AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2016

AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
AMVETS Department of California Service Foundation

We have audited the accompanying financial statements of AMVETS Department of California Service Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 Department of California Service Foundation as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Onisko & Scholz, LLP

Onisko & Scholz. LLP

Long Beach, CA
May 8, 2017

AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS	
Cash and cash equivalents	$ 2,211,020
Accounts receivable	14,185
Merchandise inventory	575,639
Prepaid expenses	154,786
Investments	10,949,360
Property and equipment, net	9,928,429
Note receivable	118,306
Deposits	27,150
Beneficial interest in assets held by others	41,898
TOTAL ASSETS	$ 24,020,773
LIABILITIES	
Accounts payable and accrued expenses	$ 191,687
Sales tax payable	61,884
Accrued payroll and related liabilities	116,950
Accrued compensated absences	198,474
Capital lease obligations	83,079
TOTAL LIABILITIES	652,074
NET ASSETS	
Unrestricted:	
Undesignated	13,326,801
Board designated	10,041,898
TOTAL NET ASSETS	23,368,699
TOTAL LIABILITIES AND NET ASSETS	$ 24,020,773

The accompanying notes are an integral part of these financial statements.

AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

CHANGE IN UNRESTRICTED NET ASSETS	
SUPPORT AND REVENUE	
Sales of donated goods	
Retail sales	$ 9,787,350
Salvage sales	210,217
Total sales of donated goods	9,997,567
Contributions - donated goods	9,723,007
Contributions - other	460,112
Rental revenue	28,200
Miscellaneous income	13,911
Investment income	272,306
Net realized and unrealized gain on investments	267,268
Gain on sale of property and equipment	1,474,661
Total Support and Revenue	22,237,032
EXPENSES	
Program services	
Thrift stores operation	19,704,223
Service to veterans	2,108,591
Welcome Home program	949,738
Total program services	22,762,552
Supporting services	
General and administrative	754,775
Fundraising	213,617
Total supporting services	968,392
Total Expenses	23,730,944
CHANGE IN NET ASSETS	(1,493,912)
NET ASSETS, BEGINNING OF YEAR	24,862,611
NET ASSETS, END OF YEAR	$ 23,368,699

The accompanying notes are an integral part of these financial statements.

AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services			Supporting Services		
	Thrift Stores	Service to Veterans	Welcome Home	General and Administrative	Fundraising	Total
Salaries and wages	$ 5,150,561	$ 941,239	$ 297,306	$ 181,453	$ 90,727	$ 6,661,286
Payroll taxes	564,275	72,994	21,639	33,826	2,172	694,906
Employee benefits	134,021	66,210	13,818	2,538	1,475	218,062
Total payroll related expenses	5,848,857	1,080,443	332,763	217,817	94,374	7,574,254
Cost of goods sold - donated goods	9,990,748	-	-	-	-	9,990,748
Cost of goods sold - other	6,135	-	-	-	-	6,135
Production and outreach	125,147	-	173	-	94,220	219,540
Bank and credit card fees	161,523	-	-	95	-	161,618
Equipment rental	21,320	-	-	4,539	-	25,859
Grants and assistance	-	758,745	-	-	-	758,745
Grants and assistance - in-kind	36,744	-	506,549	-	-	543,293
Insurance	1,170,982	-	65	247,032	-	1,418,079
Interest	-	-	-	5,298	-	5,298
Investment fees	-	-	-	52,382	-	52,382
Maintenance and repairs	53,889	16,436	52	3,092	1,921	75,390
Miscellaneous	4,395	215	120	1,460	25	6,215
Postage and shipping	8,586	3,325	173	277	178	12,539
Printing and publications	-	917	2,190	976	975	5,058
Legal and professional fees	162,139	-	-	146,370	-	308,509
Rent	237,393	10,800	45,523	-	-	293,716
Security and armored service	128,282	-	649	1,121	-	130,052
Supplies	216,025	45,648	2,074	4,774	3,069	271,590
Taxes and licenses	141,119	24,643	771	4,928	2,880	174,341
Telephone	106,644	12,179	1,137	1,684	1,082	122,726
Training	2,086	20,623	-	-	-	22,709
Trash and hauling	302,582	1,518	-	276	177	304,553
Travel, meals and entertainment	19,437	5,258	2,165	34,739	-	61,599
Utilities	222,418	14,244	8,513	2,236	1,438	248,849
Vehicle expense	313,242	-	6,838	5,026	-	325,106
Total expenses before depreciation	19,279,693	1,994,994	909,755	734,122	200,339	23,118,903
Depreciation	424,530	113,597	39,983	20,653	13,278	612,041
Total expenses	$ 19,704,223	$ 2,108,591	$ 949,738	$ 754,775	$ 213,617	$ 23,730,944

The accompanying notes are an integral part of these financial statements.

AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (1,493,912)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	612,041
Non-cash dividend	(31,730)
Net realized loss on investments	136,800
Net unrealized gain on investments	(404,068)
Gain on sale of property and equipment	(1,474,661)
Decrease in operating assets:	
Accounts receivable	1,613
Merchandise inventory	459,125
Prepaid expenses	21,865
Decrease in operating liabilities:	
Accounts payable and accrued expenses	(18,612)
Sales tax payable	(15,760)
Accrued payroll and related liabilities	(18,363)
Accrued compensated absences	(42,537)
Net Cash Used By Operating Activities	(2,268,199)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	3,813,641
Purchases of investments	(4,042,882)
Collections on note receivable	1,942
Proceeds from the sale of property and equipment	2,502,995
Purchases of property and equipment	(102,790)
Repayment of liability to related party	(31,704)
Change in value of beneficial interest	(18,470)
Net Cash Provided By Investing Activities	2,122,732
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on capital lease obligations	(33,310)
Net Cash Used By Financing Activities	(33,310)
CHANGE IN CASH AND CASH EQUIVALENTS	(178,777)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,389,797
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,211,020

The accompanying notes are an integral part of these financial statements.

AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - ORGANIZATION

AMVETS Department of California Service Foundation (the Foundation) was incorporated under the laws of the state of California as a nonprofit corporation. The Foundation provides services for United States Veterans throughout California. The Foundation also operates thrift stores in southern and central California which offer household goods and clothing to the general public at discounted prices. The proceeds from sales of donated merchandise are used to provide programs that benefit the veterans. Veterans receive priority hiring at all thrift store locations.

The program activities of the Foundation are as follows:

Service to veterans - Service officers provide free quality veterans' benefits claims service and information in the areas of education, disability compensation, medical services, hospitalization, and rehabilitation. They are trained in all aspects of veterans affairs benefit regulations, are in tune with veterans' issues, and have knowledge in specific veterans' concerns.

"Welcome Home" – Furniture assistance program in partnership with Veterans Administration to provide furniture and other household items to veterans who have been homeless but are now in the process of rebuilding their lives.

Homeless veterans - AMVETS donates clothing for Stand Downs across the state and gives grants to homeless veteran programs.

Career center - This program provides career training and employment assistance to veterans, active duty service members and members of the National Guard and Reserves.

The Foundation also supports the following AMVETS Department of California programs: Americanism, Blood Drives, Camp Hope, Care Bear, Clothing & Food Drives, Community Service, Freedoms Foundation Youth, Leadership Conference (Valley Forge), Habitat for Humanity, Scholarships, Legislative Advocates Sacramento, Paws for Cause, POW/MIA, Scouting/Boy Scouts, ROTC, Service and Rehabilitation, Sick and Hospitalized, Veterans, Special Olympics, Support for National, Guard Troops, Support Our Troops, Task Force DVD, VAVS, Veteran History Project (Library of Congress), Veterans Suicide Hotline, Women's Veteran Organizations, and White Clover.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and follow the recommendations of the Accounting Standards Codification (ASC) 958-205, Financial Statements of Not for Profit Organizations.

Financial Statement Presentation
The net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objective of the organization.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Permanently Restricted – Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the organization.

During the year ended December 31, 2016 the Foundation did not receive any permanently restricted contributions.

Revenue Recognition
Contributions - Contributions are recognized when the donor makes a promise to give to the Foundation that is unconditional. The gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Donated goods revenue and donated goods inventory are recorded at fair value based on the estimated value of the inventory at selling price.

Thrift store revenue - Retail sales are recognized when customers take possession of the merchandise, usually at the point of sale. Salvage sales are recognized at the time goods are shipped to the vendor.

Accounts receivable
Accounts receivable consist primarily of amounts related to contracts for salvage sales and recycling. The Foundation considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is included in the financial statements.

