

**VETERANS INC.**  
**And Affiliate**

**FINANCIAL STATEMENTS**  
**June 30, 2012**

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

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**CERTIFIED PUBLIC ACCOUNTANTS**

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

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*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 sheets of the Veterans Inc., (a not-for-profit organization) and affiliate, as of June 30, 2012 and 2011, and the related combined statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Veterans Inc., and affiliate, as of June 30, 2012 and 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 report dated November 9, 2012 on our consideration of Veterans Inc. and affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. 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 considered in assessing the results of our audits.

Our audits were 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Hooley & Co., PC". The signature is written in a cursive, flowing style.

Quincy, Massachusetts  
November 9, 2012

**VETERANS INC. AND AFFILIATE**

**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2012 with comparative totals for 2011**

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 785,150	\$ 428,499
Accounts receivable, program services	506,236	518,546
Prepaid expenses and other current assets	<u>68,972</u>	<u>40,088</u>
Total Current Assets	<u>1,360,358</u>	<u>987,133</u>
<b>Non Current Assets:</b>		
Capital assets, net of accumulated depreciation - Note 4	<u>6,173,216</u>	<u>6,072,130</u>
Total Non Current Assets	<u>6,173,216</u>	<u>6,072,130</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,533,574</u></u>	<u><u>\$ 7,059,263</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities:</b>		
Current portion long-term debt - Note 7	\$ 32,926	\$ 21,246
Accounts payable	223,238	95,598
Accrued expenses and other current liabilities	<u>352,817</u>	<u>387,193</u>
Total Current Liabilities	<u>608,981</u>	<u>504,037</u>
<b>Non Current Liabilities:</b>		
Long-term debt - Note 7	<u>2,130,640</u>	<u>1,982,737</u>
Total Non Current Liabilities	<u>2,130,640</u>	<u>1,982,737</u>
<b>TOTAL LIABILITIES</b>	<u>2,739,621</u>	<u>2,486,774</u>
<b>Net Assets:</b>		
Unrestricted	4,758,658	4,464,822
Temporarily restricted - Note 11	<u>35,295</u>	<u>107,667</u>
<b>TOTAL NET ASSETS</b>	<u>4,793,953</u>	<u>4,572,489</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 7,533,574</u></u>	<u><u>\$ 7,059,263</u></u>

See accompanying notes

VETERANS INC. AND AFFILIATE

STATEMENTS OF ACTIVITIES

For the year ended June 30, 2012 with comparative totals for 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>2011</u>
<b>REVENUES AND SUPPORT</b>				
Grants and other contributions	\$ 816,587	\$ 45,750	\$ 862,337	\$ 819,619
Capital acquisition and construction grants	-	-	-	53,660
Net assets released from restrictions	118,122	(118,122)	-	-
In-kind contributions	269,756	-	269,756	429,726
Program service fees	5,224,942	-	5,224,942	3,862,521
Investment and miscellaneous revenue	<u>11,585</u>	<u>-</u>	<u>11,585</u>	<u>16,977</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<u>6,440,992</u>	<u>(72,372)</u>	<u>6,368,620</u>	<u>5,182,503</u>
<b>EXPENSES</b>				
Administration	209,908	-	209,908	331,655
Fundraising	57,455	-	57,455	107,263
Program Services:				
Supportive housing for veterans	3,809,965	-	3,809,965	3,565,710
Training and employment	1,222,230	-	1,222,230	961,299
Outreach	<u>847,598</u>	<u>-</u>	<u>847,598</u>	<u>110,794</u>
<b>TOTAL EXPENSES</b>	<u>6,147,156</u>	<u>-</u>	<u>6,147,156</u>	<u>5,076,721</u>
<b>CHANGES IN NET ASSETS</b>				
	293,836	(72,372)	221,464	105,782
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>4,464,822</u>	<u>107,667</u>	<u>4,572,489</u>	<u>4,466,707</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,758,658</u>	<u>\$ 35,295</u>	<u>\$ 4,793,953</u>	<u>\$ 4,572,489</u>

