

VETERANS INC.
And Affiliate

FINANCIAL STATEMENTS

June 30, 2011

HURLEY, O'NEILL & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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HURLEY, O'NEILL & COMPANY, P.C.
Certified Public Accountants

J. Thomas Hurley, C.P.A.

Gene O'Neill C.P.A.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Veterans Inc.
Worcester, MA

We have audited the accompanying combined balance sheet of the Veterans Inc., (a not-for-profit organization) and affiliate, as of June 30, 2011, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and, in our report dated November 2, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Veterans Inc., and affiliate, as of June 30, 2011, and the changes in net assets, cash flows and functional expenses for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated October 24, 2011 on our consideration of Veterans Inc. and affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic combined financial statements taken as a whole.

Handwritten signature in cursive script that reads "Hardy J. Hull & Co., PC".

Quincy, Massachusetts
October 24, 2011

VETERANS, INC. AND AFFILIATE
STATEMENT OF FINANCIAL POSITION
As of June 30, 2011 with comparative totals for 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and Cash Equivalents	\$ 428,499	\$ 646,562
Accounts Receivable, Program Services	518,546	397,741
Contributions Receivable	-	5,000
Prepaid Expenses and Other Current Assets	<u>40,088</u>	<u>121,078</u>
Total Current Assets	<u>987,133</u>	<u>1,170,381</u>
Non-Current Assets:		
Capital Assets, Net of Accumulated Depreciation - Note 4	<u>6,072,130</u>	<u>5,242,578</u>
Total Non-Current Assets	<u>6,072,130</u>	<u>5,242,578</u>
TOTAL ASSETS	<u>\$ 7,059,263</u>	<u>\$ 6,412,959</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 95,598	\$ 68,691
Accrued Expenses and Other Current Liabilities	387,193	258,301
Current Portion Long-Term Debt - Note 7	<u>21,246</u>	<u>8,309</u>
Total Current Liabilities	504,037	335,301
Non-Current Liabilities:		
Long Term Debt - Note 7	<u>1,982,737</u>	<u>1,610,951</u>
Total Non-Current Liabilities	<u>1,982,737</u>	<u>1,610,951</u>
TOTAL LIABILITIES	<u>2,486,774</u>	<u>1,946,252</u>
Net Assets:		
Unrestricted	4,464,822	4,034,207
Temporarily Restricted - Note 11	<u>107,667</u>	<u>432,500</u>
TOTAL NET ASSETS	<u>4,572,489</u>	<u>4,466,707</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,059,263</u>	<u>\$ 6,412,959</u>

See accompanying notes

VETERANS, INC AND AFFILIATE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2011 with comparative totals for 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2010</u>
REVENUES AND SUPPORT				
Grants and Other Contributions	\$ 778,619	\$ 41,000	\$ 819,619	\$ 501,858
Capital Acquisition and Construction Grants	53,660	-	53,660	526,950
Net Assets Released from Restrictions	432,500	(432,500)	-	-
In-Kind Contributions	429,726	-	429,726	526,328
Program Service Fees	3,795,854	66,667	3,862,521	3,367,308
Investment and Miscellaneous Revenue	<u>16,977</u>	-	<u>16,977</u>	<u>14,580</u>
TOTAL REVENUES AND SUPPORT	<u>5,507,336</u>	<u>(324,833)</u>	<u>5,182,503</u>	<u>4,937,024</u>
EXPENSES				
Administration	331,655	-	331,655	283,261
Fundraising	107,263	-	107,263	74,942
Program Services:				
Supportive Housing for Veterans	3,565,710	-	3,565,710	3,448,423
Training and Employment	961,299	-	961,299	740,069
Outreach	<u>110,794</u>	-	<u>110,794</u>	<u>112,500</u>
Total Program Services	<u>4,637,803</u>	-	<u>4,637,803</u>	<u>4,300,992</u>
TOTAL EXPENSES	<u>5,076,721</u>	-	<u>5,076,721</u>	<u>4,659,195</u>
CHANGES IN NET ASSETS	430,615	(324,833)	105,782	277,829
NET ASSETS AT BEGINNING OF YEAR	<u>4,034,207</u>	<u>432,500</u>	<u>4,466,707</u>	<u>4,188,878</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,464,822</u>	<u>\$ 107,667</u>	<u>\$ 4,572,489</u>	<u>\$ 4,466,707</u>

