

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.
And Affiliate

FINANCIAL STATEMENTS

June 30, 2009

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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., 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, 2009, 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 Organizations' 2008 financial statements and, in our report dated November 3, 2008, 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, 2009, and the results of its operations and changes in fund balances 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 10, 2009 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 "Harty J. Hull & Co., PC".

Quincy, Massachusetts
November 10, 2009

**VETERANS, INC., FORMERLY MASSACHUSETTS VETERANS INC.,
AND AFFILIATE
BALANCE SHEET**

As of June 30, 2009 with comparative totals for 2008

	<u>CURRENT</u> <u>OPERATIONS</u>	<u>PLANT</u>	<u>TOTAL</u> <u>2009</u>	<u>TOTAL</u> <u>2008</u>
ASSETS				
Cash and Cash Equivalents	\$ 356,230	-	\$ 356,230	\$ 401,671
Accounts Receivable, Program Services	571,044	-	571,044	380,190
Contributions Receivable	10,000	-	10,000	45,000
Prepaid Expenses	108,967	-	108,967	15,843
Other Current Assets	<u>19,490</u>	<u>-</u>	<u>19,490</u>	<u>14,247</u>
TOTAL CURRENT ASSETS	<u>1,065,731</u>	<u>-</u>	<u>1,065,731</u>	<u>856,951</u>
LAND BUILDING & EQUIPMENT				
Land, Buildings, and Equipment		5,752,889	5,752,889	2,935,832
Accumulated Depreciation	<u>-</u>	<u>(659,193)</u>	<u>(659,193)</u>	<u>(562,087)</u>
Net Land, Buildings and Equipment	<u>-</u>	<u>5,093,696</u>	<u>5,093,696</u>	<u>2,373,745</u>
TOTAL ASSETS	<u>\$ 1,065,731</u>	<u>\$ 5,093,696</u>	<u>\$ 6,159,427</u>	<u>\$ 3,230,696</u>
LIABILITIES AND NET ASSETS				
Accounts Payable	\$ 114,202	-	\$ 114,202	\$ 110,963
Accrued Expenses	222,975	-	222,975	169,797
Current Notes Payable	-	-	-	9,710
Current Portion Long-Term Debt	-	9,191	9,191	30,537
Deferred Revenue	<u>5,117</u>	<u>-</u>	<u>5,117</u>	<u>19,424</u>
TOTAL CURRENT LIABILITIES	342,294	9,191	351,485	340,431
Long-Term Notes & Mortgage Payable	<u>-</u>	<u>1,619,064</u>	<u>1,619,064</u>	<u>502,017</u>
TOTAL LIABILITIES	<u>342,294</u>	<u>1,628,255</u>	<u>1,970,549</u>	<u>842,448</u>
NET ASSETS				
Unrestricted	686,527	3,465,441	4,151,968	2,271,726
Temporarily Restricted	<u>36,910</u>	<u>-</u>	<u>36,910</u>	<u>116,522</u>
TOTAL NET ASSETS	<u>723,437</u>	<u>3,465,441</u>	<u>4,188,878</u>	<u>2,388,248</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,065,731</u>	<u>\$ 5,093,696</u>	<u>\$ 6,159,427</u>	<u>\$ 3,230,696</u>

See accompanying notes.

**VETERANS INC, FORMERLY MASSACHUSETTS VETERANS, INC
AND AFFILIATE
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009 with comparative totals for 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2008</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions, Gifts & Special Events	\$ 365,346	\$ 26,910	\$ 392,256	\$ 382,124
Capital Acquisition & Construction Grants	1,693,404		1,693,404	319,110
Net Assets Released from Restrictions	106,522	(106,522)	-	-
In-Kind Contributions	247,274		247,274	609,600
Grants	128,031	-	128,031	99,203
Program Service Fees	2,781,703	-	2,781,703	2,340,776
Investment Revenue	4,680	-	4,680	397
Miscellaneous	<u>39,105</u>	<u>-</u>	<u>39,105</u>	<u>6,952</u>
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>5,366,065</u>	<u>(79,612)</u>	<u>5,286,453</u>	<u>3,758,162</u>
EXPENSES AND LOSSES				
Administration (Management & General)	175,301	-	175,301	156,691
Fundraising	82,972	-	82,972	67,212
Total Program Services	<u>3,227,550</u>	<u>-</u>	<u>3,227,550</u>	<u>2,929,421</u>
TOTAL EXPENSES	<u>3,485,823</u>	<u>-</u>	<u>3,485,823</u>	<u>3,153,324</u>
CHANGES IN NET ASSETS	1,880,242	(79,612)	1,800,630	604,838
NET ASSETS AT BEGINNING OF YEAR	<u>2,271,726</u>	<u>116,522</u>	<u>2,388,248</u>	<u>1,783,410</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,151,968</u>	<u>\$ 36,910</u>	<u>\$ 4,188,878</u>	<u>\$2,388,248</u>

See accompanying notes.

