

VETERANS INC.
Formerly Massachusetts Veterans Inc.
And Affiliate

FINANCIAL STATEMENTS

June 30, 2010

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

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

BASIC FINANCIAL STATEMENTS

Statement of Financial Position as of June 30, 2010	1
Statement of Activities for the year ended June 30, 2010	2
Statement of Cash Flows for the year ended June 30, 2010	3
Statement of Functional Expenses for the year ended June 30, 2010	4
Notes to Financial Statements	5-12

INTERNAL ACCOUNTING CONTROL AND COMPLIANCE:

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	14-15
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	16-17

OTHER MATTERS:

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010	18
Schedule of Audit Findings and Questioned Costs	19
Schedule of Prior Year Findings	20

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., formerly Massachusetts Veterans Inc.
Worcester, MA

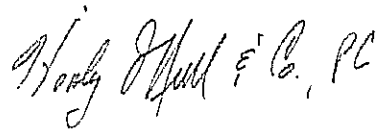
We have audited the accompanying combined balance sheet of the Veterans Inc, formerly Massachusetts Veterans Inc., (a not-for-profit organization) and affiliate, as of June 30, 2010, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These financial 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 2009 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., formerly Massachusetts Veterans Inc., and affiliate, as of June 30, 2010, 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 November 2, 2010 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 "Nancy J. Hill & Co., PC".

Quincy, Massachusetts
November 2, 2010

VETERANS, INC. AND AFFILIATE
STATEMENT OF FINANCIAL POSITION
As of June 30, 2010 with comparative totals for 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash and Cash Equivalents	\$ 646,562	\$ 356,230
Accounts Receivable, Program Services	397,741	571,044
Contributions Receivable - Note 10	5,000	10,000
Prepaid Expenses and Other Current Assets	<u>121,078</u>	<u>128,457</u>
Total Current Assets	<u>1,170,381</u>	<u>1,065,731</u>
Non Current Assets:		
Capital Assets, Net of Accumulated Depreciation - Note 3	<u>5,242,578</u>	<u>5,093,696</u>
TOTAL ASSETS	<u>\$ 6,412,959</u>	<u>\$ 6,159,427</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current Liabilities:		
Accounts Payable	\$ 68,691	\$ 114,202
Accrued Expenses and Other Current Liabilities	258,301	228,092
Current Portion Long-Term Debt - Note 6	<u>8,309</u>	<u>9,191</u>
Total Current Liabilities	335,301	351,485
Non Current Liabilities:		
Long Term Debt - Note 6	<u>1,610,951</u>	<u>1,619,064</u>
TOTAL LIABILITIES	<u>1,946,252</u>	<u>1,970,549</u>
Net Assets:		
Unrestricted	4,034,207	4,151,968
Temporarily Restricted - Note 11	<u>432,500</u>	<u>36,910</u>
TOTAL NET ASSETS	<u>4,466,707</u>	<u>4,188,878</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,412,959</u>	<u>\$ 6,159,427</u>

See accompanying notes

**VETERANS, INC AND AFFILIATE
STATEMENT OF ACTIVITIES**

For the year ended June 30, 2010 with comparative totals for 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2009</u>
REVENUES AND SUPPORT				
Grants and Other Contributions	\$ 501,858	-	\$ 501,858	\$ 520,287
Capital Acquisition and Construction Grants	104,450	422,500	526,950	1,693,404
Net Assets Released from Restrictions	26,910	(26,910)	-	-
In-Kind Contributions	526,328	-	526,328	247,274
Program Service Fees	3,367,308	-	3,367,308	2,781,703
Investment and Miscellaneous Revenue	14,580	-	14,580	43,785
TOTAL REVENUES AND SUPPORT	<u>4,541,434</u>	<u>395,590</u>	<u>4,937,024</u>	<u>5,286,453</u>
EXPENSES				
Administration	283,261	-	283,261	175,301
Fundraising	74,942	-	74,942	82,972
Program Services:				
Supportive Housing for Veterans	3,448,423	-	3,448,423	2,895,562
Training and Employment	740,069	-	740,069	181,988
Outreach	112,500	-	112,500	150,000
TOTAL EXPENSES	<u>4,659,195</u>	<u>-</u>	<u>4,659,195</u>	<u>3,485,823</u>
CHANGES IN NET ASSETS	<u>(117,761)</u>	<u>395,590</u>	<u>277,829</u>	<u>1,800,630</u>
NET ASSETS AT BEGINNING OF YEAR	<u>4,151,968</u>	<u>36,910</u>	<u>4,188,878</u>	<u>2,388,248</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,034,207</u>	<u>\$ 432,500</u>	<u>\$ 4,466,707</u>	<u>\$ 4,188,878</u>