See accompanying notes

VETERANS, INC AND AFFILIATE
STATEMENT OF CASH FLOWS
For the year ended June 30, 2011 with comparative totals for 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 105,782	\$ 277,829
Adjustments to Reconcile Change In Net Assets to Net		
Cash provided by Operating Activities:		
Depreciation	183,616	159,912
Increase in Accounts Receivable	(120,805)	173,303
Decrease in Contributions Receivable	5,000	5,000
Decrease in Prepaid Expenses and Other Current Assets	80,990	7,379
Increase in Accounts Payable	26,907	(45,511)
Increase in Accrued Expenses and Other Current Liabilities	<u>128,892</u>	<u>30,209</u>
Net Cash Provided by Operating Activities	<u>410,382</u>	<u>608,121</u>
Cash Flows from Investing Activities:		
Purchase of Capital Assets	<u>(613,168)</u>	<u>(308,794)</u>
Net Cash Used in Investing Activities	<u>(613,168)</u>	<u>(308,794)</u>
Cash Flows from Financing Activities:		
Payments on Long-Term Debt	<u>(15,277)</u>	<u>(8,995)</u>
Net Cash Used in Financing Activities	<u>(15,277)</u>	<u>(8,995)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(218,063)	290,332
Cash and Cash Equivalents at Beginning of Year	<u>646,562</u>	<u>356,230</u>
Cash and Cash Equivalents at End of Year	<u>\$ 428,499</u>	<u>\$ 646,562</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	\$ 80,390	\$ 113,331
Debt Issued During the Year for Purchase of Capital Assets	\$ 400,000	\$ -

See accompanying notes

VETERANS, INC. AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENSE
For the year ended June 30, 2011

	SUPPORTIVE SERVICES			PROGRAM SERVICES		
	<u>TOTALS</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND RAISING</u>	<u>SUPPORTIVE HOUSING FOR VETERANS</u>	<u>TRAINING & EMPLOYMENT</u>	<u>OUTREACH</u>
Employee Compensation & Related Expenses	\$ 2,941,968	\$ 201,325	\$ 23,392	\$ 1,829,967	\$ 797,926	\$ 89,358
Occupancy	\$ 658,363	13,625	-	627,498	5,212	12,028
Other Program / Operating Expense	\$ 758,237	21,793	4,455	673,444	51,506	7,039
Special Events	\$ 76,699	-	76,699	-	-	-
Direct Administrative Expense	\$ 422,136	88,138	1,499	230,577	99,553	2,369
Other Expenses	\$ 35,702	1,425	1,218	25,957	7,102	-
Depreciation of Buildings and Equipment	\$ 183,616	5,349	-	178,267	-	-
TOTAL EXPENSES	\$ 5,076,721	\$ 331,655	\$ 107,263	\$ 3,565,710	\$ 961,299	\$ 110,794

See accompanying notes

VETERANS INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

Organization –Veterans, Inc. (the Organization) was incorporated in 1990 and is devoted to the care of veterans and their families in need throughout New England. Approximately one third of our nation’s homeless are veterans. It is the organization’s goal to help veterans re-gain control of their lives and eliminate homelessness among veterans. Veterans Inc. aims to remain a leading provider of services that improve the lives of veterans and their families by providing the highest quality services; and continuing to create new opportunities in the areas of health, employment and housing. The organization’s philosophy is summed up with the phrase “*They were there when we needed them... We must be there now that they need us.*”

Description of Programs - The Organization services have been divided into three programs as follows:

