

FIVE S.T.A.R. VETERANS CENTER, INC.

FINANCIAL STATEMENTS

December 31, 2014

with

INDEPENDENT AUDITORS' REPORT

FIVE S.T.A.R. VETERANS CENTER, INC.

December 31, 2014

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# GORDON & NEWSOM, P.A.

## CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
Five S.T.A.R. Veterans Center, Inc.

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Five S.T.A.R. Veterans Center, Inc. (a Florida not-for-profit organization) (the "Center") as of December 31, 2014, and the related statement of activities, changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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 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 and standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform

**Auditors' Responsibility - (continued)**

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 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by the Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2015, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, 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

Board of Directors  
Five S.T.A.R. Veterans Center, Inc.  
Page Three

**Other Reporting Required by the Governmental Auditing Standards -  
(continued)**

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 audit.

*Gordon & Newsom, P.A.*

May 19, 2015

FIVE S.T.A.R. VETERANS CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2014

ASSETS

Current assets:	
Cash and cash equivalents	\$ 25,563
Prepaid expenses	<u>7,151</u>
Total current assets	32,714
Fixed assets, net of depreciation	<u>1,116,266</u>
	<u>\$1,148,982</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 5,452
Line of credit	<u>75,000</u>
Total current liabilities	80,452
Net assets -	
Net assets	<u>1,068,530</u>
Total net assets	<u>1,068,530</u>
	<u>\$1,148,982</u>

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 313,176	\$ -	\$ 313,176
Other income	5,600	-	5,600
Released from restrictions	<u>45,807</u>	<u>(45,807)</u>	<u>-</u>
	364,583	(45,807)	318,776
Program expenses -			
Residential services	312,826	-	312,826
Supporting expenses:			
Administration	79,734	-	79,734
Fund raising	<u>37,105</u>	<u>-</u>	<u>37,105</u>
	<u>116,839</u>	<u>-</u>	<u>116,839</u>
Total expenses	<u>429,665</u>	<u>-</u>	<u>429,665</u>
Changes in net assets	(65,082)	(45,807)	(110,889)
Net assets, beginning	<u>1,133,612</u>	<u>45,807</u>	<u>1,179,419</u>
Net assets, ending	<u>\$1,068,530</u>	<u>\$ -</u>	<u>\$1,068,530</u>

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2014

Cash provided by (used in) operating activities:	
Contributions and other support	\$220,598
Amounts paid to employees and vendors	(341,688)
Other income	<u>5,600</u>
Net cash used in operating activities	(115,490)
Cash provided by (used in) investing activities:	
Purchase of fixed assets	(12,231)
Deposits	<u>14,410</u>
Net cash provided by investing activities	2,179
Cash provided by (used in) financing activities:	
Borrowings on line of credit	75,000
Repayments on note payable	<u>(500)</u>
Net cash provided by financing activities	<u>74,500</u>
Net decrease in cash and cash equivalents	(38,811)
Beginning cash and cash equivalents	<u>64,374</u>
Ending cash and cash equivalents	<u><u>\$ 25,563</u></u>

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2014  
(Continued)

Adjustments to reconcile changes in net assets  
to net cash provided by operating activities.

Changes in net assets	\$(110,889)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Non-cash contributions	(74,664)
Depreciation	68,500
Increase in current assets - Prepaid expenses	<u>(680)</u>
Net increase in current assets	<u>(680)</u>
Decrease in current liabilities- Accounts payable	<u>2,243</u>
Net decrease in current liabilities	<u>2,243</u>
Cash provided by operating activities	<u><u>\$(115,490)</u></u>

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2014

	<u>Program Services</u>	<u>Admin- istration</u>	<u>Fund raising</u>	<u>Total</u>
Personnel expenses	\$ 24,765	\$ 7,582	\$36,805	\$ 69,152
Resident services	91,710	-	-	91,710
Professional fees	5,371	1,644	-	7,015
Advertising and promotion	6,500	-	-	6,500
Occupancy	110,073	28,241	-	138,315
Office expenses	56,223	23,215	300	79,739
Insurance	5,170	16,306	-	21,475
Equipment rental	-	602	-	602
Travel	37	2,144	-	2,181
Transportation	12,976	-	-	12,976
	<u>\$312,826</u>	<u>\$79,734</u>	<u>\$37,105</u>	<u>\$429,665</u>

See accompanying notes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014

1. Summary of significant accounting policies

The Five S.T.A.R. Veterans Center, Inc. (the "Center") is a transitional home for veterans and provides the residents with employment, training skills assessment, career counseling, job placement, physical and wellness assessments, financial assessments, transportation, health education, case management and permanent housing referrals.

