

**GREATER JACKSONVILLE AREA USO COUNCIL, INC.**  
**Jacksonville, Florida**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

GREATER JACKSONVILLE AREA USO COUNCIL, INC.

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MEMBER OF  
AMERICAN AND FLORIDA  
INSTITUTES OF  
CERTIFIED PUBLIC ACCOUNTANTS

**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, 2015 and 2014, 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, 2015 and 2014, 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 23, 2016

GREATER JACKSONVILLE AREA USO COUNCIL, INC.  
(A Nonprofit Corporation)  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Note 1)	\$ 928,956	\$ 1,207,929
Investments (Note 2 )	275,560	-
Accounts receivable	17,464	61,000
Prepaid insurance	14,994	13,122
Total current assets	<u>1,236,974</u>	<u>1,282,051</u>
<b>PROPERTY, PLANT AND EQUIPMENT: (Note 3)</b>	1,868,462	1,836,973
Less accumulated depreciation	<u>(734,721)</u>	<u>(679,153)</u>
Net property, plant and equipment	<u>1,133,741</u>	<u>1,157,820</u>
Total assets	<u>\$ 2,370,715</u>	<u>\$ 2,439,871</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 43,712	\$ 52,393
Deferred revenue (Note 4)	1,260	-
Total current liabilities	<u>44,972</u>	<u>52,393</u>
<b>NET ASSETS:</b>		
Unrestricted:		
Designated (Note 5)	138,342	138,189
Undesignated - property	1,133,741	1,157,820
Undesignated - operating	975,582	997,290
Temporarily restricted (Note 6)	<u>78,078</u>	<u>94,179</u>
Total net assets	<u>2,325,743</u>	<u>2,387,478</u>
Total liabilities and net assets	<u>\$ 2,370,715</u>	<u>\$ 2,439,871</u>

See Accompanying Notes to Financial Statements.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.  
(A Nonprofit Corporation)  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
<b>Public Support:</b>		
United Way of Northeast Florida (Note 8)	\$ 33,242	\$ 37,735
Combined Federal Campaign	19,656	12,535
Special events (net of direct costs of \$11,947 and \$12,970 )	73,265	80,111
Contributions	269,626	230,151
Contributions, in-kind (Note 7)	896,304	759,667
	<u>1,292,093</u>	<u>1,120,199</u>
<b>Revenues:</b>		
Program service fees	113,314	196,100
Investment income-net	2,460	2,280
	<u>115,774</u>	<u>198,380</u>
Total unrestricted public support, grants and revenue	1,407,867	1,318,579
<b>Net assets released from restrictions:</b>		
Restrictions released by purpose	16,204	57,416
	<u>16,204</u>	<u>57,416</u>
Total unrestricted public support, grants and revenue and Net assets released from restrictions	<u>1,424,071</u>	<u>1,375,995</u>
<b>Expenses:</b>		
Program services		
Supportive assistance to military personnel and families	1,255,144	1,063,275
Supporting services		
Management and general	122,362	92,513
Fundraising	92,199	150,020
Total expenses	<u>1,469,705</u>	<u>1,305,808</u>
Increase (decrease) in unrestricted assets	<u>(45,634)</u>	<u>70,187</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>		
Investment income-net	103	146
Net assets released from restrictions	<u>(16,204)</u>	<u>(57,416)</u>
Decrease in temporarily restricted net assets	<u>(16,101)</u>	<u>(57,270)</u>
Increase (decrease) in net assets	(61,735)	12,917
Net Assets, Beginning of Year	<u>2,387,478</u>	<u>2,374,561</u>
Net Assets, End of Year	<u>\$ 2,325,743</u>	<u>\$ 2,387,478</u>

See Accompanying Notes to Financial Statements.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.  
(A Nonprofit Corporation)  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2015

	Program Services	Supporting Services		Total
	<u>Supportive Assistance</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Expenses</u>
Salaries	\$ 170,410	\$ 92,095	\$ 83,717	\$ 346,222
Employee benefits	2,362	1,277	1,160	4,799
Payroll taxes	13,988	7,559	6,871	28,418
<b>Total salaries and related expenses</b>	<b>186,760</b>	<b>100,931</b>	<b>91,748</b>	<b>379,439</b>
Professional fees	164	3,485	451	4,100
Supplies	12,417	1,303	-	13,720
Telephone	10,954	1,150	-	12,104
Postage	10,921	1,146	-	12,067
Occupancy (Note 7)	41,511	4,357	-	45,868
Printing	709	74	-	783
Travel	12,430	1,305	-	13,735
Conferences and conventions	5,354	562	-	5,916
Subscriptions and publications	417	44	-	461
Organization dues	2,168	228	-	2,396
Equipment maintenance	6,188	650	-	6,838
Marketing	19,134	2,009	-	21,143
Specific assistance	894,314	-	-	894,314
Other expenses	25	1,228	-	1,253
<b>Total before depreciation</b>	<b>1,203,466</b>	<b>118,472</b>	<b>92,199</b>	<b>1,414,137</b>
Depreciation of property and equipment	51,678	3,890	-	55,568
<b>Total expenses</b>	<b>\$ 1,255,144</b>	<b>\$ 122,362</b>	<b>\$ 92,199</b>	<b>\$ 1,469,705</b>

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
<b>Total salaries and related expenses</b>	<b>122,376</b>	<b>67,986</b>	<b>149,569</b>	<b>339,931</b>
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 7)	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
<b>Total before depreciation</b>	<b>1,020,588</b>	<b>89,300</b>	<b>150,020</b>	<b>1,259,908</b>
Depreciation of property and equipment	42,687	3,213	-	45,900
<b>Total expenses</b>	<b>\$ 1,063,275</b>	<b>\$ 92,513</b>	<b>\$ 150,020</b>	<b>\$ 1,305,808</b>