- Supportive Housing Program - The Supportive Housing Program provides the basic human needs of food, clothing and housing to homeless veterans. In addition all participants are afforded medical or substance abuse treatment, transportation assistance and other forms of counseling and support services. Supportive housing is currently offered in four locations in Worcester, Massachusetts, one location in Shrewsbury, Massachusetts, one location in Devens, Massachusetts and one location in Bradford, Vermont.
- Employment & Training Program - Veterans Inc.’s nationally recognized Employment & Training Program helps veterans obtain and retain jobs so they can stabilize their lives. Veterans receive job counseling, support services, training, and job placement and retention services. Employment specialists conduct assessments of veterans’ needs, aspirations, employment objectives, and skills and create employment development plans with set, attainable goals. Barriers to employment and prior work history are explored, and a determination made as to what type of training is appropriate. Onsite and offsite training and education are provided by qualified instructors. The program takes into account that success in the workplace often hinges on employees’ ability to successfully manage other areas of their lives. Clients are counseled in Life Skills, Money Management, Stress Management and related areas. Clients also have access to Resume Writing, Mock Interview Training, Dress for Success, and Career Counseling Services. Veterans Inc. offers transportation and child care, further eliminating potential obstacles to job success. Approximately 70% of veterans in the program, who are able to work, obtain jobs.
- Outreach Program - The Outreach Program serves veterans in the community on an outpatient basis, and offers training, therapeutic group sessions, and individual counseling, benefits counseling and advocacy, employment support, and other support services such as food and clothing. The program works in collaboration with the Department of Veterans Affairs, including the VA Outpatient Clinic in Worcester, as well as other veterans’ and social service providers. The Outreach Program is focused on the removal of barriers that prevent people from receiving critical services. The primary goals of the program are for clients to improve their mental health status and residential stability, increase their skill level or income, and achieve greater self-determination.

VETERANS INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1 - Summary of Significant Accounting Policies - continued

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that will be met either by actions of the Organization or the passage of time. When a restriction expires, net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restriction. The Organization has \$107,667 in temporarily restricted net assets at June 30, 2011.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally, donors of these assets permit the use of all or part of the income earned from these assets for general or specific purposes. The Organization has no permanently restricted net assets at June 30, 2011.

Principles of Combination – The accounts of Veterans Inc. and Massachusetts Veterans Inc. have been combined in accordance with Statement of Position 94-3. All significant Interorganization transactions and accounts have been eliminated. As of June 30, 2011, the Affiliated Organization maintains ownership in mortgaged properties used by the Organization to operate programs and has no employees. The corresponding inter-organization receivable and payable balance is approximately \$29,000.

Revenue Recognition

Contributions - Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using risk-free interest rates applicable to the years in which the promises are received.

Program Service – Revenue arises principally from the provision of shelter, training and counseling under various federal and state contracts. Revenue is recognized as the services are provided.

VETERANS INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 1 - Summary of Significant Accounting Policies - continued

Income Taxes - The Organization and Subsidiary are exempt from federal income taxes as Organizations, not as private foundations, formed for charitable purposes under Section 501 (c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Organization within the Internal Revenue Code regulations.

Estimates - The preparation of financial statements in accordance 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.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on deposit and other debt securities that are readily convertible into cash and purchased with original maturities of three months or less.

Donated Services and Goods - The Organization receives non-cash donations of materials, facilities and services that are recorded as support and related expense or increase in net assets at the estimated fair value of the good and services received.

Inventory - Inventory is stated at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) basis.

Accounts Receivable - Accounts receivable are recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projections of trends. In the opinion of management, substantially all of the accounts receivable are considered realizable at the amounts stated in the accompanying statement of combined financial position, and no allowance for doubtful accounts is considered necessary.

Capital Assets - Capital assets include property, furniture, and equipment with initial costs that exceed \$10,000 and estimated useful life of more than one year. Capital assets are stated at cost. When assets are disposed of the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. Depreciation is provided for using straight-line and accelerated methods over the following estimated useful lives.

Expense Allocation - Expenses directly related to a program are distributed to that program and other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Prior Year Financial Information - The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' combined financial statements for the year ended June 30, 2010, from which the summarized information was derived.

VETERANS INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 2 – Concentration of Credit Risk

The Organization maintains deposits in several financial institutions located in the Worcester, Massachusetts area. Insurance is provided by the Federal Deposit Insurance Corporation. The maximum insurance coverage is \$250,000 per depositor per bank. At June 30, 2011, all of the Organization's cash balances were fully insured.

Approximately 27% of the accounts receivable at June 30, 2011 are due from contracts with the Commonwealth of Massachusetts. Approximately 63% of the accounts receivable at June 30, 2011 were due from contracts with the federal government.

Note 3 - Other Current Assets - (Inventories)

At June 30, 2011 inventories consist of the following:

Inventory Class		
Clothing	\$	2,112
Meal Services		2,342
Feed-A-Vet		8,761
		<u>13,215</u>
	\$	<u>13,215</u>

All inventories have been received through donations.

