

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
Jacksonville, Florida

FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

GREATER JACKSONVILLE AREA USO COUNCIL, INC.

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MEMBER OF
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Jacksonville Area USO Council, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Jacksonville Area USO Council, Inc. (a Florida nonprofit corporation), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and 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 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.

Auditor's Responsibility

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. 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 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 Greater Jacksonville Area USO Council, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

James Knutzen & Associates

James Knutzen & Associates, C.P.A.'s, P.A.
Jacksonville, Florida
June 30, 2015

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents (Note 1) | \$ 1,207,929 | \$ 1,238,089 |
| Accounts receivable | 61,000 | - |
| Pledges receivable, current (Note 1) | - | 12,000 |
| Prepaid insurance | 13,122 | 11,060 |
| Total current assets | <u>1,282,051</u> | <u>1,261,149</u> |
| PROPERTY, PLANT AND EQUIPMENT: (Note 2) | | |
| Less accumulated depreciation | <u>1,836,973</u> | <u>1,779,557</u> |
| Net property, plant and equipment | <u>(679,153)</u> | <u>(633,253)</u> |
| | <u>1,157,820</u> | <u>1,146,304</u> |
| OTHER ASSETS: | | |
| Pledges receivable, noncurrent (Note 1) | - | 12,000 |
| Total assets | <u>\$ 2,439,871</u> | <u>\$ 2,419,453</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------------|---------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 52,393 | \$ 44,892 |
| Total current liabilities | <u>52,393</u> | <u>44,892</u> |
| NET ASSETS: | | |
| Unrestricted: | | |
| Designated (Note 3) | 138,189 | 138,043 |
| Undesignated - property | 1,157,820 | 1,146,304 |
| Undesignated - operating | 997,290 | 938,765 |
| Temporarily restricted (Note 4) | 94,179 | 151,449 |
| Total net assets | <u>2,387,478</u> | <u>2,374,561</u> |
| Total liabilities and net assets | <u>\$ 2,439,871</u> | <u>\$ 2,419,453</u> |

See Accompanying Notes to Financial Statements.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| CHANGES IN UNRESTRICTED NET ASSETS: | | |
| Public Support: | | |
| United Way of Northeast Florida (Note 6) | \$ 37,735 | \$ 65,815 |
| Combined Federal Campaign | 12,535 | 18,426 |
| Special events (net of direct costs of \$12,970 and \$9,997) | 80,111 | 51,634 |
| Contributions | 230,151 | 309,395 |
| Contributions, in-kind (Note 5) | 759,667 | 660,511 |
| | <u>1,120,199</u> | <u>1,105,781</u> |
| Revenues: | | |
| Program service fees | 196,100 | 78,031 |
| Investment income | 2,280 | 3,552 |
| | <u>198,380</u> | <u>81,583</u> |
| Total unrestricted public support, grants and revenue | 1,318,579 | 1,187,364 |
| Net assets released from restrictions: | | |
| Restrictions released by purpose | 57,416 | 8,390 |
| | <u>57,416</u> | <u>8,390</u> |
| Total unrestricted public support, grants and revenue and Net assets released from restrictions | <u>1,375,995</u> | <u>1,195,754</u> |
| Expenses: | | |
| Program services | | |
| Supportive assistance to military personnel and families | 1,063,275 | 931,499 |
| Supporting services | | |
| Management and general | 92,513 | 87,310 |
| Fundraising | 150,020 | 140,385 |
| Total expenses | <u>1,305,808</u> | <u>1,159,194</u> |
| Increase in unrestricted assets | <u>70,187</u> | <u>36,560</u> |
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS: | | |
| Interest income | 146 | 268 |
| Net assets released from restrictions | (57,416) | (8,390) |
| Decrease in temporarily restricted net assets | <u>(57,270)</u> | <u>(8,122)</u> |
| Increase in net assets | 12,917 | 28,438 |
| Net Assets, Beginning of Year | <u>2,374,561</u> | <u>2,346,123</u> |
| Net Assets, End of Year | <u>\$ 2,387,478</u> | <u>\$ 2,374,561</u> |

See Accompanying Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

| | Program Services | Supporting Services | | Total Expenses |
|--|--------------------------|---------------------------|-------------------|---------------------|
| | Supportive Assistance | Management and General | Fundraising | |
| Salaries | \$ 111,646 | \$ 62,025 | \$ 136,456 | \$ 310,127 |
| Employee benefits | 1,449 | 805 | 1,770 | 4,024 |
| Payroll taxes | 9,281 | 5,156 | 11,343 | 25,780 |
| Total salaries and related expenses | 122,376 | 67,986 | 149,569 | 339,931 |
| Professional fees | 164 | 3,485 | 451 | 4,100 |
| Supplies | 7,726 | 811 | - | 8,537 |
| Telephone | 6,089 | 639 | - | 6,728 |
| Postage | 14,245 | 1,495 | - | 15,740 |
| Occupancy (Note 5) | 44,186 | 4,638 | - | 48,824 |
| Printing | 2,221 | 233 | - | 2,454 |
| Travel | 17,814 | 1,870 | - | 19,684 |
| Conferences and conventions | 3,984 | 418 | - | 4,402 |
| Subscriptions and publications | 244 | 26 | - | 270 |
| Organization dues | 1,779 | 187 | - | 1,966 |
| Equipment maintenance | 3,610 | 379 | - | 3,989 |
| Marketing | 30,953 | 3,249 | - | 34,202 |
| Specific assistance | 765,118 | - | - | 765,118 |
| Other expenses | 79 | 3,884 | - | 3,963 |
| Total before depreciation | 1,020,588 | 89,300 | 150,020 | 1,259,908 |
| Depreciation of property and equipment | 42,687 | 3,213 | - | 45,900 |
| Total expenses | \$ 1,063,275 | \$ 92,513 | \$ 150,020 | \$ 1,305,808 |

