ANNUAL CLIENT SERVICES REPORT

FY 2014

Leading the way in the delivery of services to lower enlisted military and recent veteran families in the Southern California area.
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*About the cover- STEP relationships represented clockwise: Wounded Warrior Caregiver respite event, annual volunteer appreciation event, Sharing the Joy corporate giving partner, community partner teaching financial workshop to military and veterans, local school fundraising event, seven-tour Iraq/Afghanistan vet saved from eviction while awaiting VA final determination, community partner offering discounted services to help military and veterans, and post-traumatic stress Marine helped in acquiring vehicle capable of transporting his newly assigned therapy dog.*
TO OUR STAKEHOLDERS

To Our Stakeholders

MISSION & PURPOSE
To provide financial assistance, in the form of grants, to active duty enlisted military and recently discharged veteran families in times of crisis and work with them to achieve financial self-sufficiency moving forward.

To let the 250,000 enlisted members (E1-E6) stationed in Southern California know that we are available to first help every eligible candidate acknowledge three key influencers on their ability to provide critical living expenses for themselves and their families:

1. The high cost of living (30% higher than the rest of the nation).
2. The allotted pay (even when maxed out on pay & housing, E1-E4 ranks categorized as low income per HUD standards; the next two pay grades are not drastically above the cut-off).
3. The youthful inexperience with money management (military recruiting pulls from an extremely diverse United States demographic pool; life skills involving money have a broad range as well).

And then help enhance their financial literacy so they can successfully navigate their day-to-day responsibilities and any unforeseen financial strain that may arise in the future.

STRATEGIC HIGHLIGHTS
STEP welcomed me as their new President and CEO. I am excited to bring 26 years of commercial, government and non-profit business experience with me to the job. I am proud to say, we were awarded an independent 501(c)(3) designation from the Internal Revenue Service. This significant milestone allowed for the organization’s first full year of operations under the new name. Leadership used this opportunity to produce a comprehensive five year strategic plan to guide operations and achieve our vision of unconstrained support to those eligible in the military and veteran communities. Additionally, the organization expanded the Director of Development role to grow sustainable fundraising capabilities to help meet the needs of the rapidly expanding client base, and a Communications Manager to expand awareness of our services throughout our seven-county area of operation.

FINANCIAL HIGHLIGHTS
Upon closure of the fiscal year (June 30th), STEP delivered more than $330,000 in assistance grants to service members and families; the highest rate of service provided in our nine year history.

Assistance included:
- 239 Food assists for struggling families: $47,590
- 93 Utility assists in the face of termination: $22,292
- 81 Auto payments in the face of repossession: $57,497
- 72 Rent assists in the face of eviction: $116,381
- 36 Critical auto-repairs to primary family vehicles: $68,564
- 21 Travel assists surrounding family bereavement: $5,206
- Plus critical baby needs, dental, appliances, medical, optometry, etc.: $16,653

*Grants are used to directly pay creditors. Food assistance is provided in the form of grocery cards.
OPERATING HIGHLIGHTS
Reaching new heights during the fiscal year (July 1st, 2013–June 30th, 2014), STEP touched more than 1,100 individuals in the active duty enlisted and veteran communities through our primary emergency financial assistance program and an additional 600+ through our morale programs, designed to offset expenses and help families stay on budget.

LOOKING AHEAD
STEP is committed to remain relevant, reliable and responsive to the members of the active duty and veteran communities that need assistance on their path to financial self-sufficiency. Strong environmental factors presented by the Department of Defense and the American economy, such as longer deployments, force reductions, Department of Veterans Affairs’ time projections for transition support, and the unemployment percentages for veterans in comparison to civilian counterparts will most likely increase the number of eligible families in need. Starting in FY2015, veteran coverage will be expanded to an 18-month period following separation and our community outreach will be increased in an effort to ensure every eligible service member or veteran in need knows we are here to help. Once aware, we want to ensure we are helping clients enhance their financial literacy and grow their money management skills toward personal sustainability. Specific steps toward that goal include:

- Increasing partnerships with donors to have greater impact and brand awareness.
- Categorizing transitioning personnel appropriately.
- Adding focus toward growing USMC outreach opportunities in San Diego County.
- Executing outreach/activities to increase presence and family support outside of San Diego County.
- Implementing long-term metrics to measure and improve long-term value to the community.