Merchandise Inventory
Merchandise inventory consists of donated clothing, household goods, furniture, and various other items, as well as accessories purchased for resale. The physical count of inventory was performed by the stores employees in December, 2016. Donated inventory is valued at expected average selling prices. Purchased inventory is stated at cost.

Property and Equipment
Property and equipment items are stated at cost, if purchased, or at fair value at the date of the gift, if donated and significant. The Foundation capitalizes all expenditures for property and equipment in excess of $1,000; normal repairs and maintenance are expensed as incurred. Gains and losses are recognized in the statements of activities upon disposal of property and equipment. Depreciation has been recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Improvements	15 years
Equipment and furniture	5 – 7 years
Vehicles	5 years

Long Lived Assets
The Foundation reviews long-lived assets, such as property and equipment, to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year causing the Foundation to believe there has been any impairment of the carrying value of its long-lived assets. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long lived assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments
Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, *Fair Value Measurements*. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 – Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets.

Level 3 – Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data.

Certain financial instruments are carried at cost, which approximates fair value because of the short-term nature of these instruments, and thus are not categorized. These instruments include cash, receivables, accounts payable and accrued liabilities.

Income Tax Status
The Foundation is exempt from federal and state income taxes relating to revenue received in connection with exempt programs under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Tax Code. In prior years the Foundation was exempt under Section 501(c)(19); the conversion took place and was accepted by IRS in 2016. The Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. The Foundation uses the same accounting methods for tax and financial reporting.

The Foundation follows ASC 740, *Accounting for Uncertainty in Income Taxes*, which provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. The Foundation evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will, more likely than not, be sustained upon examination. As of December 31, 2016, management does not believe the Foundation has any uncertain tax positions requiring accrual or disclosure.

The Foundation is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Expense Allocation
The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Expenses are charged to program and supporting services categories based on direct expenditures incurred. Any expenditure not directly chargeable to a functional expense category is allocated based on appropriate allocation methods.

Advertising Costs
Advertising costs are expensed as incurred and advertising expense was $18,968 for the year ended December 31, 2016.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates
The preparation of financial statements in conformity with the 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash held in checking and savings accounts, cash on hand, and cash in money market funds. Certain liquid accounts which are generally not used in operations and designated for long-term investment purposes are excluded from cash equivalents. The following is a summary of cash and cash equivalents at December 31, 2016:

Petty cash	$ 8,000
Banking accounts	1,916,578
Brokerage accounts - money market	286,442
Total cash and cash equivalents	$ 2,211,020

The Foundation maintains cash balances at several financial institutions located in Southern California. The balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Money market accounts in brokerage institutions are not insured. At December 31, 2016, the Foundation had cash balances in excess of FDIC limit of $1,963,560. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

NOTE 4 – PREPAID EXPENSES

Prepaid expenses consist of the following at December 31, 2016:

Prepaid insurance	$ 75,890
Workers compensation escrow fund	50,000
Prepaid rent	7,804
Prepaid property taxes	18,462
Other	2,630
	$ 154,786

AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 - INVESTMENTS

Investments consist of the following at December 31, 2016:

	Fair Value	Cost	Unrealized Gain (Loss)
Common stock	$ 1,925,307	$ 1,688,357	$ 236,950
Mutual funds	6,040,457	6,099,765	(59,308)
Alternative investments	2,983,596	2,734,810	248,786
	$ 10,949,360	$ 10,522,932	$ 426,428

The investment return for the year ended December 31, 2016 is summarized as follows:

	Unrestricted
Interest and dividends	$ 272,619
Net realized loss	(136,800)
Net unrealized gain	404,068
Investment management fees	(52,382)
Total investment return	$ 487,505

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are managed by professional investment managers who have responsibility for investing the funds in various investment classes. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Several brokerage accounts serve as collateral for a portfolio loan account (see Note 10). The total value of securities available to be pledged was $8,049,509 at December 31, 2016.

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2015, the Foundation contributed $25,000 to the Orange County Community Foundation (OCCF) in order to establish a quasi-endowment fund. This fund is administered by the OCCF for the benefit of the Foundation. Control over the investment or reinvestment of this fund is exercised by the OCCF. A portion of the fund's earnings are made available for distribution to the Foundation periodically. The balance of this fund at December 31, 2016 was $41,898. During the year ended December 31, 2016, the donors contributed $48,472 to the quasi-endowment fund and the Foundation received distribution of $23,000 from the fund. The beneficial interest in assets held by OCCF is valued using Level 3 measurements, as the value is based on the fair value of the underlying assets as reported by the fund manager.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016:

Land	$ 2,455,522
Buildings	9,057,316
Improvements	2,033,014
Furniture, fixtures and equipment	875,317
Vehicles	1,891,018
	16,312,187
Less accumulated depreciation	(6,383,758)
Property and equipment, net	$ 9,928,429

Depreciation expense charged to operations was $612,041 for 2016.