The following is a summary of the significant accounting policies of the Center which affect significant elements of the accompanying financial statements.

Purpose and organization - The Center is not-for-profit organization formed in 2011 as Northeast Florida's largest dedicated veterans facility.

Basis of accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation - Financial statement presentation follows the recommendation of the Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under ASC 958, the Center is required to report information according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Center and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on related investments for general or specific purposes.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014  
(continued)

1. Summary of significant accounting policies (continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor restriction. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted assets (i.e. the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash equivalents - For purposes of the Statement of Cash Flows, the Center considers all highly liquid investments and certificates of deposit with an original maturity of three months or less to be cash equivalents.

Income taxes - The Center is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Management has evaluated the Center's tax positions and concluded that the Center had no uncertain tax positions that require adjustments to the financial statements. The Center is no longer subject to Federal income tax examinations for the years before 2011.

Property and equipment - It is the Center's policy to capitalize property and equipment over \$500. Purchased property and equipment are capitalized at cost. Donations of property and equipment are capitalized at estimated fair value at the date received. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the asset's economic life.

Support and revenue - The Center's major sources of revenue are derived from corporate and individual contributions.

Functional expenses - Expenses incurred in connection with operations have been summarized on a functional basis in the Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014  
(continued)

1. Summary of significant accounting policies (continued)

Functional expenses (continued) - The Center's expenses are classified in the following function -

Residential services - provides residential transitional housing in private and semi-private rooms with community recreational amenities. While in residence, the veterans have available physical and psychological assessments, career and financial counseling to prepare them for reintegration into the community.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results may differ from these estimates.

2. Property and equipment

Property and equipment are summarized below:

Land	\$ 451,631
Buildings	620,047
Equipment	154,484
Automobiles	16,079
Software	<u>10,880</u>
 Total property and equipment	 1,253,121
 Less accumulated depreciation	 <u>(136,855)</u>
 Net property and equipment	 <u>\$1,116,266</u>

Depreciation expense was \$68,500 for the year ended December 31, 2014.

3. Lease commitments

The Center leases certain equipment under month to month leases.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014  
(continued)

4. Concentrations

The Center receives its revenue primarily from individual and corporate contributions.

5. Fair value of financial instruments

A financial instrument is defined as cash equivalents, evidence of an ownership in an entity, or contract that creates an obligation or right to deliver or receive cash or other financial instrument from another party. The Center's financial instruments consist primarily of cash and cash equivalents, accounts payable and note payable. The carrying values of current assets and current liabilities approximate fair value because of the short-term maturity of these instruments.

6. Impairment of long-lived assets and long-lived assets to be disposed

Long-lived assets are reviewed for impairment when circumstances indicate that the carrying value of an asset may not be recoverable. An impairment is realized when the estimated undiscounted cash-flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to reduce the carrying value of the asset or group of assets to its fair value. Fair values can be determined by quoted market values, discounted cash flows, internal and external appraisals, or other applicable methods.

Assets held for disposition are carried at the lower of carrying value or estimated net realizable value. The Center has evaluated its assets and does not believe that material impairments exist.

7. Compensated absences

Compensated absences for Center personnel have not been accrued as they cannot be reasonably estimated.

FIVE S.T.A.R. VETERANS CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014  
(continued)

8. Line of Credit

In January 2014, the Center negotiated a \$150,000 line of credit with a bank using the Center's fixed assets, specifically their land and building, as collateral. As of December 31, 2014, \$75,000 was outstanding.

9. Subsequent events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through May 19, 2015, the date the financial statements were available to be issued. Management did not discover any events or transactions subsequent to year-end that should be disclosed in these statements.

# GORDON & NEWSOM, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
Five S.T.A.R. Veterans Center, Inc.

INDEPENDENT ACCOUNTANTS' 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

We have audited, in accordance with the 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 Five S.T.A.R. Veterans Center, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2015.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Five S.T.A.R. Veterans Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Five S.T.A.R. Veterans Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Five S.T.A.R. Veterans Center, Inc.'s financial statements are free from 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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gordon & Newsom, P.A.*

May 19, 2015