Please reach out to me if you would like to discuss, provide feedback or offer a fresh perspective on how our nonprofit provides support to the active duty and veteran communities. Help provided through your time, talent and/or resources is truly appreciated!

Tony Teravainen
Chief Executive Officer
August 22, 2014
Emergency Financial Assistance (EFA) Analysis

In 2012, the FINRA Investor Education Foundation reported, "Military personnel and their families face many of the same financial management challenges as civilians. Like most adults, they must continually grapple with everyday financial decisions like budgeting and bill paying while also managing long-term considerations like retirement planning and debt management. However, being in the military also involves unique circumstances and stresses that can make financial management even more difficult: deployments, frequent changes of station (PCS) and prolonged separation from immediate family. Military personnel must also be vigilant about their credit ratings in order to preserve their security clearances. On top of these stresses, post-war force reductions may limit future military career opportunities for some service members."

STEP's involvement with a client base that has included uniformed military service members from each branch reflect the foundation's findings and validates that our organization is addressing a critical need within the active duty and recently-discharged veteran communities.

A guiding principle of client services is to work with each individual family on a 1-on-1 basis to determine the best possible plan to meet the immediate financial need and to set each family on a path to achieve financial self-sustainability.

EFA OVERVIEW

With the help of caring foundations, corporations and individual donors, STEP more than doubled its previous year's support for active duty personnel and tripled its support in the veteran community.

<table>
<thead>
<tr>
<th>New Applications</th>
<th>Unduplicated Individuals Served</th>
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<tbody>
<tr>
<td></td>
<td>700</td>
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<tr>
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<td></td>
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</tr>
<tr>
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<td>0</td>
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<tr>
<td>Veteran</td>
<td>FY2014</td>
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</tbody>
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Values for both new applications and unduplicated individuals served in the active duty community more than doubled FY13 totals. Veteran community support totals remained at 19% of total client services. This was driving factor for increasing coverage to 18 months following separation. STEP believes some veterans in need were slow, and often too late, in applying due to lack of knowledge about the program.
As in previous years, emergency food remained the number one assistance given. This largely stems from clients sacrificing physiological needs, while diverting money to other living expenses, before realizing they can’t meet the basic need of food.

Needs Met

Needs met more than doubled (from 225 in FY13 to 576 in FY14) this year. Food assistance remained our largest area of support and nearly mirrored last year’s 42% area. The largest reduction in support was in the emergency travel arena; the category dropped from 8% in FY13 to 3% this year. Note: The 'Other Emergency' category encompasses vision, critical baby items, emergency dental and other miscellaneous emergency care. A zero percent designates a value less than 0.5%.
CLIENT INVESTMENT
The $330,000 provided in assistance spanned across a diverse set of critical living expenses. The geographical location and distance (from assigned bases) of available military-contracted housing in Southern California was a major factor in the support of primary vehicle maintenance. Often STEP utilized Better Business community partners (i.e. AAMCO) and actively worked to obtain discounted rates on repair costs.

Cost of Needs

Veteran-related cases average a higher support cost due to the reduction of income and benefits, and the paucity of supporting programs upon transfer from the active duty ranks.

AVERAGE COST OF ASSIST

Active Duty  Veteran
EMERGENCY FINANCIAL ASSISTANCE (EFA) ANALYSIS

DEMOGRAPHICS

STEP's standard operating procedures only focuses on the following eligibility prerequisites: 1) the client is active duty military or a recently honorable discharged veteran in the pay grade of E1-E6, and 2) the client resides in one of the seven supported counties (San Diego, Orange, Los Angeles, Ventura, San Bernardino, Riverside and Imperial Counties). All other demographics gathered throughout delivery of services are used strictly to educate ourselves and some of our foundational partners on needs within our client base.