See Accompanying Notes to Financial Statements.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.  
(A Nonprofit Corporation)  
STATEMENTS OF CASH FLOWS  
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (61,735)	\$ 12,917
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	55,568	45,900
(Increase) decrease in accounts receivable	43,536	(61,000)
Decrease in pledges receivable	-	24,000
Increase in prepaid expenses	(1,872)	(2,062)
Increase (decrease) in accounts payable	(8,681)	7,501
Increase in deferred revenue	1,260	-
	<u>28,076</u>	<u>27,256</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>28,076</u>	<u>27,256</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(275,560)	-
Purchase of furniture, fixtures and equipment	(31,489)	(57,416)
	<u>(307,049)</u>	<u>(57,416)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(307,049)</u>	<u>(57,416)</u>
<b>NET DECREASE IN CASH</b>	(278,973)	(30,160)
<b>CASH AND CASH EQUIVALENTS, at Beginning of Year</b>	<u>1,207,929</u>	<u>1,238,089</u>
<b>CASH AND CASH EQUIVALENTS, at End of Year</b>	<u>\$ 928,956</u>	<u>\$ 1,207,929</u>
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Interest paid	<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, 2015 and 2014

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.

Investments

Investments are carried at market value. Donated investments are recorded at fair value at the date of the donation.

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.  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014  
-continued-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Values of Financial Instruments

Generally accepted accounting principles require certain financial instruments to be recorded at fair value. Changes in methods of estimation could affect the fair value estimates; however, such changes are not expected to have a material impact on the organization's financial position, activities or cash flows. Cost approximates fair value for certain other investments, short term debt, and cash equivalents.

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 for income tax is required. The Council's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS generally for three years after they were filed.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014  
-continued-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

2. FAIR VALUE MEASUREMENTS AND INVESTMENTS

Investments in debt and equity securities that have readily determinable fair values are stated at fair value in the Statements of Financial Position and increases and decreases in fair values are included in the Statements of Activities. The Financial Accounting Standards Board (FASB) in its Accounting Standards Codification 820 "*Fair Value Measurement*", provides a single definition of fair value and established a three-tier hierarchy, which prioritizes the input used in measuring 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 under ASC 820 are described below:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices in active markets within Level 1 that are either directly or indirectly observable.

Level 3 - Significant unobservable inputs for the asset or liability in which little or no market data exists.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value.

If available, quoted market prices are used to value investments. Equities are valued at the closing price reported on the major market on which the individual securities are traded. Mutual funds are valued at the net asset value of shares held. The net asset value is based on the value of the underlying assets owned by the mutual fund, minus its liabilities, and then divided by the number of shares outstanding.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.  
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NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014  
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2. FAIR VALUE MEASUREMENTS AND INVESTMENTS, continued

	<u>Fair Value Measurements at December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal Bonds	\$ 169,241	\$ -	\$ -	\$ 169,241
Corporate Bonds	<u>106,319</u>	<u>-</u>	<u>-</u>	<u>106,319</u>
Total	<u>\$ 275,560</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,560</u>

Investments at cost and market consist of the following at December 31, 2015:

	<u>Cost</u>	<u>Fair Value</u>
Municipal Bonds	\$ 167,790	\$ 169,241
Corporate Bonds	<u>106,724</u>	<u>106,319</u>
	<u>\$ 274,514</u>	<u>\$ 275,560</u>

Investment income is comprised of the following components:

	<u>2015</u>
Interest income	\$ 4,146
Unrealized market gains (losses)	(323)
Investment fees	<u>(2,934)</u>
	<u>\$ 889</u>

3. 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.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014  
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3. PROPERTY, PLANT AND EQUIPMENT, continued

	<u>2015</u>	<u>2014</u>
Land	\$ 264,825	\$ 264,825
Building	1,318,450	1,318,450
Vehicles	51,134	36,134
Furniture, fixtures, and equipment	<u>234,053</u>	<u>217,564</u>
Total fixed assets	1,868,462	1,836,973
Accumulated depreciation	<u>(734,721)</u>	<u>(679,153)</u>
Net property, plant and equipment	<u>\$ 1,133,741</u>	<u>\$ 1,157,820</u>

4. DEFERRED REVENUE

Deferred revenue represents advance sales for sporting events.

5. 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>2015</u>	<u>2014</u>
Beginning balance	\$ 138,189	\$ 138,043
Interest income	<u>153</u>	<u>146</u>
	<u>\$ 138,342</u>	<u>\$ 138,189</u>

6. 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, 2015 and 2014  
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6. TEMPORARILY RESTRICTED NET ASSETS, continued

At December 31, 2015 and 2014 temporarily restricted net assets consisted of:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 94,179	\$ 151,449
Investment income (loss)	103	146
Property maintenance and equipment purchases	<u>(16,204)</u>	<u>(57,416)</u>
	<u>\$ 78,078</u>	<u>\$ 94,179</u>

7. 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 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 Jacksonville space which is Level 3.

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, 2015 over 15,000 volunteer hours were donated.

GREATER JACKSONVILLE AREA USO COUNCIL, INC.  
(A Nonprofit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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8. UNITED WAY OF NORTHEAST FLORIDA

Public support from the Northeast Florida United Way for 2015 and 2014 is detailed as follows:

	<u>2015</u>	<u>2014</u>
Regular allocations and designations	\$ 33,242	\$ 37,735
Combined Federal Campaign payments	\$ 19,656	\$ 12,535

9. 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.

10 SUBSEQUENT EVENTS

In preparing these financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through June 23, 2016, the date the financial statements were available to be issued. No material subsequent events have occurred since December 31, 2015 that require recognition or disclosure in the financial statements.