See accompanying notes

**VETERANS INC. AND AFFILLIATE**

**STATEMENTS OF CASH FLOWS**

**For the year ended June 30, 2012 with comparative totals for 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 221,464	\$ 105,782
Adjustments to reconcile change In net assets to net cash provided by operating activities:		
Depreciation	201,684	183,616
Decrease (increase) in accounts receivable	12,310	(120,805)
Decrease in contributions receivable	-	5,000
(Increase) decrease in prepaid expenses and other current assets	(28,884)	80,990
Increase in accounts payable	127,640	26,907
(Decrease) increase in accrued expenses and other current liabilities	<u>(34,376)</u>	<u>128,892</u>
Net cash provided by operating activities	<u>499,838</u>	<u>410,382</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of capital assets	<u>(302,770)</u>	<u>(613,168)</u>
Net cash used in investing activities	<u>(302,770)</u>	<u>(613,168)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	183,795	-
Payments on long-term debt	<u>(24,212)</u>	<u>(15,277)</u>
Net cash provided by (used in) financing activities	<u>159,583</u>	<u>(15,277)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>356,651</b>	<b>(218,063)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b><u>428,499</u></b>	<b><u>646,562</u></b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 785,150</u></b>	<b><u>\$ 428,499</u></b>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash Paid During the Year for Interest	<u>\$ 102,619</u>	<u>\$ 80,390</u>
Debt Issued During the Year for Purchase of Capital Assets	<u>\$ 55,295</u>	<u>\$ 400,000</u>

See accompanying notes

VETERANS INC. AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSE  
For the year ended June 30, 2012

	SUPPORTIVE SERVICES			PROGRAM SERVICES		
	TOTALS	MANAGEMENT & GENERAL	FUND RAISING	SUPPORTIVE HOUSING FOR VETERANS	TRAINING & EMPLOYMENT	OUTREACH & SUPPORTIVE SERVICES
Employee Compensation & Related Expenses	\$ 3,264,385	\$ 47,796	\$ -	\$ 1,861,189	\$ 954,490	\$ 400,910
Occupancy	\$ 780,696	14,740	-	741,218	10,788	13,950
Other Program / Operating Expense	\$ 1,606,333	58,802	4,411	974,139	168,008	400,973
Special Events	\$ 52,752	-	52,752	-	-	-
Direct Administrative Expense	\$ 217,972	72,757	20	25,071	88,359	31,765
Other Expenses	\$ 23,334	11,666	272	10,811	585	-
Depreciation of Buildings and Equipment	\$ 201,684	4,147	-	197,537	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 6,147,156</b>	<b>\$ 209,908</b>	<b>\$ 57,455</b>	<b>\$ 3,809,965</b>	<b>\$ 1,222,230</b>	<b>\$ 847,598</b>

See accompanying notes



**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 1 – ORGANIZATION**

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 and Supportive Services - The 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 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. Support services to veteran families focus on housing stabilization and may include temporary financial assistance to help low-income families obtain or remain in housing.

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 \$35,295 in temporarily restricted net assets at June 30, 2012.

**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, 2012.

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, 2012, 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, 2012**

**NOTE 2 – 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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying 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 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 \$5,000 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.

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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.

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, 2012, all of the Organization's cash balances were fully insured.

Approximately 12% of the accounts receivable at June 30, 2012 are due from contracts with the Commonwealth of Massachusetts. Approximately 79% of the accounts receivable at June 30, 2012 were due from contracts with the federal government.

**NOTE 3 - INVENTORIES**

At June 30, 2012 and 2011, inventories consisted of the following:

<b>Inventory Class</b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Clothing	\$ 1,163	\$ 2,112
Meal Services	4,983	2,342
Feed-A-Vet	<u>4,602</u>	<u>8,761</u>
	<u>\$ 10,748</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:

<b>Fixed Asset Class</b>	<b>Cost</b>	<b>Life</b>
Land	\$ 573,800	
Building	589,094	40 years
Building and Leasehold Improvements	5,095,945	10 - 39 years
Equipment	239,444	3 - 7 years
Motor Vehicles	230,864	3 - 7 years
Construction in Progress	<u>594,556</u>	
<b>Total</b>	7,323,703	
Less Accumulated Depreciation	<u>(1,150,487)</u>	
<b>Net Capital Assets</b>	<u>\$ 6,173,216</u>	

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 5 – CONSTRUCTION COMMITMENTS**

At June 30, 2012, the Organization had the following construction projects in progress:

<b>Project</b>	<b>Total Estimated Costs</b>	<b>Costs Through June 30, 2012</b>	<b>Method of Financing</b>
Operation Safe Quarters	\$ 2,800,000	\$ 425,400	Grant Funding
	<u>\$ 2,800,000</u>	<u>\$ 425,400</u>	

**NOTE 6 – LEASED FACILITIES**

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, 2012 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.