Note 4 – Capital Assets

The following is a summary of capital assets and accumulated depreciation:

Fixed Asset Class	Cost	Life
Land	\$ 500,000	
Building	589,094	40 years
Building and Leasehold Improvements	5,117,664	10 - 39 years
Equipment	228,989	3 - 7 years
Motor Vehicles	227,988	3 - 7 years
Construction in Progress	<u>411,116</u>	
Total	7,074,851	
Less Accumulated Depreciation	<u>(1,002,721)</u>	
Net Capital Assets	<u>\$ 6,072,130</u>	

VETERANS INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 5 - Construction Commitments

At June 30, 2011, the Organization had the following construction projects in progress:

Project	Total Estimated Costs	Costs Through June 30, 2011	Method of Financing
Operation Safe Quarters	<u>\$ 2,800,000</u>	<u>\$ 391,340</u>	Grant Funding
	<u>\$ 2,800,000</u>	<u>\$ 391,340</u>	

Note 6 - Leased Facility

The Organization leases a 3-story building in Worcester, MA, from the Commonwealth of Massachusetts for operations and maintaining a veteran's shelter. As of June 30, 2011 and in past fiscal periods, the lease payment for the property was a nominal fee. The Organization and the Commonwealth negotiated a lease agreement that incorporates the fair market rental value for the space less a credit for all past and future lease hold improvements incurred by the Organization (paid for with non State Aid). The amount of the credit was determined by the Commonwealth and applied to the fair market rent each period. The resulting agreement stipulates a payment of \$100 per month for the next 60 years.

In 2002 the Organization entered into a 15 year operating lease with Massachusetts Development Finance Agency for use of 10 condo units and 4 townhouses in Devens, MA. The monthly payment is based on budgeted operating costs and varies annually. Currently the payment is \$3,270 per month.

All facility leases have been accounted for as operating leases.

Note 7 - Long -Term Debt

The Organization has entered into various loans for acquisition and rehabilitation of property. The following schedule outlines the terms of the various loan agreements.

Lender	Payment Terms	Amount	Interest	Balance
CEDAC				
Initial Feasibility	upon permanent financing	\$ 7,500	7.00%	\$ 7,500
Predevelopment	upon permanent financing	200,000	7.00%	33,500
Predevelopment	upon permanent financing	200,000	7.00%	126,293
Predevelopment	Due in full in July 2012	1,176,000	7.00%	1,176,000
People's United Bank				
10 year mortgage on MA property	monthly installments until 2018	290,000	6.83%	268,540
10 year mortgage on VT property	monthly installments until 2021	400,000	5.00%	392,150

VETERANS INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 7 – Long –Term Debt – continued

The schedule of maturities of long-term debt is as follows:

2012	\$ 21,246
2013	1,198,505
2014	23,841
2015	25,258
2016	26,760
Thereafter	<u>708,373</u>
Total	<u>\$ 2,003,983</u>

Note 8 - Fees from Government Agencies

Payments for services rendered are based partly on pre-determined rates per unit of service with other reimbursements based upon allowable costs incurred. All reimbursements under various contracts are subject to audit by funding agencies.

In addition, the Commonwealth of Massachusetts has established regulations, which limit the amount of surplus revenue an organization may retain in any year and cumulatively under state unit rate contracts. Specifically, an organization may retain annually a surplus of up to five percent of total revenues attributable to or generated by Commonwealth agreements for the provision of Social Services and a cumulative amount of such surpluses up to a maximum of twenty percent of the organization's prior year's gross revenues derived from Commonwealth purchasing agencies. Any excess revenues above the aforementioned limits are subject to recovery by the Commonwealth. The organization currently has no unit rate contracts with the Commonwealth of Massachusetts.

Note 9 - Contributed Goods and Services

The Organization receives contributions of services and equipment from various healthcare and private professionals. The services and equipment are made available to residents of the shelter and other clients. The total value of the services received was \$47,000 for the year ended June 30, 2011.

The Organization also receives donations of food, clothing and durable goods from the general public and other government and private agencies. The total value of the materials donated aggregated \$382,726 for the year ended June 30, 2011.