See accompanying notes

VETERANS, INC AND AFFILLIATE
STATEMENT OF CASH FLOWS
For the year ended June 30, 2010

Cash Flows from Operating Activities:	
Changes in Net Assets	\$ 277,829
Adjustments to Reconcile Change In Net Assets to Net	
Cash provided by Operating Activities:	
Depreciation	159,912
Decrease in Accounts Receivable	173,303
Decrease in Contributions Receivable	5,000
Decrease in Prepaid Expenses and Other Current Assets	7,379
Decrease in Accounts Payable	(45,511)
Increase in Accrued Expenses and Other Current Liabilities	<u>30,209</u>
Net Cash Provided by Operating Activities	<u>608,121</u>
Cash Flows from Investing Activities:	
Purchase of Capital Assets	<u>(308,794)</u>
Net Cash Used in Investing Activities	<u>(308,794)</u>
Cash Flows from Financing Activities:	
Payments on Long-Term Debt	<u>(8,995)</u>
Net Cash Used in Financing Activities	<u>(8,995)</u>
Net Increase in Cash and Cash Equivalents	290,332
Cash and Cash Equivalents at Beginning of Year	<u>356,230</u>
Cash and Cash Equivalents at End of Year	<u>\$ 646,562</u>
Supplemental Disclosure of Cash Flow Information:	
Cash Paid During the Year for Interest	\$ 113,331

See accompanying notes

VETERANS, INC. AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENSE
For the year ended June 30, 2010

	SUPPORTIVE SERVICES			PROGRAM SERVICES		
	TOTALS	MANAGEMENT & GENERAL	FUND RAISING	SUPPORTIVE HOUSING FOR VETERANS	TRAINING & EMPLOYMENT	OUTREACH
Employee Compensation & Related Expenses	\$ 2,350,315	\$ 150,808	\$ 13,301	\$ 1,476,605	\$ 617,520	\$ 92,081
Occupancy	\$ 636,922	15,345	355	603,710	7,512	10,000
Other Program / Operating Expense	\$ 789,926	11,220	2,395	723,644	44,439	8,228
Subcontract Expense	\$ 52,911	-	52,911	-	-	-
Direct Administrative Expense	\$ 640,194	96,395	4,803	476,817	59,988	2,191
Other Expenses	\$ 29,015	4,144	1,177	16,475	7,219	-
Depreciation of Buildings and Equipment	\$ 159,912	5,349	-	151,172	3,391	-
TOTAL EXPENSES	\$ 4,659,195	\$ 283,261	\$ 74,942	\$ 3,448,423	\$ 740,069	\$ 112,500

See accompanying notes

VETERANS INC.
Formerly Massachusetts Veterans Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - Summary of Significant Accounting Policies

Organization –Veterans, Inc formerly Massachusetts Veterans Inc. (the Shelter) was organized in September of 1991 and is devoted to the care and rehabilitation of the homeless veteran population of New England. One third of all the homeless in this country are veterans, and there are over 1,000 homeless veterans in this area. It is the Organization's goal to shelter and provide care for those veterans in need. Funding of the activities is predominantly from government grants and contracts, user fees and unrestricted cash and non-cash donations.

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

- o Supportive Housing Program - The Supportive Housing Program provides the basic human needs of food, clothing and shelter to homeless veterans. In addition all participants are afforded medical or substance abuse treatment, transportation assistance and other forms of counseling. Supportive housing is currently offered in four locations in Worcester, Massachusetts, one location in Shrewsbury, Massachusetts and one location in Devens, Massachusetts.
- o Employment & Training Program - The Employment & Training Program is designed to help reintegrate homeless veterans into the labor force. This program is employment focused. Veterans receive job counseling, pre-employment services, job training, job development and placement services. Each veteran is assigned an Employment Specialist who interviews the client and works with him or her to develop an appropriate individual training plan. Our clients have access to a diagnostic career assessment survey software program that compares interests and abilities. The survey results are used to determine possible avenues of job search or additional educational opportunities. The combination of the interview and assessment helps to determine the individual's skill set and career goals. This assists the employment specialist when preparing a list of possible sources of employment. Our clients receive classroom training in interview techniques, mock interviews, how to fill out job applications, resume and cover letter preparation, dress-for-success, and the various on-line search engines that provide access to jobs on the Internet. Employment Specialists assist each client with job searches, provide job coaching, help set up interviews, and provide transportation to interviews if necessary.
- o 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.
Formerly Massachusetts Veterans Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

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 Shelter 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 shelter has \$432,500 in temporarily restricted net assets at June 30, 2010.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Shelter. 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 shelter has no permanently restricted net assets at June 30, 2010.