See Accompanying Notes to Financial Statements.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

| | Program Services | Supporting Services | | Total |
|--|----------------------------------|-----------------------------------|--------------------|---------------------|
| | <u>Supportive Assistance</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Expenses</u> |
| Salaries | \$ 104,249 | \$ 57,916 | \$ 127,416 | \$ 289,581 |
| Employee benefits | 1,469 | 816 | 1,795 | 4,080 |
| Payroll taxes | 8,773 | 4,874 | 10,723 | 24,370 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total salaries and related expenses | 114,491 | 63,606 | 139,934 | 318,031 |
| Professional fees | 164 | 3,485 | 451 | 4,100 |
| Supplies | 4,362 | 458 | - | 4,820 |
| Telephone | 7,218 | 758 | - | 7,976 |
| Postage | 8,020 | 842 | - | 8,862 |
| Occupancy (Note 5) | 45,167 | 4,741 | - | 49,908 |
| Printing | 77 | 8 | - | 85 |
| Travel | 22,085 | 2,318 | - | 24,403 |
| Subscriptions and publications | 244 | 26 | - | 270 |
| Organization dues | 973 | 102 | - | 1,075 |
| Equipment maintenance | 3,494 | 367 | - | 3,861 |
| Marketing | 7,891 | 828 | - | 8,719 |
| Specific assistance | 673,001 | - | - | 673,001 |
| Other expenses | 133 | 6,446 | - | 6,579 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total before depreciation | 887,320 | 83,985 | 140,385 | 1,111,690 |
| Depreciation of property and equipment | 44,179 | 3,325 | - | 47,504 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total expenses | <u>\$ 931,499</u> | <u>\$ 87,310</u> | <u>\$ 140,385</u> | <u>\$ 1,159,194</u> |

See Accompanying Notes to Financial Statements.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
STATEMENTS OF CASH FLOWS
December 31, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 12,917 | \$ 28,438 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 45,900 | 47,504 |
| (Increase) in accounts receivable | (61,000) | - |
| Decrease in pledges receivable | 24,000 | 12,000 |
| (Increase) decrease in prepaid expenses | (2,062) | 3,898 |
| Increase in accounts payable | 7,501 | 30,854 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>27,256</u> | <u>122,694</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of furniture, fixtures and equipment | <u>(57,416)</u> | <u>(8,390)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(57,416)</u> | <u>(8,390)</u> |
| NET INCREASE (DECREASE) IN CASH | (30,160) | 114,304 |
| CASH AND CASH EQUIVALENTS, at Beginning of Year | <u>1,238,089</u> | <u>1,123,785</u> |
| CASH AND CASH EQUIVALENTS, at End of Year | <u><u>\$ 1,207,929</u></u> | <u><u>\$ 1,238,089</u></u> |
| SUPPLEMENTAL DISCLOSURE: | | |
| Interest paid | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See Accompanying Notes to Financial Statements.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

The United Services Organization was founded in 1941 to provide support and service to military personnel wherever they may be stationed. The USO movement is worldwide and is represented in Northeast Florida and Southeast Georgia by the Greater Jacksonville Area USO Council, Inc., a nonprofit Florida corporation. The major sources of funding are provided by direct and indirect contributions.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification 958. Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Method of Accounting

The accrual method of accounting is used for financial statement purposes and, accordingly, reflects all significant receivables, payables, and other liabilities.

Functional Allocation of Expenses

Expenditures incurred in connection with program operations have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited.

Cash and Cash Equivalents

Cash and cash equivalents is comprised of checking accounts and money market accounts held in N.C.U.A. and F.D.I.C. insured financial institutions.

Pledges Receivable

Pledges consist of unrestricted promises to give with amounts due over one year discounted at 1.0%.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
-continued-

Property, Plant and Equipment

Additions to fixed assets are recorded at cost, if purchased, or at fair market value, if donated and are depreciated on a straight-line basis over their estimated useful life. Purchases of \$500 or less are expensed.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income Taxes

The Council has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code, is not a private foundation and has no unrelated business taxable income. Management evaluated the Council's tax positions and concluded that the Council had maintained its exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Accordingly, no provision of income tax is required. The Council's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2011, 2012, 2013 and 2014 are subject to examination by the IRS for three years after they were filed.