APPLICANTS BY PAY GRADE

STEP proved ourselves responsible for meeting a large number of needs in the E3-E6 paygrades. That being said, a concentrated effort will be placed further evaluating the presence of E1 and E2 in our service area and ensuring messaging is resonating to the lowest ranks in our community outreach moving forward.
Programs Shaping Healthy Financial Families

IN-KIND FAMILY SUPPORT

STEP operates two warehouses, donated by community partners, in San Diego County. The majority of products distributed from the warehouse consist of items meant to offset critical living expenses (i.e. car seats, diapers, gently used children's clothes, donated dishware). The vision is to triple the number warehouse visits in FY15. The donated new and gently used household items play a key role in helping to offset living expenses as young families are in the recovery stages of a financial hardship. Additionally, we have piloted a program where we utilize our organizational cargo vans to deliver warehouse service to outlying bases in the region. The initial deliveries have received highly favorable feedback from clients and community partners.

FINANCIAL FREEDOM SEMINARS

Upon addressing the immediate financial crisis for clients, STEP encourages each military member or veteran and their spouse to pursue registering for our Financial Freedom Seminars. The series of workshops are goal oriented (i.e. "Getting Out of Debt") and designed to increase each family's financial literacy to ultimately set them on a path to long-term self-sufficiency. STEP utilizes funds provided by some of our generous corporate sponsors to provide the workshops at no charge to the families. Partnering with community and corporate partners, STEP delivered three iterations of workshops during the fiscal year.

MORALE PROGRAMS

Throughout the year, STEP strives to build healthy relationships with community partners (i.e. San Diego Padres) to acquire in-kind donations (i.e. tickets) that we are able to give to active duty and veteran families. These gifts are meant to directly offset costs they would incur if they were trying to provide entertainment from their monthly family budget. The events are meant to help provide a short period of relief from the stress involved with financial hardship. They afford the family a short opportunity to enjoy quality time together without deviating from their long-term financial growth.

With a more specific focus, STEP once again worked with the Wounded Warrior Battalion to provide events that allowed the caregivers to detach from their emotionally-heavy, daily roles for a short period and partake in day events meant to facilitate reflection, group support and resource awareness.

Lastly, STEP delivered a holiday program that linked corporate and community partners with military and veteran families in need throughout Southern California. These great organizations ensured more than 140 family members had something to be merry about in an otherwise bleak year.
Advocates Furthering Our Mission

COMMUNITY RELATIONS RESULTS
As a result of focused outreach efforts, STEP profiles included within all seven counties’ 2-1-1 databases; a significant way to notify those in dire need of assistance. Additionally, STEP has fostered healthy relationships with regional military family collaboratives.

Percentage of Applicants Heard About STEP From

VOLUNTEER SUPPORT
This year, a small cadre of well-trained volunteers contributed more than 400 hours toward client services. Their efforts went a long way toward STEP remaining responsive to our growing clients’ needs and striving to process all applications within three business days. Growing this critical corps of specialized volunteers is a priority as we strategically move forward in 2015.

Volunteer Hours by Type
Contact Information

Specific numbers may be requested for any of the graphs included within this report.

<table>
<thead>
<tr>
<th>TONY TERAVALIEN</th>
<th>KATHI BRADSHAW, MSW</th>
<th>EDDY LOGAN</th>
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<tbody>
<tr>
<td>PRESIDENT &amp;</td>
<td>DIRECTOR OF CLIENT</td>
<td>DIRECTOR OF</td>
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<td>CHIEF EXECUTIVE OFFICER</td>
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<td>DEVELOPMENT</td>
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