Principles of Combination – The accounts of Veterans Inc., formerly Massachusetts Veterans Inc., and Massachusetts Veterans Inc., formerly MVI Housing Corp. have been combined in accordance with Statement of Position 94-3. All significant Interorganization transactions and accounts have been eliminated. As of June 30, 2010, the Affiliated Organization maintains ownership in mortgaged properties used by the Shelter to operate programs and has no employees. The corresponding inter-organization receivable and payable balance is approximately \$30,000.

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 are due in subsequent years and 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.
Formerly Massachusetts Veterans Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - Summary of Significant Accounting Policies - continued

Income Taxes - The Shelter 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 Shelter 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 Shelter 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. Collateral is not required.

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, 2009, from which the summarized information was derived.

VETERANS INC.
Formerly Massachusetts Veterans Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1 - Summary of Significant Accounting Policies – continued

Concentration of Credit Risk - The Shelter 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, 2010, the Shelter had \$331,913 of uninsured cash balances.

Approximately 27% of the accounts receivable at June 30, 2010 are due from contracts with the Commonwealth of Massachusetts. Approximately 66% of the accounts receivable at June 30, 2010 were due from contracts with the federal government.

Note 2 - Other Current Assets - (Inventories)

At June 30, 2010 inventories consist of the following:

Inventory Class	
Clothing	\$ 5,006
Meal Services	3,602
Feed-A-Vet	<u>4,711</u>
	<u>\$ 13,319</u>

All inventories have been received through donations.

Note 3 – Capital Assets

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

Capital Asset Class	Cost	Life
Land	696,195	
Building	392,899	40 years
Building and Leasehold Improvements	3,982,120	10 - 39 years
Equipment	141,548	3 - 7 years
Motor Vehicles	205,293	3 - 7 years
Construction in Progress	<u>643,628</u>	
Total	6,061,683	
Less Accumulated Depreciation	<u>(819,105)</u>	
Net Capital Assets	<u><u>5,242,578</u></u>	

VETERANS INC.
Formerly Massachusetts Veterans Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4 - Construction Commitments

At June 30, 2010, the Organization had the following construction projects in progress:

Project	Total Estimated Costs	Costs Through June 30, 2010	Method of Financing
Operation Safe Quarters	\$ 2,800,000	\$ 290,104	Grant Funding
Sheridan Renovations	<u>500,000</u>	<u>353,524</u>	Grant Funding
	<u>\$ 3,300,000</u>	<u>\$ 643,628</u>	

Note 5 - Leased Facility

The Shelter 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, 2010 and in past fiscal periods, the lease payment for the property was a nominal fee. The 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 Shelter (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 30 years.

In 2002 the Shelter 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.

Note 6 - Long -Term Debt

The Shelter entered into three separate loan agreements with the Community Economic Development Assistance Corporation (CEDAC) on April 20, 2001, February 27, 2003 and January 15, 2009. These are Initial Feasibility Assistance Loans and Predevelopment Loans for the purpose of acquiring and rehabilitating a property for permanent housing. The maximum authorization is \$7,500, \$200,000 and \$200,000 respectively, with interest accruing at 7% per annum on each loan. As of June 30, 2010, a total of \$167,293 has been advanced. The principal amount of the loans shall be due on the date of the first disbursement of the proceeds of any financing for the project and or the acquisition date. CEDAC, at its sole discretion may forgive the loan if financing is not obtained and project is terminated.

The Shelter entered into a temporary loan agreement with CEDAC on April 28, 2009 for \$1,176,000 collateralized by a mortgage on certain real estate owned by the Organization to finance the acquisition of new property. The loan accrues interest at 7% per annum and is payable pending permanent financing obtained by the Shelter, or in July 2011, whichever occurs first.

VETERANS INC.
Formerly Massachusetts Veterans Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 6 – Long –Term Debt – continued

Massachusetts Veterans Inc, formerly MVI Housing, Inc. purchased two additional properties in June of 2008. The affiliate borrowed \$290,000 collateralized by a first mortgage on certain real estate owned by the organization from a financial institution to purchase the properties. The 10-year mortgage accrues interest at 6.83% per annum, and monthly principle and interest payments are \$2,236.07 with a final payment due for the remaining principle balance.