VETERANS, INC AND AFFILIATE
STATEMENT OF CASH FLOWS
For the year ended June 30, 2009

Cash Flows from Operating Activities:	
Changes in Net Assets	\$ 1,800,630
Adjustments to Reconcile Change In Net Assets to Net	
Cash provided by/(used in) Operating Activities:	
Non-Cash Donations for Capital Asset Additions	
Depreciation	97,106
Increase in Net Accounts Receivable	(190,854)
Decrease in Contributions Receivable	35,000
Increase in Prepaid Expenses	(93,124)
Increase in Accounts Payable	3,239
Increase in Accrued Expenses	53,178
Decrease in Deferred Revenue	(14,307)
Increase in Other Current Assets	<u>(5,243)</u>
 Net Cash Provided by Operating Activities	 <u>1,685,625</u>
 Cash Flows from Investing Activities:	
Purchase of Capital Assets	<u>(1,607,557)</u>
 Net Cash used in Investing Activities	 <u>(1,607,557)</u>
 Cash from Financing Activities:	
Payments on Notes Payable	(9,710)
Payments on Long-Term Debt	<u>(113,799)</u>
 Net Cash used in Financing Activities	 <u>(123,509)</u>
 Net Decrease in Cash and Cash Equivalents	 (45,441)
 Cash and Cash Equivalents at Beginning of Year	 <u>401,671</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 356,230</u>
 Supplemental Disclosure of Cash Flow Information:	
Cash Paid During the Year for Interest	\$ 62,667
Debt Issued During the Year for Purchase of Capital Assets	\$ 1,209,500

See accompanying notes.

VETERANS, INC., FORMERLY MASSACHUSETTS VETERANS INC,
AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSE

For the year ended June 30, 2009

	SUPPORTIVE SERVICES			PROGRAM SERVICES			
	TOTALS	MANAGEMENT & GENERAL	FUND RAISING	TOTAL ALL PROGRAMS	SUPPORTIVE HOUSING FOR VETERANS	TRAINING & EMPLOYMENT	OUTREACH
Employee Compensation & Related Expenses	\$ 1,956,420	\$ 81,311	\$ -	\$ 1,875,109	\$ 1,595,375	\$ 143,160	\$ 136,574
Occupancy	451,462	3,568	-	447,894	438,897	3,991	5,006
Other Program / Operating Expense	716,231	3,593	-	712,638	671,811	32,527	8,300
Subcontract Expense	82,724	-	82,724	-	-	-	-
Direct Administrative Expense	173,252	80,484	248	92,520	92,400	-	120
Other Expenses	8,628	239	-	8,389	6,079	2,310	-
Depreciation of Buildings and Equipment	97,106	6,106	-	91,000	91,000	-	-
TOTAL EXPENSES	<u>\$ 3,485,823</u>	<u>\$ 175,301</u>	<u>\$ 82,972</u>	<u>\$ 3,227,550</u>	<u>\$ 2,895,562</u>	<u>\$ 181,988</u>	<u>\$ 150,000</u>

See accompanying notes.

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 Central Massachusetts. 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 two programs as follows:

- 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 three locations in Worcester Massachusetts and one location in Devens, Massachusetts.

- 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.

- 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, 2009

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 \$36,910 in temporarily restricted net assets at June 30, 2009.

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, 2009.

Principles of Combination - The accounts of Veterans, Inc., formerly Massachusetts Veterans, Inc., and 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, 2009, 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 \$60,000.

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.

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.

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 1 - Summary of Significant Accounting Policies - continued

Income Tax Uncertainties - FASB Staff Position (FSP) FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, which was issued in December 2008, defers the effective date of FIN-48 for nonpublic entities to annual financial statements for fiscal years beginning after December 15, 2008. The Company has elected to defer the application of FIN-48 in accordance with FSP FIN 48-3. The Company presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies. The Company will be required to adopt FIN-48 in its 2010 annual financial statements. Management is currently assessing the impact of FIN-48 on its financial statements.

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.

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, 2008, from which the summarized information was derived.

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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, 2009, the Shelter had \$154,630 of uninsured cash balances.