VETERANS INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 10 – Employee Pension Plan

The Organization maintains a qualified contributory pension plan as defined in Internal Revenue Code 403(b) for all full-time employees. There is a matching contribution by the Organization on behalf of the employees that choose to participate. The Organization matches dollar for dollar up to a \$2,000 maximum the amount contributed by the employees. For fiscal year 2011 employee contributions totaled \$41,353 and employer contributions totaled \$31,149.

The Organization also maintains a non-qualified deferred compensation plan, as defined in Internal Revenue Code 457(b) for certain members of management of the Organization. During fiscal year 2011, employer contributions to the plan totaled \$20,000.

Note 11 – Temporarily Restricted Net Assets

Temporarily restricted net assets balance of \$107,667 include the following: \$41,000 of grant funds received from various foundations restricted for the purpose of renovations at the Shrewsbury location, and \$66,667 of a training grant received from Microsoft. As the grants are expended on its intended program, it is released from restriction.

Note 12 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through October 24, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Note 13 – Accounting for Income Taxes

The Organization adopted the provisions of Financial Accounting Standard Board (FASB) Interpretation 48 (FIN 48) on July 1, 2009. This standard provides that an enterprise should determine whether it is more likely than not that a tax position will be sustained upon examination and any differences between tax positions taken in a tax return and amounts recognized in financial statements based on this position will result in either a reduction in a deferred tax asset or an increase in a deferred tax liability. As a result of this implementation, the Company determined there are no tax positions that would require the recognition of a liability or reduction of a deferred tax asset in accordance with this standard. The tax filings will remain open for examination for three years.

VETERANS INC. AND AFFILIATE
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

Note 14 – Asset Retirement Obligations

Veterans Inc. currently owns and operates rehabilitated residential properties. Asset retirement obligations must be considered as part of the cost of the asset, including environmental contamination cleanup costs associated with it. These obligations stem from the acquisition, construction, development, or normal operation of a long-lived asset. A company must recognize a liability for an asset retirement obligation in the period in which the obligation meets the definition of a liability and this liability can be reasonably estimated. Management is not aware of any asset retirement obligation pertaining to the property and equipment currently owned.

ADDITIONAL INFORMATION

HURLEY, O'NEILL & COMPANY, P.C.
Certified Public Accountants

J. Thomas Hurley, C.P.A.

Gene O'Neill C.P.A.

**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
Veterans Inc.
Worcester, MA

We have audited the combined financial statements of Veterans Inc., (a not-for-profit organization) and affiliate, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Veterans Inc.'s, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Veterans Inc.'s, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Veterans Inc.'s, internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Veterans Inc.'s, financial statements are free of 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*.

This report is intended solely for the information of the Board of Directors, Management, Federal awarding agencies and pass-through entities and the Commonwealth of Massachusetts Division of Purchased Services and is not intended to be and should not be used by anyone other than those specified parties.

Hoyle & Munn & Co., PC

Quincy, Massachusetts
October 24, 2011

HURLEY, O'NEILL & COMPANY, P.C.
Certified Public Accountants

J. Thomas Hurley, C.P.A.

Gene O'Neill C.P.A.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To The Board of Directors
Veterans Inc.
Worcester, MA

Compliance

We have audited the compliance of Veterans Inc., (a not-for-profit organization) and affiliate, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to its major federal program for the year ended June 30, 2011. Veterans Inc.'s, major federal program is identified in the Schedule of Expenditures and Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Veterans Inc.'s management. Our responsibility is to express an opinion on Veterans Inc.'s, compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 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 the Veterans Inc.'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. Our audit does not provide a legal determination on Veterans Inc.'s, compliance with those requirements.

In our opinion, Veterans Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Veterans Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Veterans Inc.'s, internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Veterans Inc.'s, internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 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 the types of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the Board of Directors, Management, Federal awarding agencies and pass-through entities and the Commonwealth of Massachusetts Division of Purchased Services and is not intended to be and should not be used by anyone other than those specified parties.

