

**DAVID G. FAW**  
CERTIFIED PUBLIC  
ACCOUNTANT

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

**FINANCIAL STATEMENTS**

**December 31, 2015**

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**TABLE OF CONTENTS**  
**For the year ended December 31, 2015**

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position (with comparative totals as of December 31, 2014)	3
Statement of Activities (with comparative totals for the year ended December 31, 2014)	4
Statement of Cash Flows (with comparative totals for the year ended December 31, 2014)	5
Statement of Functional Expenses (with comparative totals for the year ended December 31, 2014)	6
Notes to Financial Statements	7 - 10

## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of USO of Pennsylvania and Southern New Jersey, Inc. (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows and functional expenses for the year 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***

My responsibility is to express an opinion on these financial statements based on my audit. 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 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, I 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.


I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

I have previously audited USO of Pennsylvania and Southern New Jersey, Inc. 2014 financial statements, and my report dated June 3, 2015, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountant  
Wayne, Pennsylvania

June 15, 2016

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2015**  
(with comparative totals as of December 31, 2014)

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and equivalents	\$ 653,205	\$ 635,988
Contributions receivable	54,636	57,231
Prepaid expenses	11,110	14,628
Investment in marketable securities	465,829	320,293
Property and equipment, net	<u>442,223</u>	<u>460,215</u>
Total assets	<u>\$ 1,627,003</u>	<u>\$ 1,488,355</u>
 <u>Liabilities</u>		
Accounts payable	26,958	4,001
Accrued expenses	6,082	-
Accrued payroll and benefits	<u>67,239</u>	<u>55,954</u>
Total liabilities	<u>100,279</u>	<u>59,955</u>
 <u>Net assets</u>		
Unrestricted	1,506,724	1,428,400
Temporarily restricted	<u>20,000</u>	<u>-</u>
Total net assets	<u>1,526,724</u>	<u>1,428,400</u>
Total liabilities and net assets	<u>\$ 1,627,003</u>	<u>\$ 1,488,355</u>

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, 2015**  
**(with comparative totals for the year ended December 31, 2014)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
<u>Support and revenue</u>				
Grants and contributions	\$ 1,082,982	\$ 20,000	\$ 1,102,982	\$ 997,753
Fundraising events	374,455	-	374,455	341,478
Less: cost of direct donor benefits	(232,761)	-	(232,761)	(163,248)
Miscellaneous	1,891	-	1,891	3,349
Interest and investment income	8,521	-	8,521	6,521
(Loss) gain on investments	(19,076)	-	(19,076)	26,033
Contributed facilities	503,412	-	503,412	503,412
Contributed food and supplies	577,861	-	577,861	453,181
	<u>2,297,285</u>	<u>20,000</u>	<u>2,317,285</u>	<u>2,168,479</u>
<u>Expenses</u>				
Program	1,783,816	-	1,783,816	1,725,116
Management and general	237,490	-	237,490	252,007
Fundraising	197,655	-	197,655	192,685
	<u>2,218,961</u>	<u>-</u>	<u>2,218,961</u>	<u>2,169,808</u>
Change in net assets	78,324	20,000	98,324	(1,329)
Net assets at beginning of year	<u>1,428,400</u>	<u>-</u>	<u>1,428,400</u>	<u>1,429,729</u>
Net assets at end of year	<u>\$ 1,506,724</u>	<u>\$ 20,000</u>	<u>\$ 1,526,724</u>	<u>\$ 1,428,400</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, 2015  
(with comparative totals for the year ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 98,324	\$ (1,329)
Adjustments to reconcile above change in net assets to net cash provided by operating activities:		
Depreciation	54,712	55,252
Loss (gain) on investment	19,076	(26,033)
<u>Changes in assets and liabilities</u>		
Prepaid expenses	3,518	3,977
Contributions receivable	2,595	219,506
Accounts payable	22,956	(8,895)
Accrued expenses	6,082	-
Accrued payroll and benefits	<u>11,285</u>	<u>(3,416)</u>
Net cash provided by operating activities	<u>218,548</u>	<u>239,062</u>
<u>Cash flows from investing activities</u>		
Purchase of equipment, furniture and website	(36,719)	(28,651)
Purchases of marketable securities	(250,900)	(4,230)
Proceeds from sales of marketable securities	<u>86,288</u>	<u>18,650</u>
Net cash used in investing activities	<u>(201,331)</u>	<u>(14,231)</u>
Net increase in cash and equivalents	17,217	224,831
Cash and equivalents at beginning of year	<u>635,988</u>	<u>411,157</u>
Cash and equivalents at end of year	<u>\$ 653,205</u>	<u>\$ 635,988</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, 2015  
(with comparative totals for the year ended December 31, 2014)