The Foundation owns real property located in Barstow, California, which is no longer needed for the operations. The Foundation is negotiating the sale of the property. The net book value of the property held for sale was $23,288 at December 31, 2016.

NOTE 8 – NOTE RECEIVABLE

In March 2013, the Foundation sold its property located in Adelanto, California, to an unrelated party, and accepted a note receivable for the unpaid balance in the amount of $125,000. The note is payable in monthly installments of $671, including interest at 5%, matures in April 2043, and is secured by the deed of trust to real property.

The maturities of the note receivable during the next five years are as follows:

Year Ending December 31,	
2017	$ 2,214
2018	2,328
2019	2,447
2020	2,572
2021	2,704
Thereafter	106,041
	$ 118,306

NOTE 9 - COMPENSATED ABSENCES

Employees of the Foundation are entitled to paid vacation and sick days. Vacation accrual varies from 10 to 25 days per year, depending on length of service, and may be carried over to the next year up to a maximum of two years equivalent of accrued time. Sick leave can be accrued up to a maximum of 30 days and should be used in the following year. Unused sick leave is not paid off upon employee termination and therefore, is not included as a liability on the financial statements.

NOTE 10 – LINE OF CREDIT

The Foundation entered into a portfolio loan account agreement with Morgan Stanley bank. The portfolio loan account allows borrower to assess funds in the following types of credit facilities: variable rate revolving line of credit, standby letter of credit, or fixed rate loan, up to a maximum amount of $10,000,000. The portfolio loan is a demand loan facility; accordingly, the bank may demand full or partial payment of the outstanding balance at any time. The loan account is collateralized by securities held in Morgan Stanley Smith Barney, LLC, an affiliate broker-dealer of the bank.

The Foundation borrowed $1,000,000 from the line of credit during the year ended December 31, 2016. The balance was repaid as of December 31, 2016. The interest paid on the line of credit was $5,298.The bank issued a letter of credit for $1,321,000 to support insurance claims.

NOTE 11 – LEASE OBLIGATIONS

Capital Leases

The Foundation leases vehicles and equipment under capital lease agreements with a capitalized cost of $157,750. Accumulated depreciation in the statement of financial position relating to the leased vehicles and equipment was $57,134 at December 31, 2016, and depreciation expense reported in the statement of activities was $28,771.

Future minimum lease payments are as follows

Year Ended December 31,	
2017	$ 41,795
2018	33,085
2019	8,199
	$ 83,079

NOTE 11 – LEASE OBLIGATIONS (CONTINUED)

Operating Leases

As Lessee
The Foundation rents warehouses, donation centers, office and parking spaces from unrelated organizations under operating leases. Lease terms vary from month-to-month, up to five years with renewal options. The Foundation also rents office equipment on a month-to month basis.

The future minimum lease payments required under non-cancellable operating leases are as follows:

Year Ending December 31,	
2017	$ 220,566
2018	127,632
	$ 348,198

Total rent expense, including equipment rental, was $319,575 for the year ended December 31, 2016.

As Lessor
The Foundation leases real property to affiliated entities under operating leases on a month-to-month term. The Foundation leases real property to an unrelated organization on a ten year term, with a renewal option for an additional ten years. Rental income for the year ended December 31, 2016 was $28,200.

The following schedule provides an analysis of the Foundation's investment in property held for lease by major classes as of December 31, 2016:

Land	$ 162,161
Buildings and improvements	1,685,840
	1,848,001
Less accumulated depreciation	(613,261)
	$1,234,740

NOTE 12 – RETIREMENT PLAN

The Foundation has a 401(k) defined contribution retirement plan for the benefit of all employees who meet eligibility standards as defined by the plan documents. Participating employees may elect to contribute, on a tax-deferred basis, a portion of their compensation. The Foundation can make discretionary matching contributions. For the year ended December 31, 2016, the Foundation did not contribute to the plan.