Approximately 17% of the accounts receivable at June 30, 2009 are due from contracts with the Commonwealth of Massachusetts. Approximately 73% of the accounts receivable at June 30, 2009 were due from contracts with the federal government.

Note 2 - Other Current Assets - (Inventories)

At June 30, 2009 inventories consist of the following:

Inventory Class	2009
Clothing	\$ 8,292
Meal Services	2,959
Feed-A-Vet	<u>4,977</u>
	<u>\$ 16,228</u>

All inventories have been received through donations.

Note 3 - Fixed Assets

Fixed assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$10,000 and estimated useful life of more than one year. Fixed assets are stated at cost. When assets are retired or otherwise 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. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation is provided for using straight-line and accelerated methods over the following estimated useful lives:

Fixed Asset Class	Cost	Life
Land	196,195	
Building	392,899	40 years
Building and Leasehold Improvements	4,363,217	10 - 39 years
Equipment	124,245	3 - 7 years
Motor Vehicles	184,990	3 - 7 years
Construction in Progress	<u>491,343</u>	
Total	<u><u>5,752,889</u></u>	

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 4 - Construction Commitments

At June 30, 2009, the Organization had the following construction projects in progress:

Project	Total Estimated Costs	Costs Through June 30, 2009	Method of Financing
Operation Safe Quarters	\$ 2,800,000	\$ 242,832	Grant Funding
Sheridan Renovations	<u>500,000</u>	<u>248,511</u>	Grant Funding
	<u>\$ 3,300,000</u>	<u>\$ 491,343</u>	

Note 5 - Leased Facility

The Shelter in 2003 entered into a 99-year renewed lease with the Division of Capital Planning and Operations, Commonwealth of Massachusetts, acting through its Military Division, to use approximately 16,000 square feet of building currently used by the National Guard. In exchange for the use of the premises, the Shelter maintains the property providing for its own utilities, repairs, maintenance and insurance. The lease commences in March 2003, with a nominal monthly lease payment.

The Shelter also 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, 2009 and in past fiscal periods, the lease payment for the property was a nominal fee. The Shelter and the Commonwealth negotiated a new 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.

Note 6 - Note and Loans Payable

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, 2009, 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 two years, whichever occurs first.

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Note 6 - Note and Loans Payable – (Continued)

The Shelter entered into a 7-year, \$47,500 loan with a financial institution to purchase a vehicle for use with several of its programs. The loan accrues interest at 7.5% per annum, and monthly principle and interest payments are \$735.25.

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:

2010	\$ 9,191
2011	1,184,308
2012	8,893
2013	9,520
2014	10,191
Thereafter	<u>406,152</u>
Total	<u>\$ 1,628,255</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.

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 \$25,140 for the year ended June 30, 2009.

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 \$222,134 for the year ended June 30, 2009.

Note 9 - Employee Pension Plan

The Organization maintains a contributory pension plan 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 2009 employee contributions totaled \$24,370 and employer contributions totaled \$14,304.

The Organization also maintains a non-qualified 457(b) deferred compensation plan for certain members of management of the Organization. For fiscal year 2009 employer contributions to the plan totaled \$20,000.

Note 10 - Contributions Receivable

As of June 30, 2009, the Shelter had \$10,000 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 \$36,910 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 \$26,910 related to the unused portion of a capital grant.

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 COMPLIANCE AND 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, 2009, and have issued our report thereon dated November 10, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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.

Harold J. Hull & Co., PC

Quincy, Massachusetts
November 10, 2009

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, 2009. 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, 2009.

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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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.

Washburn & Co., PC

Quincy, Massachusetts
November 10, 2009

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

	<u>Major Program</u>	<u>Direct Award</u>	<u>Pass Through Entity</u>	<u>CFDA Number</u>	<u>Federal Financial Assistance Received</u>	<u>Total Federal Financial Assistance Expenditures</u>
Department of Veterans Affairs Homeless Veterans Transitional Housing	Yes	Yes		64.024	\$ 3,120,539	\$ 3,120,539
Total Major Programs					3,120,539	3,120,539
Department of Labor Homeless Veterans Reintegration Project	No	Yes		17.805	150,000	150,000
Department of Housing and Urban Development Supportive Housing Program Emergency Shelter Program	No No	No No	State of MA State of MA	14.235 14.231	147,360 118,654	147,360 118,654
Total Non Major Programs					416,014	416,014
Total All Programs					\$ 3,536,553	\$ 3,536,553

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

VETERANS, INC.
Formerly Massachusetts Veterans, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2009

The audits for the year ended June 30, 2009 and 2008 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, 2008

There were no audit findings for Fiscal Year 2008.