

**VETERANS INC.**  
**and Affiliate**

**FINANCIAL STATEMENTS**  
**June 30, 2013**

**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 financial statements of Veterans Inc., (a not-for-profit organization) and affiliate, as of June 30, 2013 and 2012, and for the years then ended, which collectively comprise Veterans Inc.'s basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Veterans Inc.'s management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

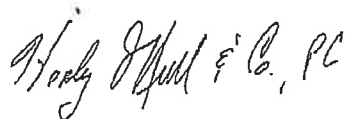
## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Veterans Inc., as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

## Other Matters

In accordance with Government Auditing Standards, we have issued our report dated November 15, 2013 on our consideration of Veterans Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 opinions on the combined financial statements that collectively comprise Veterans Inc.'s basic financial statements. The supplementary information included in Schedules A\_OSI, B\_PSI and the Schedule of Expenditures of Federal Awards are presented solely for purposes of additional analysis and are not a required part of the basic 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. The information has been subjected to the auditing procedures applied in the audits 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.



Quincy, Massachusetts  
November 15, 2013

**VETERANS INC. AND AFFILIATE**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$ 598,554	\$ 785,150
Accounts receivable, program services	474,610	506,236
Prepaid expenses and other current assets	<u>78,280</u>	<u>68,972</u>
Total Current Assets	<u>1,151,444</u>	<u>1,360,358</u>
Non Current Assets:		
Capital assets, net of accumulated depreciation - Note 4	<u>6,898,678</u>	<u>6,173,216</u>
Total Non Current Assets	<u>6,898,678</u>	<u>6,173,216</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,050,122</u>	<u>\$ 7,533,574</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current portion long-term debt - Note 7	\$ 1,226,859	\$ 32,926
Accounts payable	306,294	223,238
Accrued expenses and other current liabilities	<u>458,309</u>	<u>352,817</u>
Total Current Liabilities	<u>1,991,462</u>	<u>608,981</u>
Non Current Liabilities:		
Long-term debt - Note 7	<u>841,370</u>	<u>2,130,640</u>
Total Non Current Liabilities	<u>841,370</u>	<u>2,130,640</u>
<b>TOTAL LIABILITIES</b>	<u>2,832,832</u>	<u>2,739,621</u>
Net Assets:		
Unrestricted	4,936,180	4,758,658
Temporarily restricted - Note 11	<u>281,110</u>	<u>35,295</u>
<b>TOTAL NET ASSETS</b>	<u>5,217,290</u>	<u>4,793,953</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 8,050,122</u>	<u>\$ 7,533,574</u>

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See Accompanying Notes

VETERANS INC. AND AFFILIATE

STATEMENTS OF ACTIVITIES

For the years ended June 30, 2013 and 2012

	Unrestricted	Temporarily Restricted	Total	2012
<b>REVENUES AND SUPPORT</b>				
Grants and other contributions	\$ 825,562	\$ 437,542	\$ 1,263,104	\$ 862,337
Capital acquisition and construction grants	361,636	-	361,636	-
Net assets released from restrictions	191,727	(191,727)	-	-
In-kind contributions	568,581	-	568,581	269,756
Program service fees	5,770,597	-	5,770,597	5,224,942
Investment and miscellaneous revenue	8,254	-	8,254	11,585
<b>TOTAL REVENUES AND SUPPORT</b>	<u>7,726,357</u>	<u>245,815</u>	<u>7,972,172</u>	<u>6,368,620</u>
<b>EXPENSES</b>				
Administration	685,233	-	685,233	209,908
Fundraising	252,515	-	252,515	57,455
Program Services:				
Supportive housing for veterans	4,333,567	-	4,333,567	3,809,965
Training and employment	1,131,897	-	1,131,897	1,222,230
Outreach	1,095,623	-	1,095,623	847,598
<b>TOTAL EXPENSES</b>	<u>7,498,835</u>	<u>-</u>	<u>7,498,835</u>	<u>6,147,156</u>
<b>CHANGES IN NET ASSETS</b>	<u>227,522</u>	<u>245,815</u>	<u>473,337</u>	<u>221,464</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>4,758,658</u>	<u>35,295</u>	<u>4,793,953</u>	<u>4,572,489</u>
<b>ADJUSTMENT TO BEGINNING NET ASSETS - NOTE 13</b>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 4,936,180</u>	<u>\$ 281,110</u>	<u>\$ 5,217,290</u>	<u>\$ 4,793,953</u>

See Accompanying Notes

**VETERANS INC. AND AFFILIATE**  
**STATEMENTS OF CASH FLOWS**  
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 473,337	\$ 221,464
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Prior year adjustment	(50,000)	-
Depreciation	221,923	201,684
Decrease (increase) in accounts receivable	31,626	12,310
Decrease in contributions receivable	-	-
(Increase) decrease in prepaid expenses and other current assets	(9,308)	(28,884)
Increase in accounts payable	83,056	127,640
(Decrease) increase in accrued expenses and other current liabilities	<u>105,492</u>	<u>(34,376)</u>
Net cash provided by operating activities	<u>856,126</u>	<u>499,838</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of capital assets	<u>(947,385)</u>	<u>(302,770)</u>
Net cash used in investing activities	<u>(947,385)</u>	<u>(302,770)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term debt	44,628	183,795
Payments on long-term debt	<u>(139,965)</u>	<u>(24,212)</u>
Net cash (used in) provided by financing activities	<u>(95,337)</u>	<u>159,583</u>
Net (decrease) increase in cash and cash equivalents	(186,596)	356,651
Cash and cash equivalents at beginning of year	<u>785,150</u>	<u>428,499</u>
Cash and cash equivalents at end of year	<u>\$ 598,554</u>	<u>\$ 785,150</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash Paid During the Year for Interest	<u>\$ 140,028</u>	<u>\$ 102,619</u>
Debt Issued During the Year for Purchase of Capital Assets	<u>\$ 44,628</u>	<u>\$ 55,295</u>

See Accompanying Notes

VETERANS INC. AND AFFILIATE

STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended June 30, 2013

	SUPPORTIVE SERVICES			PROGRAM SERVICES		
	TOTALS	MANAGEMENT & GENERAL	FUNDRAISING	SUPPORTIVE HOUSING FOR VETERANS	TRAINING & EMPLOYMENT	OUTREACH & SUPPORTIVE SERVICES
Employee Compensation & Related Expenses	\$ 3,874,244	\$ 398,596	\$ 127,535	\$ 1,855,201	\$ 905,268	\$ 587,644
Occupancy	\$ 683,891	5,313	-	649,954	9,300	19,324
Other Program / Operating Expense	\$ 2,204,977	156,849	2,524	1,434,748	186,961	423,895
Special Events	\$ 54,165	-	54,165	-	-	-
Direct Administrative Expense	\$ 180,035	57,364	-	27,543	30,368	64,760
Other Expenses	\$ 279,600	42,468	68,291	168,841	-	-
Depreciation of Buildings and Equipment	\$ 221,923	24,643	-	197,280	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 7,498,835</b>	<b>\$ 685,233</b>	<b>\$ 252,515</b>	<b>\$ 4,333,567</b>	<b>\$ 1,131,897</b>	<b>\$ 1,095,623</b>

See Accompanying Notes



**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 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 six locations, with three 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, 2013 and 2012**

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

**A. 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 had \$281,110 and \$35,295 in temporarily restricted net assets at June 30, 2013 and 2012, respectively.

**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 had no permanently restricted net assets at June 30, 2013 and 2012.

**B. 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, 2013 and 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 was approximately \$29,000.

**C. 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, 2013 and 2012**

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

**D. 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.

**E. 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.

**F. 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.

**G. 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.

**H. Inventory**

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

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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

**I. Accounts Receivable**

Accounts receivable are recorded net of an allowance for doubtful accounts. 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.

**J. 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 or accelerated methods over the following estimated useful lives:

Buildings	40 years
Building Improvements	10 - 39 years
Furniture, Fixtures and Equipment	3 - 7 years

**K. 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.

**L. 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 Organization's combined financial statements for the year ended June 30, 2012, from which the summarized information was derived.

**M. Concentration of Credit Risk**

The Organization places its temporary cash investments with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. Management monitors the creditworthiness of the institutions with which it does business. The Organization has not experienced any losses in such accounts.

Approximately 21% of the accounts receivable at June 30, 2013 are due from contracts with the Commonwealth of Massachusetts. Approximately 57% of the accounts receivable at June 30, 2013 were due from contracts with the federal government.

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

**NOTE 3 - INVENTORIES**

At June 30, 2013 and 2012, donated inventories consisted of the following:

<u>Inventory Class</u>	<u>2013</u>	<u>2012</u>
Clothing	\$ 1,362	\$ 1,163
Meal Services	4,729	4,983
Feed-A-Vet	<u>3,805</u>	<u>4,602</u>
	<u>\$ 9,896</u>	<u>\$ 10,748</u>

**NOTE 4 – CAPITAL ASSETS**

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

<u>Capital Asset Class</u>	<u>Cost</u>	<u>Life</u>
Buildings and Leasehold Improvements	\$ 5,724,616	10 - 40 years
Land	720,523	
Motor Vehicles	260,621	3 - 7 years
Equipment	247,174	3 - 7 years
Construction in Progress	<u>1,294,949</u>	
<b>Total</b>	<b>8,247,883</b>	
Less Accumulated Depreciation	<u>(1,349,205)</u>	
<b>Net Capital Assets</b>	<b><u>\$ 6,898,678</u></b>	

**NOTE 5 – CONSTRUCTION COMMITMENTS**

At June 30, 2013, the Organization had the following construction projects in progress:

<u>Project</u>	<u>Total Estimated Costs</u>	<u>Costs Through June 30, 2013</u>
Operation Safe Quarters	\$ 2,800,000	\$ 433,516
Maine	1,328,234	648,349
Connecticut	1,119,226	113,134
Shrewsbury	<u>4,828,055</u>	<u>99,950</u>
	<u>\$ 10,075,515</u>	<u>\$ 1,294,949</u>

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

**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, 2013 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 leasehold 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 note payable to Community Economic Development Assistance Corporation (CEDAC), in the amount of \$1,176,000 at 7% interest, is due on December 31, 2013, but may be extended as needed. The loan is expected to be paid off by the Department of Housing and Community Development of the Commonwealth of Massachusetts. The following schedule outlines the terms of the various loan agreements.

<u>Lender</u>	<u>Description</u>	<u>Amount</u>	<u>Interest</u>	<u>Balance</u>
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	Mortgage on VT property	400,000	5.00%	264,849
People's United Bank	Mortgage on MA property	290,000	6.83%	249,914
Toyota Financial	Vehicle loan	30,606	1.93%	23,249
Toyota Financial	Vehicle loan	24,689	1.93%	18,754
Toyota Financial	Vehicle loan	28,757	0.00%	24,923
Ascentium Finance	Equipment loan	15,872	11.49%	14,747
Total		<u>\$ 2,261,717</u>		<u>\$ 2,068,229</u>

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

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

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

2014	\$ 1,226,859
2015	53,351
2016	54,740
2017	49,256
2018	38,820
Thereafter	<u>645,203</u>
Total	<u>\$ 2,068,229</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 \$66,400 and \$20,800 for the years ended June 30, 2013 and 2012, 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 \$440,533 and \$251,422 for the years ended June 30, 2013 and 2012, respectively.

**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 years 2013 and 2012 employee contributions totaled \$50,648 and \$44,783, respectively, and employer contributions totaled \$36,075 and \$32,837, respectively.

**VETERANS INC. AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

**NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets balance of \$281,110 include the following: \$240,566 of grant funds received from various donors restricted for the purpose of renovating the Organization's properties and \$40,544 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 – PRIOR PERIOD ADJUSTMENT – CORRECTION OF AN ERROR**

Prior period adjustments are the net effect of changes resulting from the correction of an error. Because such amounts are the errors from a prior period, they are not properly included as part of the results of operations of the current period. Instead, such adjustments are properly reported as a direct adjustment to the Beginning Net Assets to restate that amount to which it would have been had the error not occurred. The prior period adjustment for the period ending June 30, 2013 aggregated \$50,000, which represents a Board-approved increase to the employer contribution of the Organization's pension plan for certain members of executive management that was never recorded on the books or contributed to the plan. The effect of this adjustment is an increase of \$50,000 to accrued liabilities. The following is a summary of the adjustment to beginning net assets:

Beginning Net Assets – 7/1/2012	\$ 4,758,658
Prior period adjustment	<u>50,000</u>
Beginning Net Assets - Restated	<u>\$ 4,708,658</u>

**NOTE 14 – 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 15, 2013 (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, 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, the financial statements of Veterans Inc. as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Veterans Inc.'s basic financial statements, and have issued our report thereon dated November 15, 2013.

### **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*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hooley & Co., PC*

Quincy, Massachusetts  
November 15, 2013

# 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 COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To The Board of Directors  
Veterans Inc.  
Worcester, MA

### **Report on Compliance for Each Major Federal Program**

We have audited the compliance of Veterans Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Veterans Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Veterans Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Veterans Inc.'s compliance.

### **Opinion**

In our opinion, Veterans Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### Report on Internal Control over Compliance

Management of Veterans Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Veterans Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hoody & Co., PC*

Quincy, Massachusetts  
November 15, 2013

VETERANS INC. AND AFFILIATE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2013

	<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 Transitional Housing	Yes	Yes			64.024	\$ 3,098,885	\$ 3,098,885
Supportive Services for Veterans and Families	Yes	Yes			64.033	982,082	982,082
Veterans Affairs Supportive Housing	Yes	Yes			64.999	17,998	12,374
Department of Housing and Urban Development							
Supportive Housing Program	Yes	No	State of MA	WORSUP	14.235	149,623	149,623
Emergency Shelter Program	Yes	No	City of Worcester		14.231	59,338	59,338
Supportive Housing Program	Yes	No	Central MA Housing Alliance		14.235	29,376	29,376
<b>Total Major Programs</b>						<u>4,337,302</u>	<u>4,331,678</u>
Department of Homeland Security							
Emergency Food and Shelter National Board Program	No	Yes			97.024	1,682	1,682
Department of Labor							
Homeless Veterans Reintegration Project	No	Yes			17.805	1,029,220	1,029,220
<b>Total Non Major Programs</b>						<u>1,030,902</u>	<u>1,030,902</u>
<b>Total All Programs</b>						<u>\$ 5,368,204</u>	<u>\$ 5,362,580</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, 2013

The audits for the years ended June 30, 2013 and 2012 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 - Unmodified
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 - Unmodified
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:

	<u>CFDA Number</u>
Homeless Veterans Transitional Housing	64.024
Supportive Services for Veterans and Families	64.033
Veterans' Affairs Supportive Housing	64.999
Supportive Housing Program	14.235
Emergency Shelter Program	14.231

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, 2012**

There were no audit findings for Fiscal Year 2012.