provisions set forth by the Housing Commission. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$4,225,499. The Organization does not accrue interest on this loan because the probability of actual payment of interest is remote.

City of San Diego Successor Agency-Formerly Redevelopment Agency of the City of San Diego (Formerly RDA)

In June 2009, the Organization received a \$2,113,000 forgivable loan from the City of San Diego Successor Agency (Successor Agency) for the construction of Phase III. Of the \$2,113,000 loan, \$1,250,000 shall be repayable by Developer as a residual receipts loan with a 65 year term and a simple interest rate of 3% per annum calculated from the date of inception of the Phase III Residual Receipts Loan Deed of Trust. Total forgivable interest accrued for the year was \$37,500. The Successor Agency will receive 50% of any residual receipts (net considerations actually received for the operation or leasing of phase III) to pay down the Successor Agency \$1,250,000 residual receipts portion of the loan for Phase III and the remaining 50% residual receipts will be retained by Organization for operations. After repayment in full of the Successor Agency residual receipts loan plus all interest, the Housing Commission will receive 50% of the residual receipts to pay down the Housing Commission loan (see below) for Phase III and the remaining 50% residual receipts will be retained by the Organization. The remaining \$863,000 of the \$2,113,000 loan for Phase III shall be repayable by the Organization as a forgivable loan with a 65 year term and an interest rate of 0%. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$2,113,000.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 6 – Forgivable Grants-Loans, continued

San Diego Housing Commission

In June 2009, the Organization received a \$2,000,806 Housing Commission forgivable residual receipts loan for Phase III. This 65 year note carries an interest rate of 3% and in the event of default bears a simple interest rate of 10%. Per the loan provision, interest will accrue. The Organization does not accrue interest on this loan because the probability of actual payment of interest is remote based on the cash flow of the project. This loan will be forgivable in 65 years as long as the loan proceeds are used for the provisions set forth by the Housing Commission. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$2,000,806.

City of San Diego Successor Agency (Formerly RDA)

In April 2014, the Organization received a \$1,746,601 forgivable residual receipts loan for Phase V to construct a two story building for transitional housing and support services and facilities for low income individuals which will replace Hickman Hall. This forgivable loan is a 65 year note with 0% interest. Repayment of the loan will be deferred as long as the project is used in accordance with the terms and conditions of the agreement. Upon completion of the loan terms, the loan will be forgiven. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$1,737,076 and \$1,746,601, respectively.

San Diego Housing Commission

In February 2011, the Organization received a \$1,492,425 of a construction forgivable loan for Phase IV from the San Diego Housing Commission. The loan term is for 65 years with 3% interest. The loan will be forgivable in August 1, 2077 as long as the loan proceeds are used for the provisions set forth by the Housing Commission. The Organization intends to follow all loan provisions. The Organization does not accrue interest on this loan because the probability of actual payment of interest is remote based on the cash flow of the project. As of June 30, 2016 and 2015, the Organization's balance was \$1,491,566.

City of San Diego Successor Agency (Formerly RDA)

In June 2008, the Organization received a \$1,300,000 forgivable loan for the construction of Phase II. The loan term is for 65 years with 0% interest rate. This loan is forgivable after 65 years if the developer complies with all conditions and covenants. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$1,300,000.

San Diego Housing Commission

In May 2014, the Organization received a \$1,444,846 forgivable residual receipts loan for Phase V from the San Diego Housing Commission. The loan term is for 55 years with 3% interest. The loan will be forgivable in July 1, 2070 as long as the loan proceeds are used for the provisions set forth by the Housing Commission. The Organization intends to follow all loan provisions. The Organization does not accrue interest on this loan because the probability of actual payment of interest is remote based on the cash flow of the project. As of June 30, 2016 and 2015, the Organization's balance was \$1,437,053 and \$1,182,608, respectively.

City of San Diego Successor Agency (Formerly RDA)

In March 2011, the Organization received a \$1,118,012 Phase IV residual loan with a 65 year term and a simple interest rate of 0% per annum calculated from the date of disbursement. Residual receipts generated from Phase IV will be allocated as follows: 1) 50% to Developer to pay for the operation of the Veterans Village of San Diego campus and 2) 50% will be split equally between the Housing Commission and the Successor Agency. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$1,118,012.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 6 – Forgivable Grants-Loans, continued

Centre City Development Corporation

In September 2003, the Organization has a note with the Centre City Development Corporation (a division of the City of San Diego Redevelopment Agency) in the amount of \$1,000,000 for Phase I. The term of the note is 55 years and has an initial interest rate of 6%, which was subsequently reduced to zero. The note and any related interest is only payable upon non-compliance by the Organization, including the required continued operation as a rehabilitation facility. During the current year, this loan was forgiven. As of June 30, 2016 and 2015, the Organization's balance was \$1,000,000.