	Program	Management and General	Fund Raising	Total 2015	Total 2014
Salaries	\$ 329,876	\$ 86,275	\$ 114,481	\$ 530,632	\$ 523,563
Payroll taxes	27,641	7,229	9,593	44,463	43,238
Deferred compensation	4,244	3,395	9,335	16,974	16,279
Pension	8,972	1,621	617	11,210	11,132
Employee benefits	81,096	21,210	28,143	130,449	125,877
Total salaries and related expenses	451,829	119,730	162,169	733,728	720,089
Accounting and audit	-	30,155	-	30,155	29,510
Advertising and marketing	11,058	2,892	3,837	17,787	5,079
Bad debt expense	-	5,050	-	5,050	23,425
Contributed facilities	453,071	50,341	-	503,412	503,412
Contributed food and supplies	577,861	-	-	577,861	453,181
Depreciation	49,241	5,471	-	54,712	55,252
Dues and subscriptions	3,993	1,044	1,386	6,423	6,681
Insurance	22,779	5,958	7,905	36,642	35,515
Office supplies and expense	28,533	7,463	9,902	45,898	47,813
Program food and supplies	149,563	-	-	149,563	214,611
Postage	1,810	473	628	2,911	7,483
Printing	3,169	829	1,100	5,098	7,811
Telephone	13,279	3,473	4,609	21,361	22,461
Travel	17,630	4,611	6,119	28,360	37,485
Total expenses	<u>\$ 1,783,816</u>	<u>\$ 237,490</u>	<u>\$ 197,655</u>	<u>\$ 2,218,961</u>	<u>\$ 2,169,808</u>

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, 2015**

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, 2015 the Organization has no permanently restricted net assets.

Contributions Receivable

All 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. The Organization uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific amounts due. 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, 2015**

Note 2 - Summary of Significant Accounting Policies (continued)

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. Management 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, management 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, 2015, 2014 and 2013 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.

Property and Equipment

All acquisitions of property and equipment over \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Note 3 - Property and Equipment

As of December 31, 2015, property and equipment is as follows:

Leasehold improvements	\$ 586,177
Furniture and equipment	223,720
Vehicles	50,985
Web site	<u>4,000</u>
Total	864,882
Less accumulated depreciation	<u>(422,659)</u>
Total property and equipment	<u>\$ 442,223</u>

Depreciation expense was \$54,712 for the year ended December 31, 2015.

The estimated useful lives were as follows:

Leasehold improvements	20 years
Furniture and equipment	5 - 7 years
Web site	5 years
Vehicles	5 years

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

Note 4 - 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 \$359,400 in 2015. 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, 2015 was \$38,262. 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 5 - 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 \$477,372. The Organization also leases space at no cost effective August 15, 2013 at the Pennsylvania National Guard Armory located in Northeast Philadelphia. This is a two year agreement ending August 15, 2015 subject to a renewal provision that is being worked out presently.

Note 6 - Donated Materials and Facilities

The Organization has recognized the following contributed items as of December 31, 2015:

<u>Contributor</u>	<u>Nature of Contribution</u>	<u>Fair Value</u>
Philadelphia International Airport	Rent free space	\$ 477,372
Pennsylvania National Guard Armory	Rent free space	<u>26,040</u>
		503,412
Various	Food, beverages, supplies and entertainment, etc.	<u>577,861</u>
		<u>\$ 1,081,273</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 7 - Contributed Services

Volunteers contributed thousands of hours of service time to the Organization in 2015. 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 8 - Deferred Compensation

The Organization maintains a nonqualified deferred compensation plan under IRS Section 457(b) for the benefit of the agency's President and COO. Benefits under this plan for the 2015 performance year were paid in March 2016 in the amount of \$16,974, and are included in accrued payroll and benefits.

**USO OF PENNSYLVANIA AND SOUTHERN NEW JERSEY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2015**

Note 9 - Pension

Effective January 1, 2013, the Organization established a defined contribution pension plan for all full-time employees under Section 401 (k) of the Internal Revenue Code. The Organization matches the employee's contribution up to 4% of eligible wages. The Organization's contribution was \$11,210 for the year ended December 31, 2015.

Note 10 - 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 at December 31, 2015 are as follows:

Description	Assets Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant other Unobservable Inputs (Level 3)
<u>Fixed Income</u>				
US Government Agency Bonds	\$ 86,035	\$ -	\$ 86,035	\$ -
US Government Securities Fund	51,842	51,842	-	-
<u>Equity Mutual Funds</u>				
High Dividend Yield	110,989	110,989	-	-
Other - ETFs and UITs	<u>216,963</u>	<u>216,963</u>	<u>-</u>	<u>-</u>
Total assets measured at fair value	<u>\$ 465,829</u>	<u>\$ 379,794</u>	<u>\$ 86,035</u>	<u>\$ -</u>

Note 11 - Temporarily Restricted Net Assets (TRNA)

Funds classified as temporarily restricted net assets, as of December 31, 2015, consist of the following:

	TRNA Balance <u>12/31/2014</u>	Current Grants and Contributions	Released from Restrictions	TRNA Balance <u>12/31/2015</u>
Wyncote Foundation Van purchase	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>

Note 12 - 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, 2014, from which the summarized information was derived.

Note 13 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through June 15, 2016, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.