

**DAVID G. FAW**  
CERTIFIED PUBLIC  
ACCOUNTANT

**USO OF PENNSYLVANIA AND  
SOUTHERN NEW JERSEY, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2011**

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
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**For the year ended December 31, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
USO of Pennsylvania and Southern New Jersey, Inc.  
Philadelphia, Pennsylvania

I have audited the accompanying statement of financial position of USO of Pennsylvania and Southern New Jersey, Inc. (a nonprofit corporation), as of December 31, 2011 and the related statement of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior-year summarized comparative information has been derived from the Organization's December 31, 2010 financial statements and, in my report dated June 21, 2011, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USO of Pennsylvania and Southern New Jersey, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountant  
June 20, 2012

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2011**  
**(with comparative totals as of December 31, 2010)**

	<b>2011</b>	<b>2010</b>
<b><u>Assets</u></b>		
Cash and equivalents	\$ 413,829	\$ 358,318
Contributions receivable	16,500	3,061
Prepaid expenses	24,134	11,671
Investment in marketable securities	115,140	94,484
<b><u>Property and equipment</u></b>		
Furniture and equipment	177,939	159,194
Leasehold improvements	586,177	586,177
Total property and equipment	764,116	745,371
Less: accumulated depreciation	(207,667)	(153,061)
Net property and equipment	556,449	592,310
Total assets	\$ 1,126,052	\$ 1,059,844
<b><u>Liabilities</u></b>		
Accrued expenses	28,798	1,793
Accrued payroll and benefits	45,936	7,602
Construction costs payable	-	42,000
Total liabilities	74,734	51,395
<b><u>Net assets</u></b>		
Unrestricted	1,051,318	1,008,449
Total net assets	1,051,318	1,008,449
Total liabilities and net assets	\$ 1,126,052	\$ 1,059,844

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

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**STATEMENT OF ACTIVITIES**  
For the year ended December 31, 2011  
(with comparative totals for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
<u>Support and revenue</u>		
Grants and contributions	\$ 810,620	\$ 680,457
Fundraising events	262,753	300,052
Miscellaneous	11,427	8,603
Interest and investment income	4,856	512
(Loss) gain on investments	(6,036)	16,671
Contributed facilities	477,372	477,372
Contributed food and supplies	<u>314,132</u>	<u>253,307</u>
Total support and revenue	<u>1,875,124</u>	<u>1,736,974</u>
<u>Expenses</u>		
Program	1,393,291	1,199,634
Management and general	158,235	159,303
Fundraising	<u>280,729</u>	<u>245,797</u>
Total expenses	<u>1,832,255</u>	<u>1,604,734</u>
Change in net assets	42,869	132,240
Net assets at beginning of year	<u>1,008,449</u>	<u>876,209</u>
Net assets at end of year	<u>\$ 1,051,318</u>	<u>\$ 1,008,449</u>

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

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2011**  
**(with comparative totals for the year ended December 31, 2010)**

	<u>2011</u>	<u>2010</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 42,869	\$ 132,240
Adjustments to reconcile above change in net assets to net cash provided by operating activities:		
Depreciation	54,606	55,659
Loss (gain) on investment	6,036	(16,671)
<u>Changes in assets and liabilities</u>		
Prepaid expenses	(12,462)	(6,590)
Contributions receivable	(13,439)	49,331
Accrued expenses	27,005	(2,553)
Accrued payroll	38,334	1,288
Construction costs payable	<u>(42,000)</u>	<u>(42,000)</u>
Net cash provided by operating activities	<u>100,949</u>	<u>170,704</u>
<u>Cash flows from investing activities</u>		
Purchase of furniture and equipment	(18,746)	(1,400)
Purchases of marketable securities	(26,692)	-
Proceeds from sales of marketable securities	<u>-</u>	<u>5,335</u>
Net cash (used in) provided by investing activities	<u>(45,438)</u>	<u>3,935</u>
Net increase in cash and equivalents	55,511	174,639
Cash and equivalents at beginning of year	<u>358,318</u>	<u>183,679</u>
Cash and equivalents at end of year	<u>\$ 413,829</u>	<u>\$ 358,318</u>

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

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2011**  
**(with comparative totals for the year ended December 31, 2010)**

	<u>Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total 2011</u>	<u>Total 2010</u>
Salaries	\$ 327,596	\$ 46,241	\$ 65,686	\$ 439,523	\$ 350,489
Payroll taxes	28,947	4,086	5,804	38,837	33,788
Deferred compensation	10,755	1,518	2,157	14,430	-
Employee benefits	57,347	8,095	11,498	76,940	72,948
<b>Total salaries and related expense</b>	<b>424,645</b>	<b>59,940</b>	<b>85,145</b>	<b>569,730</b>	<b>457,225</b>
Accounting and audit	-	27,421	-	27,421	25,858
Advertising and marketing	-	-	-	-	2,728
Bad debt expense	-	-	-	-	18,500
Contributed facilities	355,807	50,223	71,342	477,372	477,372
Contributed food and supplies	314,132	-	-	314,132	253,307
Depreciation	40,700	5,745	8,161	54,606	55,659
Direct fundraising expense	-	-	94,909	94,909	95,437
Direct program expense	152,409	-	-	152,409	117,181
Dues and subscriptions	1,820	257	365	2,442	3,064
Insurance	18,327	2,587	3,674	24,588	20,514
Office supplies and expense	28,520	4,026	5,718	38,264	24,259
Postage	11,779	1,663	2,361	15,803	6,744
Printing	7,641	1,079	1,532	10,252	6,310
Telephone	18,069	2,550	3,623	24,242	20,812
Travel	19,442	2,744	3,899	26,085	19,764
<b>Total expenses</b>	<b><u>\$1,393,291</u></b>	<b><u>\$ 158,235</u></b>	<b><u>\$ 280,729</u></b>	<b><u>\$1,832,255</u></b>	<b><u>\$1,604,734</u></b>