Emergency Housing and Assistance Program (EHAP)

The Organization received three \$1,000,000 EHAP deferred loan awards from Emergency Housing and Assistance Program for Phase I, Phase II and Phase III. These are 10 year forgivable loans received in July 2005, October 2005, and January 2008, respectively. Repayment of these loans and related interest will be deferred as long as the development is used for an emergency shelter or transitional housing. In the event of departure from above condition, the State will terminate the loan and will require immediate repayment of all outstanding principal and accrued interest. The Organization does not intend to change their use. This loan carries an interest rate of 3.0% and is collateralized by a first deed of trust against the development property. As of June 30, 2016 and 2015, the Organization's balance was \$2,000,000 and \$3,000,000, respectively.

Federal Home Loan Bank of San Francisco

In May 2006, the Organization received \$896,000 of a Construction Grant for Phase I from the Federal Home Loan Bank of San Francisco conditioned as a forgivable loan. The loan term is for 15 years with 0% interest rate. This loan will be forgivable in 15 years as long as the loan proceeds are used for the provisions set forth by the Affordable Housing Commission. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$896,000.

Emergency Housing and Assistance Program (EHAP)

In October 2010, the Organization received \$800,000 EHAP forgivable loan from Emergency Housing and Assistance Program to renovate the Escondido building for the New Resolve program. This is a 7 year note with 3% simple interest per annum. Repayment of the loan will be deferred as long as the project is used as an emergency shelter, a transitional housing facility, or a safe haven. Upon completion of the initial loan term, the loan will be forgiven. The Organization does not intend to change their use. As of June 30, 2016 and 2015, the Organization's balance was \$751,880.

San Diego Housing Commission

In October 2005, the Organization received a \$675,000 Housing Commission forgivable loan for Phase I. This is a 65 year forgivable loan. Repayment and related interest for this loan will be deferred as long as the property is used for homeless veterans and includes other income restrictions set forth in the loan provisions. The Organization has the full intention to comply with the loan provisions. This loan carries an interest of 3% and is collateralized by a second deed of trust against the Development Property. The Organization does not accrue interest on this loan because the probability of actual payment of interest is remote. As of June 30, 2016 and 2015, the Organization's balance was \$675,000.

Federal Home Loan Bank-Affordable Housing Program

In April 2011, the Organization received \$600,000 forgivable loan from Federal Home Loan Bank for Phase IV construction. The loan term is for 15 years with 0% interest rate. The loan will be forgivable in 15 years as long the loan proceeds are used for the provisions set forth by the Affordable Housing Commission. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$600,000.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 6 – Forgivable Grants-Loans, continued

Federal Home Loan Bank of San Francisco - Affordable Housing Program

In June 2012, the Organization received \$500,000 forgivable loan from Federal Home Loan Bank for Phase V construction. The loan term is for 15 years with 0% interest rate. The loan will be forgivable in 15 years as long the loan proceeds are used for the provisions set forth by Project Evaluation Form. The Organization intends to follow all loan provisions. As of June 30, 2016 and 2015, the Organization's balance was \$500,000.

Forgivable loans balance as of June 30, 2016 and 2015:

Description	Maturity Date	2016	2015
Emergency Housing & Assistance Program - Phase I	July, 2015	\$ -	\$ 1,000,000
Emergency Housing & Assistance Program - Phase II	October, 2018	1,000,000	1,000,000
Emergency Housing & Assistance Program - New Resolve	October, 2017	751,880	751,880
Emergency Housing & Assistance Program - Phase III	January, 2018	1,000,000	1,000,000
Federal Home Loan Bank of San Francisco - Phase I	May, 2021	896,000	896,000
Federal Home Loan Bank - Phase IV	April, 2026	600,000	600,000
Federal Home Loan Bank - Phase V	June, 2027	500,000	500,000
City of San Diego Redevelopment Agency - Phase I	September, 2058	1,000,000	1,000,000
San Diego Housing Commission - Phase V	July, 2070	1,437,053	1,182,608
San Diego Housing Commission - Phase I	October, 2070	675,000	675,000
San Diego Housing Commission - Phase II	February, 2071	3,479,925	3,479,925
San Diego Housing Commission - Phase II	May, 2072	745,575	745,575
Redevelopment Agency - Phase II	June, 2073	1,300,000	1,300,000
RDA CAL-Redevelopment agency - Phase III	June, 2074	2,113,000	2,113,000
San Diego Housing Commission - Phase III	June, 2074	2,000,806	2,000,806
Redevelopment Agency of City of San Diego - Phase IV	February, 2076	1,118,012	1,118,012
San Diego Housing Commission - Phase IV	August, 2076	1,491,566	1,491,566
Former RDA - City of San Diego - Phase V	April, 2079	1,737,076	1,746,601
		\$ 21,845,893	\$ 22,600,973