Use of Estimates

Preparation of the Council's financial statements in conformity with generally accepted accounting principles requires the use of management's estimates, primarily related to the depreciable lives of fixed assets. The nature of those estimates, however, is such that variances in actual results are generally immaterial.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
-continued-

2. PROPERTY, PLANT AND EQUIPMENT

The Council operates centers aboard NAS Jacksonville and outside Mayport Naval Base. The Council owns the Mayport property and undeveloped real estate outside Kings Bay Naval Base. Fixed assets are recorded at cost for purchased items. Donated items are recorded at fair market value at the date of gift. Depreciation is provided on a straight-line basis over estimated useful lives of 3 to 40 years.

| | <u>2014</u> | <u>2013</u> |
|------------------------------------|---------------------|---------------------|
| Land | \$ 264,825 | \$ 264,825 |
| Building | 1,318,450 | 1,318,450 |
| Vehicles | 36,134 | -0- |
| Furniture, fixtures, and equipment | <u>217,564</u> | <u>196,282</u> |
| Total fixed assets | 1,836,973 | 1,779,557 |
| Accumulated depreciation | <u>(679,153)</u> | <u>(633,253)</u> |
| Net property, plant and equipment | <u>\$ 1,157,820</u> | <u>\$ 1,146,304</u> |

3. UNRESTRICTED NET ASSETS - BOARD DESIGNATED FUNDS

The Board has designated funds, with accumulated earnings, for contingencies, special purposes, and future projects. The balances of these funds, along with earnings, are as follows:

| | <u>2014</u> | <u>2013</u> |
|------------------------|-------------------|-------------------|
| Beginning balance | \$ 138,043 | \$ 137,481 |
| Interest income (loss) | <u>146</u> | <u>229</u> |
| | <u>\$ 138,189</u> | <u>\$ 138,043</u> |

4. TEMPORARILY RESTRICTED NET ASSETS

During 1983 a campaign was started to raise funds for capital purposes. The capital campaign included raising \$100,000 as a maintenance endowment and \$25,000 for operating stability.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013
-continued-

4. TEMPORARILY RESTRICTED NET ASSETS, continued

At December 31, 2014 and 2013 temporarily restricted net assets consisted of:

| | <u>2014</u> | <u>2013</u> |
|---|------------------|-------------------|
| Beginning balance | \$ 151,449 | \$ 159,571 |
| Investment income (loss) | 146 | 268 |
| Property maintenance and equipment purchases | <u>(57,416)</u> | <u>(8,390)</u> |
| | <u>\$ 94,179</u> | <u>\$ 151,449</u> |

5. CONTRIBUTIONS - IN-KIND

The Council has recorded the fair market value of the rent-free space provided by the U.S. Navy at NAS Jacksonville. The value of the donated rent and utilities was recorded at \$1,000 per month. Other in-kind contributions include the annual lease value of a vehicle used by U.S.O., the value of space at Jacksonville International Airport, calling cards, discounted tickets for Jacksonville Jaguar games and donated tickets to various plays, concerts and sporting events. Most of the in-kind contributions were received and distributed to area service members and their families. The amounts are included in the financial statements as public support and specific assistance expense.

In-kind donations are measured at their fair value. The Financial Accounting Standards Board in its Accounting Standards Codification 820 provides a single definition of fair value and established a three-tier hierarchy which is described below:

Level 1 – In-kind donations for which there are readily available prices in active markets for identical items and services.

Level 2 – In-kind donations for which there is publicly available information about similar items in inactive markets, such as auction websites.

Level 3 – In-kind donations for which little publicly available information is available, and unobservable inputs may be used to measure fair value.

The in-kind contributions are considered Level 1 except for the value of the rent-free space provided by the NAS Center space which is Level 3.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.
(A Nonprofit Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

5. CONTRIBUTIONS - IN-KIND, continued

No amounts have been reflected in the statements for donated services because they do not meet the criteria for recognition under Financial Accounting Standards Board Accounting Standards Codification 958. During the year ending December 31, 2014 over 15,000 volunteer hours were donated.

6. UNITED WAY OF NORTHEAST FLORIDA

Public support from the Northeast Florida United Way for 2014 and 2013 is detailed as follows:

| | <u>2014</u> | <u>2013</u> |
|--------------------------------------|-------------|-------------|
| Regular allocations and designations | \$ 37,735 | \$ 65,815 |
| Combined Federal Campaign payments | \$ 18,426 | \$ 18,426 |

7. CONCENTRATIONS OF CREDIT RISK

The Council maintains accounts with a credit union with deposits insured through the National Credit Union Share Insurance Fund administered by the National Credit Union Administration, a federal agency. The Council also maintains accounts with two national banks with deposits insured through the Federal Deposit Insurance Corporation. Cash balances are exposed to credit risk since the Council periodically maintains balances in excess of NCUA and FDIC insurance limits.

8. SUBSEQUENT EVENTS

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through June 30, 2015, the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2014 that require recognition or disclosure in the financial statements.