Hooley & Co., PC

Quincy, Massachusetts
October 24, 2011

VETERANS, INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

	<u>Major Program</u>	<u>Direct Award</u>	<u>Pass Through Entity</u>	<u>Pass Through Entity Number</u>	<u>CFDA Number</u>	<u>Federal Financial Assistance Received</u>	<u>Total Federal Financial Assistance Expenditures</u>
Department of Veterans Affairs	Yes	Yes			64.024	\$ 1,976,816	\$ 1,924,730
Homeless Veterans Transitional Housing						1,976,816	1,924,730
Total Major Programs							
Department of Agriculture	No	No	Worcester County Food Bank		10.569	97,116	97,116
Emergency Food Assistance Program							
Total Department of Agriculture							
Department of Labor	No	Yes			17.802	300,000	300,000
Veterans' Employment Program							
Homeless Veterans Reintegration Project	No	Yes			17.805	244,220	244,220
Homeless Veterans Reintegration Project	No	No	State of MA	WORHVR	17.805	265,000	265,000
Total Department of Labor						809,220	809,220
Department of Housing and Urban Development	No	No	State of MA	HSDESGE	14.231	91,200	91,200
Emergency Shelter Program	No	No	State of MA	HSDESGO	14.231	60,000	60,000
Emergency Shelter Program	No	No	City of Worcester		14.231	28,861	28,861
Supportive Housing Program	No	No	State of MA	WORSUP	14.235	148,380	148,380
Community Development Block Grant ARRA Entitlement Grants	No	No	City of Worcester				
Homelessness Prevention and Rapid Re-Housing Program	No	No	Southern Middlesex Opportunity Council		14.253	42,000	42,000
Total Department of Housing and Urban Development					14.257	42,000	42,000
Total Non Major Programs						412,441	412,441
Total All Programs						1,318,777	1,318,777
						\$ 3,295,593	\$ 3,243,507

The schedule of expenditures of federal awards is accounted for using the accrual basis of accounting.

VETERANS INC. AND AFFILIATE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2011**

The audits for the years ended June 30, 2011 and 2010 disclosed no material instances of noncompliance with laws and regulations, material weaknesses in internal control structure or questioned costs.

I. Summary of Audit Results

1. Type of report issued on the financial statements - Unqualified
2. The report on internal control over financial reporting did not disclose any material weaknesses.
3. The report on internal control over financial reporting did not disclose any significant deficiencies.
4. The report on compliance did not disclose instances of non-compliance material to the financial statements.
5. Type of report issued on compliance for major programs - Unqualified
6. The report on internal control over major programs did not disclose any material weaknesses.
7. The report on internal control over major programs did not disclose any significant deficiencies.
8. There are no audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a).
9. Major federal assistance programs are identified in the schedule of federal expenditures. The dollar threshold to distinguish type A and type B programs was \$300,000.
10. The following program was tested as a major program in accordance with OMB A-133:

CFDA # 64.024 – VA Homeless Providers Grant and Per Diem Program

11. The auditee qualified as a low-risk auditee.

II. Findings related to the Financial Statements which are required to be reported in accordance with GAGAS - NONE

III. Findings and Questioned Costs for Federal Awards which shall include Audit Findings as defined in paragraph 510(a) - NONE

VETERANS, INC AND AFFILIATE

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

There were no audit findings for Fiscal Year 2010.

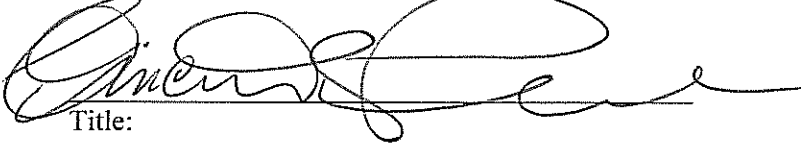
VETERANS, INC.

69 GROVE STREET
WORCESTER, MA 01605

The Board of Directors of the Veterans, Inc., met on 15 Nov 11 and have voted to recognize and accept the representations of management and the expression of opinions by Hurley, O'Neill & Associates, P.C. as embodied in the Basic Financial Statements, Supplementary and Subsidiary Financial Statements and Schedules and Independent Auditors' Reports contained in the Uniform Financial Statements and Independent Auditors' Report (UFR) for the year ended June 30, 2011.

In addition, we, the Board of Directors of the Veterans, Inc., hereby certify under penalty of perjury that, to the best of our knowledge and belief, all material related party relationships and transactions, as defined by 808 CMR 1.02 and generally accepted government auditing standards, have been correctly and completely disclosed by management in the notes to the financial statements and schedules of the UFR for the year ended June 30, 2011.

SIGNATORY FOR BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to be "M. O'Neill", written over a horizontal line.

Title:

15 Nov 11

Date: