

# Military Veterans Resource Center

*Audited Financial Statements*

As of and for the Years Ended  
June 30, 2015 and 2014



Rea & associates

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October 1, 2015

To the Board of Directors  
Military Veterans Resource Center  
Columbus, Ohio

### INDEPENDENT AUDITOR'S REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of Military Veterans Resource Center (the "Organization"), which comprise the statements of assets, liabilities and net assets on a modified cash basis as of June 30, 2015 and 2014. We have also audited the related statements of revenue collected, expenses paid and selected accruals, changes in net assets, functional expenses paid and selected accruals on a modified cash basis, and statements of cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 Organization'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 Organization'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 opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Military Veterans Resource Center as of June 30, 2015 and 2014 and its revenue collected and expenses paid during the years then ended, in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio

MILITARY VETERANS RESOURCE CENTER

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
AS OF JUNE 30, 2015 AND 2014

	<u>ASSETS</u>	
	2015	2014
	<u>                    </u>	<u>                    </u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 368,206	\$ 299,814
Resource bank inventory	13,533	7,568
Investments in marketable securities, at fair value	601,135	565,018
Other current assets	742	-
Total current assets	<u>983,616</u>	<u>872,400</u>
<b>NON-CURRENT ASSETS:</b>		
Furniture and equipment, at cost	14,611	12,346
Less: accumulated depreciation	(5,674)	(2,203)
Furniture and equipment, net	<u>8,937</u>	<u>10,143</u>
Deposits	1,956	1,000
Total non-current assets	<u>10,893</u>	<u>11,143</u>
Total assets	<u>\$ 994,509</u>	<u>\$ 883,543</u>
	<u>TOTAL LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES:</b>		
Credit cards payable	\$ 14,232	\$ -
Total current liabilities	<u>14,232</u>	<u>-</u>
<b>NET ASSETS:</b>		
Unrestricted	961,108	880,428
Unrestricted, Board designated	14,169	3,115
Temporarily restricted	5,000	-
Total net assets	<u>980,277</u>	<u>883,543</u>
Total liabilities and net assets	<u>\$ 994,509</u>	<u>\$ 883,543</u>

The accompanying notes are an integral part of these financial statements.

MILITARY VETERANS RESOURCE CENTER

STATEMENTS OF REVENUE COLLECTED, EXPENSES PAID  
AND SELECTED ACCRUALS AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>UNRESTRICTED SUPPORT AND REVENUE COLLECTED:</b>		
Ohio AMVETS contract revenue	\$ 994,887	\$ 1,179,901
Contributions	28,594	5,420
Investment income, net of related expenses	12,709	14,940
Loss on disposal of equipment	-	(17,966)
In-kind donations	39,734	16,282
Other income	15,797	1,026
	<hr/>	<hr/>
Total support and revenue collected	1,091,721	1,199,603
<b>FUNCTIONAL EXPENSES PAID AND SELECTED ACCRUALS:</b>		
Program services	819,944	777,204
Management and general	177,896	111,523
Fundraising	2,147	-
	<hr/>	<hr/>
Total expenses paid and selected accruals	999,987	888,727
	<hr/>	<hr/>
Changes in unrestricted net assets	91,734	310,876
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Contributions	5,000	-
	<hr/>	<hr/>
Changes in temporarily restricted net assets	5,000	-
	<hr/>	<hr/>
Excess of revenue collected over expenses paid and selected accruals	96,734	310,876
NET ASSETS, beginning of the year	883,543	572,667
	<hr/>	<hr/>
NET ASSETS, end of the year	\$ 980,277	\$ 883,543
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

MILITARY VETERANS RESOURCE CENTER

STATEMENT OF FUNCTIONAL EXPENSES PAID AND SELECTED  
ACCRUALS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 472,493	\$ 142,798	\$ 1,289	\$ 616,580
Facility and equipment	112,314	16,042	-	128,356
Contributions to VITI for Veterans Services	76,517	-	-	76,517
Office	18,759	15,297	153	34,209
Technology	33,694	458	5	34,157
Marketing	28,728	-	700	29,428
Resource bank	25,155	-	-	25,155
Staff training and meetings	16,574	1,783	-	18,357
Shelter	9,985	-	-	9,985
Stipends paid to veterans	8,861	-	-	8,861
Transportation	8,089	-	-	8,089
Career related	5,583	-	-	5,583
Meeting expenses	1,915	-	-	1,915
Contributions to other organizations	-	1,518	-	1,518
Individual expenses	1,195	-	-	1,195
Other expenses	82	-	-	82
Total	<u>\$ 819,944</u>	<u>\$ 177,896</u>	<u>\$ 2,147</u>	<u>\$ 999,987</u>

The accompanying notes are an integral part of these financial statements.

MILITARY VETERANS RESOURCE CENTER

STATEMENT OF FUNCTIONAL EXPENSES PAID AND SELECTED  
ACCRUALS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 432,553	\$ 82,396	\$ -	\$ 514,949
Facility and equipment	142,550	7,661	-	150,211
Contributions to VITI for Veterans Services	11,100	-	-	11,100
Office	17,927	5,723	-	23,650
Technology	25,423	1,409	-	26,832
Marketing	51,488	4,242	-	55,730
Resource bank	9,371	-	-	9,371
Staff training and meetings	28,161	1,126	-	29,287
Shelter	1,596	-	-	1,596
Transportation	4,651	-	-	4,651
Career related	45,390	-	-	45,390
Meeting expenses	3,839	-	-	3,839
Contributions to other organizations	1,922	-	-	1,922
Individual expenses	1,233	-	-	1,233
Other expenses	-	8,966	-	8,966
Total	<u>\$ 777,204</u>	<u>\$ 111,523</u>	<u>\$ -</u>	<u>\$ 888,727</u>

The accompanying notes are an integral part of these financial statements.



MILITARY VETERANS RESOURCE CENTER

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
	<u>                    </u>	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of revenue collected over expenses paid and selected accruals	\$ 96,734	\$ 310,876
Adjustments to excess of revenue collected over expenses paid and selected accruals to net cash provided by operating activities:		
Depreciation expense	3,471	2,271
Loss on sale or disposal of furniture and equipment	-	17,966
Net realized and unrealized gains on marketable securities	(1,309)	(13,908)
(Increase) decrease in operating assets:		
Resource bank inventory	(5,965)	(7,568)
Other current assets	(742)	-
Deposits	(956)	(1,000)
Increase (decrease) in operating liabilities:		
Credit cards payable	14,232	-
Net cash provided by operating activities	<u>105,465</u>	<u>308,637</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for the purchase of furniture and equipment	(2,265)	(8,542)
Proceeds from the sale of marketable securities	282,696	5,720
Payments for the purchase of marketable securities	(317,504)	(556,830)
Net cash used in investing activities	<u>(37,073)</u>	<u>(559,652)</u>
Net increase (decrease) in cash and cash equivalents	68,392	(251,015)
CASH AND CASH EQUIVALENTS, beginning of the year	299,814	550,829
CASH AND CASH EQUIVALENTS, end of the year	<u>\$ 368,206</u>	<u>\$ 299,814</u>

The accompanying notes are an integral part of these financial statements.

# MILITARY VETERANS RESOURCE CENTER

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Purpose

Military Veterans Resource Center, (the “Organization”) was formed on December 7, 2000 to assist in improving the lives and addressing specific needs of veterans. Assistance provided gives veterans access to resources to address needs related to employment, housing, food, or transportation. The Organization currently operates resource centers located in Columbus, Chillicothe, Dayton, Findlay and Hamilton.

#### Basis of Accounting

The Organization’s policy is to prepare its financial statements on a modified cash basis that includes recording of depreciation on long-lived assets, and the accrual of credit card payables. Under this basis, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when the related liability is incurred. Consequently, accounts receivable, accounts payable, and accrued expenses, other than those mentioned above, are not included in the financial statements. If an expenditure results in the acquisition of an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized and depreciated over the estimated useful life of the asset.

#### Financial Statement Presentation

The financial statements have been prepared in accordance with principles that require the Organization to report the changes in, and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets are classified as unrestricted, temporarily restricted, or permanently restricted and are detailed as follows:

Unrestricted net assets - Net assets that are not subject to restriction by donors or grantors, even though their use may be limited in other respects, such as by contract or by designation of the Board of Directors. Donor-restricted contributions whose restrictions are met in the same year as the contributions are recorded as unrestricted net assets.

Temporarily restricted net assets - Net assets subject to donor or grantor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There were no permanently restricted net assets as of June 30, 2015 and 2014.

#### Use of Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Related Parties

Related parties exist when an entity has the ability to directly or indirectly control another enterprise. Control includes the direct or indirect power to direct or cause the direction of the management and policies of a specified party, whether through ownership, by contract, or otherwise.

MILITARY VETERANS RESOURCE CENTER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related Parties (Continued)

The Organization is the sole member of Veterans in Transition, Inc. ("VITI"), a not for profit entity. In accordance with the modified cash basis of accounting, the accounts of VITI have not been consolidated in these financial statements. Expenses paid by the Organization on behalf of VITI are recorded as contribution expense as paid. Any reimbursements from VITI are treated as a reduction of contribution expense when received. During the years ended June 30, 2015 and 2014, net expenses paid by the Organization on behalf of VITI totaled \$76,517 and \$11,100, respectively.

Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all short-term, highly liquid investments that are readily convertible to a known amount of cash and short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

Resource Bank Inventory

Inventory consists of perishable and non-perishable food bank items which have been donated to or purchased by the Organization and is stated at cost for purchased items and estimated fair value if donated based upon weight in pounds.

Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value within the statements of assets, liabilities and net assets. Net realized and unrealized gains and losses are reported within the statements of revenue collected and expenses paid as increases or decreases in unrestricted net assets, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See below for a discussion of fair value measurements. Purchases and sales of marketable securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes gains and losses on investments bought and sold as well as held during the year.

Furniture and Equipment

Furniture and equipment are carried at cost, less accumulated depreciation. Depreciation is provided on the straight-line method, over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful lives of the assets are capitalized. When assets are retired or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in income.

Revenue Recognition

The Organization records contract revenue and contributions in the year the cash is received. The Organization reports contributions of cash and other assets as restricted support if they are received with donor-imposed stipulations that limit the use of the donated assets.

Donated Materials and Services

Contributions of services are recognized, at their estimated fair value, if the services received a) create or enhance non-financial assets or, b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, and are recorded as expenses for program services. Contributed services that do not meet the aforementioned criteria are not recognized. Contributed materials are recorded at their fair value at the date of donation.

MILITARY VETERANS RESOURCE CENTER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services (Continued)

In-kind contributions consisted of the following for the year ended June 30, 2015 and 2014:

	2015	2014
Resource bank contributions	\$ 20,696	\$ 16,282
Legal and advertising services	19,038	-
	\$ 39,734	\$ 16,282

Allocation of Functional Expenses

The Organization allocates expenses paid and selected accruals to program services, management and general and fundraising classifications. Expenses paid and selected accruals allocation occurs whenever expenses paid and selected accruals are associated with more than one activity, and are attributed to each activity specifically.

Fair Value Measurements

The Financial Accounting Standards Board (“FASB”) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2015 and 2014.

*Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds and Exchange traded funds:* Valued at the net asset value (“NAV”) of shares held by the Organization at fiscal year-end.

MILITARY VETERANS RESOURCE CENTER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

All of the Organization's financial instruments measured at fair value consist of assets which are valued using Level 1 inputs as of June 30, 2015 and 2014.

Income Taxes

The Organization is a not-for-profit corporations organized under Section 501(c)(3) of the Internal Revenue Code. In the course of pursuing its stated purpose, certain activities may, from time to time, be considered to generate unrelated business income, taxable by the Internal Revenue Service. In the event such taxable income exists, a provision is made in the financial statements. The Organization had no unrelated business income for the years ended June 30, 2015 and 2014, respectively.

Generally accepted accounting principles require the Organization to evaluate the level of uncertainty related to whether tax positions taken will be sustained upon examination. Any positions taken that do not meet the more-likely-than-not threshold must be quantified and recorded as a liability for unrecognized tax benefits in the accompanying statements of assets, liabilities and net assets – modified cash basis along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes that none of the tax positions taken would materially impact the financial statements and no such liabilities have been recorded. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for the years ended June 30, 2011 and prior.

Subsequent Events

The Organization has evaluated subsequent events through October 1, 2015, the date on which the financial statements were available to be issued. Management has determined that there were no transactions or events that required disclosure through the evaluation date.

NOTE 2: RISKS AND UNCERTAINTIES

Uninsured Risk - Cash Deposits

The Organization maintains its cash and cash equivalent balances in financial institutions located in central Ohio. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a coverage limit of \$250,000. As a result, the Organization may have balances that exceed the insured limit.

Major Revenue Source

Approximately 91% and 98% of the Organization's revenue for the years ended June 30, 2015 and 2014 respectively was derived from contracts which are set to expire in December 2017. A substantial reduction in this funding would have a significant impact on the Organization's programs.

Market Risk

As of June 30, 2015, the Organization's investment portfolios consisted of various fixed income and equity securities. Such investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

MILITARY VETERANS RESOURCE CENTER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS IN MARKETABLE SECURITIES

The following is a summary of the Organization's investment in marketable securities as of June 30, 2015 and 2014:

	2015		
	Cost	Unrealized Gains (Losses)	Market
Common stocks	\$ 278,873	\$ 17,152	\$ 296,025
Exchange traded funds	102,905	(1,293)	101,612
Mutual funds	204,287	(789)	203,498
Totals	<u>\$ 586,065</u>	<u>\$ 15,070</u>	<u>\$ 601,135</u>

  

	2014		
	Cost	Unrealized Gains (Losses)	Market
Common stocks	\$ 280,802	\$ 12,263	\$ 293,065
Exchange traded funds	83,615	96	83,711
Mutual funds	183,995	4,247	188,242
Totals	<u>\$ 548,412</u>	<u>\$ 16,606</u>	<u>\$ 565,018</u>

NOTE 4: NET ASSETS

The temporarily restricted net assets of the Organization are contributions with donor-imposed stipulations. These stipulations are removed from temporarily restricted net assets when the Organization expends the donated funds for the purpose specified.

Net asset restrictions consist of the following as of June 30, 2015:

	Beginning Balance	Revenue	Satisfaction of Restrictions	Ending Balance
Temporarily restricted:				
Franklin County Assistance	\$ -	\$ 5,000	(\$ -)	\$ 5,000
Total temporarily restricted	<u>\$ -</u>	<u>\$ 5,000</u>	<u>(\$ -)</u>	<u>\$ 5,000</u>

The Organization did not have any temporarily restricted net assets as of June 30, 2014.

Board designated net assets are unrestricted net assets whose use has been designated by the Board of Directors for a specific purpose. Each category of board designated net assets has its own net assets balance. Board designated net assets consist of the following as of June 30, 2015:

	Beginning Balance	Revenue	Satisfaction of Restrictions	Ending Balance
Board Designated:				
Resource Bank	\$ 3,115	\$ 7,898	(\$ 5,834)	\$ 5,179
Stephen & Mary Birch	-	10,000	( 5,971)	4,029
Cook Family Fund	-	2,000	( -)	2,000
Cox Scholarship	-	7,695	( 4,734)	2,961
Total board designated	<u>\$ 3,115</u>	<u>\$ 27,593</u>	<u>(\$ 16,539)</u>	<u>\$ 14,169</u>

MILITARY VETERANS RESOURCE CENTER

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: NET ASSETS (CONTINUED)

Board designated net assets consist of the following as of June 30, 2014:

	<u>Beginning Balance</u>	<u>Revenue</u>	<u>Satisfaction of Restrictions</u>	<u>Ending Balance</u>
Board Designated:				
Resource Bank	\$ -	\$ 3,115	(\$ -)	\$ 3,115
Total board designated	<u>\$ -</u>	<u>\$ 3,115</u>	<u>(\$ -)</u>	<u>\$ 3,115</u>

NOTE 5: OPERATING LEASE OBLIGATIONS

The Organization leases space for administrative offices as well as space for veteran resource centers around Ohio under cancelable and non-cancelable operating leases with various expiration dates through May 2018. Rent expense paid during the years ended June 30, 2015 and 2014 totaled \$101,785 and \$111,388, respectively.

The aggregate future minimum lease payments under non-cancelable operating leases as of June 30, 2015 are as follows:

<u>Years Ended June 30,</u>	<u>Amount</u>
2016	\$ 44,825
2017	45,925
2018	33,350
Total	<u>\$ 124,100</u>