<b>Lender</b>	<b>Description</b>	<b>Amount</b>	<b>Interest</b>	<b>Balance</b>
CEDAC	Predevelopment	\$ 1,176,000	7.00%	\$ 1,176,000
CEDAC	Predevelopment	162,000	7.00%	162,000
CEDAC	Predevelopment	133,793	7.00%	133,793
People's United Bank	10 year mortgage on VT property	400,000	5.00%	379,945
People's United Bank	10 year mortgage on MA property	290,000	6.83%	259,131
Toyota Financial	Vehicle loan	30,606	1.93%	29,168
Toyota Financial	Vehicle loan	<u>24,689</u>	1.93%	<u>23,529</u>
Total		<u>\$ 2,217,088</u>		<u>\$ 2,163,566</u>

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**NOTE 7 – LONG-TERM DEBT – (Continued)**

Principal payments on the loans for the next five years and thereafter are as follows:

2013	\$	32,926
2014		34,453
2015		36,060
2016		37,756
2017		36,612
Thereafter		<u>1,985,759</u>
Total	\$	<u>2,163,566</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 \$20,800 and \$47,000 for the years ended June 30, 2012 and 2011, respectively.

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 \$251,422 and \$382,725 for the years ended June 30, 2012 and 2011, respectively.

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012**

**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 2012 employee contributions totaled \$44,783 and employer contributions totaled \$32,837.

**NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets balance of \$35,295 include the following: \$29,545 of grant funds received from various foundations restricted for the purpose of renovations at the Shrewsbury location, \$5,000 of grant funds from National Grid for the purpose of weatherization and \$750 in grant funds restricted to the Employment and Training program. As the grants are expended on its intended program, it is released from restriction.

**NOTE 12 – 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.

**NOTE 13 – 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 9, 2012 (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.

## **ADDITIONAL INFORMATION**



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

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*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 years ended June 30, 2012 and 2011, and have issued our report thereon dated November 9, 2012. We conducted our audits 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**

Management of Veterans Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, 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 deficiencies, 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 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.



Quincy, Massachusetts  
November 9, 2012

# 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 THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE WITH OMB CIRCULAR A-133**

To The Board of Directors  
Veterans Inc.  
Worcester, MA

### **Compliance**

We have audited the compliance of Veterans Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. Veterans Inc.'s major federal programs are identified in the Summary of Audit Results on the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Veterans Inc.'s management. Our responsibility is to express an opinion on Veterans Inc.'s compliance based on our audits.

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 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 each of its major federal programs for the year ended June 30, 2012.

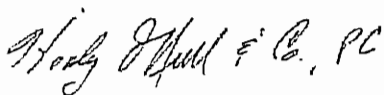
## Internal Control Over Compliance

The management of Veterans Inc. is responsible for establishing and maintaining effective internal control over compliance with the 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a type 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 deficiencies, 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 9, 2012

VETERANS INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2012

	Major Program	Direct Award	Pass Through Entity	Pass Through Entity Number	CFDA Number	Federal Financial Assistance Received	Total Federal Financial Assistance Expenditures
Department of Veterans Affairs							
Homeless Veterans Transitional Housing	Yes	Yes			64.024	\$ 2,327,529	\$ 2,327,529
Supportive Services for Veteran Families	Yes	Yes			64.033	728,017	728,017
Department of Labor							
Veterans' Workforce Investment Program	Yes	Yes			17.802	300,000	300,000
Homeless Veterans Reintegration Project	Yes	Yes			17.805	477,481	477,481
Homeless Veterans Reintegration Project	Yes	No	State of MA	WORHVR	17.805	265,000	265,000
<b>Total Major Programs</b>						<u>4,098,027</u>	<u>4,098,027</u>
Department of Housing and Urban Development							
Emergency Shelter Program	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	No	No	City of Worcester		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
<b>Total Non Major Programs</b>						<u>370,441</u>	<u>370,441</u>
<b>Total All Programs</b>						<u>\$ 4,468,468</u>	<u>\$ 4,468,468</u>

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. AND AFFILIATE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2012**

The audits for the years ended June 30, 2012 and 2011 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 Expenditures of Federal Awards. 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 Number**

VA Homeless Providers Grant and Per Diem Program	64.024
Supportive Services for Veterans and Families	64.033
Veterans' Employment Program	17.802
Homeless Veterans Reintegration Project	17.805

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, 2011**

There were no audit findings for Fiscal Year 2011.