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

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

Note 1 - General

USO of Pennsylvania and Southern New Jersey, Inc. (the Organization), also known as Liberty USO, is the Greater Philadelphia area's chartered affiliate in the worldwide USO organization. In appreciation of the selfless service and sacrifice of our troops and their families, Liberty USO delivers comfort, care and support to troops and their families who reside in or pass through our service areas in Pennsylvania and Southern New Jersey. The Organization was founded in 1942 and relies on support from the area's business community, private foundations and individuals.

Note 2 - Summary of Significant Accounting Policies

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of December 31, 2011 the Organization had no temporarily or permanently restricted net assets.

Contributions Receivable

All grants and contributions are reported as revenue in the net asset class (unrestricted, temporarily restricted or permanently restricted) appropriate to any donor restrictions on the gift at the time of receipt. Allowances for uncollectible amounts are recorded based on management's estimate of realizability of the underlying pledges. All grants and contributions receivable are due within approximately one year and are expected to be fully realizable.

Contributed Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged directly to program, management and general, and fundraising categories based on specific identification. Indirect expenses have been allocated based on salary expenditures.

Statement of Cash Flows

The Organization utilizes the indirect method for reporting the increase or decrease in cash and equivalents. The Organization considers money market funds and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.



**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Purchases of property and equipment are capitalized at cost. Leasehold improvements are amortized over 20 years, using the straight-line method. Depreciation on property and equipment is recorded using the straight-line method over the estimated useful life, ranging from 5 to 7 years. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000.

	<u>Cost</u>	<u>Accumulated Depreciation 12/31/10</u>	<u>Depreciation Year End 12/31/11</u>	<u>Accumulated Depreciation 12/31/11</u>	<u>Net Book Value 12/31/11</u>
Leasehold Improvements	\$ 586,177	\$ 73,272	\$ 29,309	\$ 102,581	\$ 483,596
Equipment and Furniture	<u>177,939</u>	<u>79,789</u>	<u>25,297</u>	<u>105,086</u>	<u>72,853</u>
	<u>\$ 764,116</u>	<u>\$ 153,061</u>	<u>\$ 54,606</u>	<u>\$ 207,667</u>	<u>\$ 556,449</u>

Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents, contributions receivable, prepaid expenses and accruals: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Income Taxes

The Organization is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its related earnings. The Organization regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, the Organization has concluded that no tax benefits or liabilities are required to be recognized.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2011, 2010 and 2009 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

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

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

Note 3 - Concentration of Credit Risk

The Organization maintains a cash account, which, at times, may exceed federally insured limits. Cash balance in excess of insured limits was \$50,065 in 2011. The Organization maintains temporary cash investments with Vanguard and Janney Montgomery Scott which are not insured by the Federal Deposit Insurance Corporation. Uninsured risk at December 31, 2011 was \$111,131. The Organization has not experienced any losses from maintaining cash accounts which are not insured or are in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

Note 4 - Lease Commitments

The Organization leases approximately 5,683 square feet of space in Terminal A of Philadelphia International Airport. The lease is for one year, renewable annually at the rate of \$1 per year. The approximate fair value of such space is \$477,400.

Note 5 - Donated Materials and Facilities

The Organization has recognized the following contributed items as of December 31, 2011:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Philadelphia International Airport	Rent free space	\$ 477,372
Various	Food, beverages, supplies and entertainment, etc.	<u>314,132</u>
		<u>\$ 791,504</u>

The amount of contributed items recognized as income equals the amount expensed. Therefore, there is no resultant effect on the change in net assets.

Note 6 - Contributed Services

Volunteers contributed thousands of hours of service time to the Organization in 2011. These in-kind contributions are not reflected on the financial statements since the services provided did not enhance a non-financial asset or require specialized skills.

Note 7 – Deferred Compensation

The Organization established a nonqualified deferred compensation plan under IRS Section 457(b) for the benefit of the agency's Executive Director. Benefits under this plan for the 2011 performance year were paid in April 2012 in the amount of \$14,430, and are included in accrued payroll and benefits.

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2011**

Note 8 - Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis as of December 31, 2011 are as follows:

Description	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Fixed income - Bonds	\$ 64,791	\$ 64,791
Fixed income - Mutual Funds	<u>50,349</u>	<u>50,349</u>
	<u>\$ 115,140</u>	<u>\$ 115,140</u>

Note 9 - Prior Year Information

Certain financial statements contained herein include 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 financial statements for the year ended December, 31 2010, from which the summarized information was derived.

Note 10 - Reclassifications

Certain amounts for 2010 have been reclassified to conform with the 2011 presentations.

Note 11 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through June 20, 2012, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.