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 7 – Vision Projects

The Vision construction project consists of various renovations and construction to the Organization's Pacific Highway location. The Vision project is built on land donated by the City of San Diego. These donations were recorded as an asset (land) and a related contribution to the Vision project, in their respective year. In addition, the Vision construction project has been financed by several forgivable loans and grants from various funding sources. See Note 6 for forgivable loan terms and details.

Phase I of the Vision project consists of a transitional housing facility, dining facility, counseling center, and office space. The housing facility is for low income veterans with income levels at or below 50% of the area median income. Phase I construction was completed in 2004.

Phase II of the Vision project added a new intake center, medical offices, employment and training department, administrative offices, and additional beds to the Veterans Rehabilitation Center. Phase II construction was completed in 2009.

Phase III of the Vision project includes construction of two additional transitional housing units, counseling facilities, and parking lots. Phase III construction was completed in 2010.

Phase IV of the Vision project consists of a multi-purpose room and transitional housing rental facility (24 beds) for low income individuals. Phase IV construction was completed in 2013.

Phase V of the Vision project consists of two story building which includes affordable beds on the upper level and a chapel, gym, dental clinic, laundry room, and storage space on the lower level. Phase V was completed during the year ended June 30, 2016.

Note 8 – Construction Line of Credit

The Organization maintains a revolving line of credit with its bank in the amount of \$1,000,000 expiring September 10, 2017. The line of credit is to be used primarily for the Vision project, but can also be used for operations with board approval. The interest rate on the line is the greater of the prime rate (3.50%) plus 0.25% (the "Indexed Rate"), or the Floor Rate of 5.0%. The line is collateralized by the real estate with a carrying value of approximately \$645,366 and the assets of the Organization. The rate at June 30, 2016 and 2015 was 5%. The line of credit is carried as a long-term liability because the proceeds were used to finance construction in progress and buildings which are long-term assets. As of June 30, 2016 and 2015, the balance due on this line of credit was \$598,434 and \$416,182, respectively.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 9 – Net Assets

Temporarily restricted net assets for the years ended June 30:

	2016	2015
Kisco Foundation	\$ 59,253	\$ -
San Diego Gas and Electric	25,000	20,000
Wells Fargo Community Development	25,000	-
United Way (Cushman Family)	12,602	15,373
John Krakauer Charitable	7,905	10,000
Stand Down	6,295	40,518
UPS Foundation	3,292	10,000
Charitable Trust Fund	-	80,000
USAA	-	34,321
JP Morgan Chase Employment Grant	-	20,280
Harmon Recovery Fund	-	12,508
The Gold Diggers	-	5,000
Rancho Bernardo Community	-	1,000
Linda C. Rutt Walter Rutherford	-	250
	<u>\$ 139,347</u>	<u>\$ 249,250</u>

Note 10 – Deferred Revenue

Deferred revenue for the years ended June 30:

	2016	2015
Swords to Plowshares	\$ 80,000	\$ 31,405
Charitable Trust Grant	43,009	-
Deferred rent revenue	38,351	21,807
Meal tickets	153	76
Kisco Foundation	-	43,839
Veterans Employment-Related Assistance Program	-	5,261
Veterans Homeless Prevention Demonstration	-	800
Fund 211	-	63
	<u>\$ 161,513</u>	<u>\$ 103,251</u>

Note 11 – Contingencies and Commitments

Grants and Contracts

The Organization receives revenue from government grants and contracts which are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability which may result from these audits is not significant.

Operating Leases

The Organization has entered into various operating lease agreements for its office locations. The Organization holds four non-cancelable operating leases which expire at various dates through September 2017. Rent expense for the years ended June 30, 2016 and 2015 was approximately \$154,000 and \$130,000, respectively.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 11 – Contingencies and Commitments, continued

Minimum future lease payments as of June 30, 2016 are due as follows:

<u>Years Ending June 30,</u>	
2017	\$ 87,257
2018	8,832
Thereafter	<u>-</u>
	<u>\$ 96,089</u>

Grant Payable

During the year ended June 30, 2016 the Organization received a notice of indebtedness from the Department of Veterans Affairs (VA) due to the discontinuation of the New Resolve program. The New Resolve facility received funding for construction through a VA grant and the VA is requesting repayment due to a change in purpose of the location. The Organization has accrued \$656,500 for the year ended June 30, 2016. The Organization is in the process of negotiating a repayment schedule for this grant payable with the VA.