AMVETS DEPARTMENT OF CALIFORNIA
SERVICE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 13 - FAIR VALUE MEASUREMENTS

The following table presents fair value hierarchy for assets measured at fair value on a reoccurring basis as of December 31, 2016:

	Total	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Money market funds	$ 286,442	$ 286,442	$ -	$ -
Common stocks	1,925,307	1,925,307	-	-
Mutual funds	6,040,457	6,040,457	-	-
Alternative investments	2,983,596	-	-	2,983,596
Assets held by others	41,898	-	-	41,898
Total	$ 11,277,700	$ 8,252,206	$ -	$ 3,025,494

Investments in money funds are classified as Level 1, as they can be liquidated in the same day, representing the active and ready market for these assets.

Equities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in active markets for which closing stock prices are readily available.

Mutual fund investments are classified as Level 1 as they are listed in over-the-counter markets for which quoted market prices are available from sources such as financial publications.

Alternative investments in hedge funds are classified as Level 3 as they are illiquid and may not be valued daily. The fair value of those investments has been estimated using net asset value per share or its equivalents. The valuation is provided as of the most recent date available.

The following summarizes fair value measurements using significant unobservable inputs for the year ended December 31, 2016:

	Estimated Value	Aggregate Investment	Valuation Date
Ironwood Institutional MS Fund	$ 1,304,294	$ 1,202,919	11/30/2016
Skybridge Multi Advisor Hedge	1,495,032	1,454,891	11/30/2016
ACL Alternative Limited USD A	184,270	77,000	11/30/2016
Quasi-endowment fund	41,898	50,472	12/31/2016
	$ 3,025,494	$ 2,785,282	

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 3
Beginning Balance	$ 3,436,827
Contributions, net	16,768
Cashless subscription reinvested	31,730
Sales	(350,000)
Net realized and unrealized loss	(109,831)
Ending Balance	$ 3,025,494

Unrealized gains and losses were included in the change in unrestricted net assets. There were no significant transfers between input levels and no changes in the valuations techniques during 2016.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Foundation is affiliated with AMVETS National Headquarters, chartered AMVETS Departments, and AMVETS Posts and Auxiliaries. Financial assistance provided to affiliated organizations for 2016 are as follows:

AMVETS Department of California	$ 733,360
AMVETS Posts and Auxiliaries	24,084
	$ 757,444

The Foundation received $22,200 from AMVETS Posts for building rent in 2016.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Lawsuits
The Foundation is involved in various claims and lawsuits, including claims from former employees. The management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no additional provision in the financial statements for any costs relating to the settlement of such claims.

Unemployment insurance
The Foundation has elected not to pay state unemployment insurance taxes and, instead, is charged for its share of unemployment benefits actually paid by the State of California to former employees. The total amount paid to Employment Development Department was $141,278 in 2016.

NOTE 15 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Workers' compensation
The Foundation is insured under its workers' compensation insurance program. The program is administered by an insurance company. Excess policies provide insurance coverage on individual claims which exceed specified amounts. The Foundation pays up to the first $250,000 of the claim. The Foundation recognizes the cost of insurance as claims are reported. The costs of the claims are based on estimates, which may be above or below the ultimate liability on such claims. The Foundation is also required to maintain standby letter of credit payable to the insurance company to cover all remaining open claims (see Note 10).

Prior to October 2010, the Foundation was covered under insurance of its former thrift store management company. As a part of the settlement with prior management company, the Foundation is required to make payments for claims for work related injuries occurring between 2006 and 2010. The old worker compensation claims are being actively managed to negotiate settlements. The liability for those claims cannot be reasonable estimated due to uncertainty.

NOTE 16 – BOARD DESIGNATED FUND

In 2014, the Board approved the establishment of a Board designated fund. The purpose of the fund is to segregate $10,000,000 for long-term investment and growth. In 2015, the Board established a quasi-endowment fund (see Note 6).

NOTE 17 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Foundation paid $5,298 in interest and no income taxes during 2016.

Non-cash investing transactions during the year ended December 31, 2016 consist of reinvested stock dividends of $31,730 and equipment acquired through capital leases of $23,819.

NOTE 18 - SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Foundation decided to open the thrift store in Riverside, California, and signed the lease agreement for the store building. The initial lease term is 38 months with one option to extend of 3 years. The monthly rent is $9,250.

Subsequent events were evaluated through May 8, 2017, which is the date the financial statements were available to be issued.