The loans amortize as follows:

2011	\$ 8,309
2012	1,184,893
2013	9,520
2014	10,191
2015	10,910
Thereafter	<u>395,437</u>
Total	<u>\$ 1,619,260</u>

Note 7 - 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 8 - Contributed Goods and Services

The Shelter 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 \$148,310 for the year ended June 30, 2010.

The Shelter 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 \$378,018 for the year ended June 30, 2010.

VETERANS INC.
Formerly Massachusetts Veterans Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 9 – 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 2010 employee contributions totaled \$29,980 and employer contributions totaled \$19,117.

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 2010 employer contributions to the plan totaled \$20,000.

Note 10 – Contributions Receivable

As of June 30, 2010, the Shelter had \$5,000 in outstanding contributions receivable. The receivable consists of amounts pledged by various foundations in support of developing an outreach center.

Note 11 – Temporarily Restricted Net Assets

Included in the temporarily restricted net assets balance of \$432,500 is \$10,000 of grant money received from a foundation restricted for the purpose of developing an outreach center. As the grant is expended on its intended program it is released from restriction. Also included in temporarily restricted net assets is \$422,500 related to the purchase of land to be used in future operations of the organization.

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 November 2, 2010 (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

VETERANS INC.
Formerly Massachusetts Veterans Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 13 – Accounting for Income Taxes – continued

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.

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., formerly Massachusetts Veterans Inc.
Worcester, MA

We have audited the combined financial statements of Veterans Inc., formerly Massachusetts Veterans Inc., (a not-for-profit organization) and affiliate, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 2, 2010. 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, formerly Massachusetts Veterans Inc., 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, formerly Massachusetts Veterans Inc., internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Veterans Inc.'s, formerly Massachusetts 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, formerly Massachusetts Veterans Inc., 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.



Quincy, Massachusetts
November 2, 2010

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., formerly Massachusetts Veterans Inc.
Worcester, MA

Compliance

We have audited the compliance of Veterans Inc., formerly Massachusetts 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, 2010. Veterans Inc.'s, formerly Massachusetts Veterans Inc., 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, formerly Massachusetts Veterans Inc., 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, formerly Massachusetts Veterans Inc., 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, formerly Massachusetts Veterans Inc., compliance with those requirements.

In our opinion, Veterans Inc., formerly Massachusetts 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, 2010.

Internal Control Over Compliance

The management of Veterans Inc., formerly Massachusetts 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, formerly Massachusetts Veterans Inc., 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, formerly Massachusetts Veterans Inc., 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.



Quincy, Massachusetts
November 2, 2010

VETERANS INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

	<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							
Homeless Veterans	Yes	Yes			64.024	\$ 2,141,170	\$ 1,718,670
Transitional Housing							
Total Major Programs						2,141,170	1,718,670
Department of Labor							
Veterans' Employment Program	No	Yes			17.802	300,000	300,000
Homeless Veterans Reintegration Project	No	Yes			17.805	150,000	150,000
Homeless Veterans Reintegration Project	No	No	State of MA	WORHVR	17.805	265,000	265,000
Department of Housing and Urban Development							
Emergency Shelter Program	No	No	State of MA	WORESG	14.231	39,551	39,551
Emergency Shelter Program	No	No	State of MA	SHLE2900	14.231	30,400	30,400
Emergency Shelter Program	No	No	State of MA	SHLO0300	14.231	40,000	40,000
Emergency Shelter Program	No	No	City of Worcester	WORSUP	14.231	28,861	28,861
Supportive Housing Program	No	No	State of MA		14.235	147,615	147,615
Community Development Block Grant	No	No	City of Worcester				
ARRA Entitlement Grants					14.253	21,000	21,000
Homelessness Prevention and Rapid Re-Housing Program	No	No	Southern Middlesex Opportunity Council		14.257	21,000	21,000
Total Non Major Programs						1,043,427	1,043,427
Total All Programs						\$ 3,184,597	\$ 2,762,097

The schedule of expenditures of federal awards is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting.

VETERANS INC.
Formerly Massachusetts Veterans Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2010

The audits for the years ended June 30, 2010 and 2009 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
Formerly Massachusetts Veterans Inc.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

There were no audit findings for Fiscal Year 2009.