Note 12 – Donated Goods, Services and Labor

During the years ended June 30, 2016 and 2015, there were revenues recognized for donated goods, services, and labor in the amounts of \$598,648 and \$768,114, respectively. Revenues recognized for the years ended June 30, 2016 and 2015 consist of donated goods in the amounts of \$86,348 and \$145,562 respectively, and donated services for \$512,300 and \$622,552, respectively. There was donated labor during the years ended June 30, 2016 and 2015 in the amount of \$717,820 and \$709,533, respectively, which was not reflected in the financial statements because the services do not meet the criteria for recognition.

Note 13 – Retirement Plan

The Organization has a 403(b) tax deferred annuity plan. All full-time employees are eligible and may defer up to 20% of salary with a maximum of \$18,000 per year deferral or \$23,500 per year for those who are age 50 or over at end of the calendar year. The Organization may make discretionary contributions to the plan based on salaries. The contribution rate for the years ended June 30, 2016 and 2015 was 3%. All employer contributions are 100% vested. Total employer contributions for the years ended June 30, 2016 and 2015 were \$93,711 and \$111,240, respectively.

Note 14 – Indirect Costs

The Organization allocates its indirect costs to its grants based on a single line item total. For the years ended June 30, 2016 and 2015, the Organization has reclassified approximately \$890,000 and \$950,000 of salaries and payroll tax and benefits from indirect costs to supporting services for purposes of the statement of functional expenses. For grant purposes, these costs are included in the grant expenses as indirect costs.

Note 15 – Functional Allocation of Expenses

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

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO

Notes to Financial Statements

Years Ended June 30, 2016 and 2015

Note 16 – Concentration of Credit Risk

Cash

The Organization maintains cash and cash equivalents in bank deposit and investment accounts. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 and investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to a limit of \$500,000. The Organization account balances may, at times, exceed the limits. The Organization has not experienced any such losses in these accounts.

Revenue

The Organization receives a significant portion of its revenue from the U.S. Department of Veterans Affairs, U.S. Department of Housing Urban Development, and the U.S. Department of Labor which are funded by government grants and contracts.

Note 17 – Related Parties

In April 2010, the Organization formed a separate for-profit corporation named Veterans Village Enterprises, Inc. which is a wholly-owned subsidiary. There were no activities during the year and Veterans Village Enterprises, Inc. did not have any assets or liabilities as of June 30, 2016 and 2015.

On November 10, 2014 the Organization formed a new non-profit Corporation called VVSD Housing Corporation (VVSD HC). VVSD HC has applied for and received its non-profit 501(c)(3) designation from the IRS. This is currently a shell corporation and will be used in the event future low income housing projects are developed.

Note 18 – Low Income Housing Project

The Organization formed VVSD Escondido, LLC, a single member LLC, to serve as a holding entity for a new low income veteran housing project. The project consists of a 54 unit apartment complex to be constructed on the land VVSD owns in Escondido, CA which will be contributed by VVSD to the LLC. The existing old transitional housing facility will be demolished to make room for the new apartments. The project was in the pre-construction phase as of June 30, 2016. The estimated total cost of the project is approximately \$13,500,000 plus the net book value of the contributed land and building. The cost of construction in progress as of June 30, 2016 was \$1,039,693 which includes a \$656,500 cost due to the VA for its equity in the land and old building used in the New Resolve homeless veteran program which has been discontinued. (See Note 11)

Note 19 – Subsequent Event

On December 8, 2016 the Organization signed a construction loan agreement in the amount of \$10,540,000. The loan proceeds are for the construction of a low income veteran housing project. (See Note 18)

SUPPLEMENTAL INFORMATION



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Vietnam Veterans of San Diego dba Veterans Village of San Diego

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Vietnam Veterans of San Diego dba Veterans Village of San Diego (nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Vietnam Veterans of San Diego dba Veterans Village of San Diego's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Vietnam Veterans of San Diego dba Veterans Village of San Diego's internal control. Accordingly, we do not express an opinion on the effectiveness of Vietnam Veterans of San Diego dba Veterans Village of San Diego's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vietnam Veterans of San Diego dba Veterans Village of San Diego's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AKT LLP

San Diego, California
December 8, 2016



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Vietnam Veterans of San Diego dba Veterans Village of San Diego

Report on Compliance for Each Major Federal Program

We have audited Vietnam Veterans of San Diego dba Veterans Village of San Diego's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Vietnam Veterans of San Diego dba Veterans Village of San Diego's major federal programs for the year ended June 30, 2016. Vietnam Veterans of San Diego dba Veterans Village of San Diego's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Vietnam Veterans of San Diego dba Veterans Village of San Diego's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vietnam Veterans of San Diego dba Veterans Village of San Diego's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Vietnam Veterans of San Diego dba Veterans Village of San Diego's compliance.

Opinion on Each Major Federal Program

In our opinion, Vietnam Veterans of San Diego dba Veterans Village of San Diego complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of Vietnam Veterans of San Diego dba Veterans Village of San Diego is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Vietnam Veterans of San Diego dba Veterans Village

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of San Diego internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vietnam Veterans of San Diego dba Veterans Village of San Diego's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

AKT LLP

San Diego, California
December 8, 2016

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal/Pass-Through Grantor and Program Title	Federal CFDA Number	Agency or Pass-Through Grantor No.	Expenditures	Total
U.S. Department of Housing and Urban Development				
<i>Direct Programs</i>				
New Resolve Escondido	14.267	CA0707L9D011407	\$ 130,294	
SDHC Rapid Re-Housing	14.231	SHI-14-01B	55,855	
				186,149
<i>Pass-through from San Diego Housing Commission</i>				
HUD Sol IV	14.267	CA0542L9D011407	36,044	
HUD Sol 2 - V	14.267	CA0543L9D011407	69,784	
				105,828
Total U.S. Department of Housing and Urban Development				291,977
U.S. Department of Labor				
<i>Direct Programs</i>				
Homeless Veterans Reintegration Program North City	17.805	HV-25968-14-60-5-6	7,300	
Homeless Veterans Reintegration Program Metro	17.805	HV-27439-15-60-5-6	300,000	
Homeless Veterans Reintegration Program North City	17.805	HV-25968-14-60-5-6	276,843	
				584,143
Total U.S. Department of Labor				584,143
U.S. Department of Veteran's Affairs				
<i>Direct Programs</i>				
Women Homeless Vets	64.024	14-305-CA	46,097	
ADTP	64.024	V664P-4090	10,725	
Founders Programs	64.024	96-100-CA	183,889	
Escondido per diem	64.024	95-066-CA	142,653	
Metro per diem	64.024	02-052-CA	810,431	
Family Program per diem	64.024	98-0068-CA	83,564	
West Residential	64.024	01-041-CA	1,092,487	
VA Upper East per diem	64.024	05-004-CA	340,279	
VA CMI	64.024	14-356-CA	71,669	
VA VOP per diem	64.024	03-242-CA	791,763	
VA SSVF - Priority 2	64.033	2014-CA-173	346,682	
VA SSVF - Priority 1	64.033	C15-CA-601A	1,235,303	
				5,155,542

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<u>Federal/Pass-Through Grantor and Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor No.</u>	<u>Expenditures</u>	<u>Total</u>
U.S. Department of Veteran's Affairs				
<i>Pass-through V.A. Medical Center</i>				
St. Vincent de Paul	64.024	MOU	270,348	
				270,348
Women Homeless Vets	64.024	15-305-CA	121,419	
VA CMI	64.024	15-356-CA	232,760	
VA SSVF - Priority 2	64.033	14-CA-173	775,283	
SARRTP	64.019	VA262-15-D-0246	56,760	
				<u>1,186,222</u>
Total U.S. Department of Veteran's Affairs				6,612,112
U.S. Department of Health and Human Services				
<i>Direct Programs</i>				
Alcohol & Drug Services	93.959	44782	23,594	
				<u>23,594</u>
Total U.S. Department of Health and Human Services				<u>23,594</u>
Total Expenditures of Federal Awards			\$	<u><u>7,511,826</u></u>

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Vietnam Veterans of San Diego dba Veterans Village of San Diego and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 – Summary of Significant Accounting Policies

Vietnam Veterans of San Diego did not elect to use the 10% de minimus cost rate as covered in the Uniform Guidance 2.CFR.200.414 indirect costs.

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiency(ies) identified?	None reported
Material weakness(es) identified?	None
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiency(ies) identified?	None reported
Material weakness(es) identified?	None
Type of auditors’ report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR 200.516(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.805	Homeless Veterans Reintegration Program
64.033	VA Supportive Services for Veteran Families Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as a low-risk auditee under the Uniform Grant Guidance, 2.CFR.200.520?	Yes
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Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings

None reported

VIETNAM VETERANS OF SAN DIEGO dba VETERANS VILLAGE OF SAN DIEGO
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2016

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings

None reported