



OF MISSOURI, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
USO of Missouri, Inc.

We have audited the accompanying financial statements of USO of Missouri, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 USO of Missouri, Inc. as of December 31, 2012 and 2011, 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.

Lopata, Flegel & Company LLP

St. Louis, Missouri
August 28, 2013

USO OF MISSOURI, INC.

Statements of Financial Position

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents (including temporarily restricted funds of \$75,298 and \$74,462 at December 31, 2012 and 2011, respectively)	\$ 755,260	\$ 799,594
Prepaid expenses	26,116	29,312
Current pledges receivable	-	37,500
	<hr/>	<hr/>
Total Current Assets	781,376	866,406
Investments		
Marketable equity securities - at fair value	1,588,862	1,528,799
Marketable debt securities - at fair value	1,332,686	1,113,035
	<hr/>	<hr/>
	2,921,548	2,641,834
Property and Equipment		
Furniture, computers, and equipment	446,272	509,248
Leasehold improvements	351,887	336,976
	<hr/>	<hr/>
	798,159	846,224
Less accumulated depreciation and amortization	733,345	719,042
	<hr/>	<hr/>
	64,814	127,182
Other Assets		
Security deposits	2,098	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,769,836	\$ 3,635,422
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 27,934	\$ 13,968
Net Assets		
Unrestricted	3,666,604	3,509,492
Temporarily restricted	75,298	111,962
Total Net Assets	<hr/>	<hr/>
	3,741,902	3,621,454
TOTAL LIABILITIES AND NET ASSETS	\$ 3,769,836	\$ 3,635,422
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The accompanying notes are an integral part of these statements.

USO OF MISSOURI, INC.

Statement of Activities

Year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support			
Contributions			
Corporations, foundations, individuals and organizations	\$ 773,182	\$ 138,538	\$ 911,720
Special event fundraisers	290,104	-	290,104
Donated goods and services	1,211,378	-	1,211,378
Investment income, net	198,507	-	198,507
Loss on disposal of property and equipment	(799)	-	(799)
Net assets released from restrictions	<u>175,202</u>	<u>(175,202)</u>	<u>-</u>
Total revenues and other support	2,647,574	(36,664)	2,610,910
Expenses			
Program services	1,941,188	-	1,941,188
Supporting services			
Management and general	227,901	-	227,901
Fund raising	<u>321,373</u>	<u>-</u>	<u>321,373</u>
Total expenses	<u>2,490,462</u>	<u>-</u>	<u>2,490,462</u>
Change in net assets	157,112	(36,664)	120,448
Net assets at beginning of year	<u>3,509,492</u>	<u>111,962</u>	<u>3,621,454</u>
Net assets at end of year	<u><u>\$ 3,666,604</u></u>	<u><u>\$ 75,298</u></u>	<u><u>\$ 3,741,902</u></u>

The accompanying notes are an integral part of this statement.

USO OF MISSOURI, INC.

Statement of Activities

Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support			
Contributions			
Corporations, foundations, individuals and organizations	\$ 739,373	\$ 149,550	\$ 888,923
Special event fundraisers	356,640	-	356,640
Donated goods and services	1,263,447	-	1,263,447
Investment income	43,200	-	43,200
Loss on disposal of property and equipment	(9,518)	-	(9,518)
Net assets released from restrictions	208,121	(208,121)	-
Total revenues and other support	2,601,263	(58,571)	2,542,692
Expenses			
Program services	2,065,164	-	2,065,164
Supporting services			
Management and general	211,236	-	211,236
Fund raising	323,107	-	323,107
Total expenses	2,599,507	-	2,599,507
Change in net assets	1,756	(58,571)	(56,815)
Net assets at beginning of year	3,507,736	170,533	3,678,269
Net assets at end of year	<u>\$ 3,509,492</u>	<u>\$ 111,962</u>	<u>\$ 3,621,454</u>

The accompanying notes are an integral part of this statement.

USO OF MISSOURI, INC.**Statement of Functional Expenses**
Year ended December 31, 2012

	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Salaries and related benefits and taxes	\$ 371,565	\$ 124,507	\$ 100,724	\$ 596,796
Direct mail	-	-	33,911	33,911
Special events	90,030	-	107,407	197,437
Supplies	6,864	-	79	6,943
Program services	6,249	-	-	6,249
Printing	2,424	-	-	2,424
Promotional items	-	-	11,770	11,770
Volunteer recognition	1,647	-	-	1,647
Cleaning and maintenance	16,742	1,632	918	19,292
Computer supplies and software	16,012	7,211	8,774	31,997
Conferences	3,327	-	-	3,327
Rental and maintenance of equipment	9,559	2,012	1,589	13,160
Food	279,937	-	-	279,937
Reading material	133,011	-	-	133,011
Accounting	9,633	2,600	1,453	13,686
Insurance	24,045	4,431	1,090	29,566
Occupancy	372,941	74,367	41,832	489,140
Postage	3,454	994	785	5,233
Staff development	1,740	-	-	1,740
Telephone	29,425	8,471	6,687	44,583
Donated parking	256,920	-	-	256,920
Other in-kind	158,687	-	-	158,687
Other	59,495	-	-	59,495
Depreciation	87,481	1,676	4,354	93,511
Total expenses	<u>\$ 1,941,188</u>	<u>\$ 227,901</u>	<u>\$ 321,373</u>	<u>\$ 2,490,462</u>

The accompanying notes are an integral part of this statement.

USO OF MISSOURI, INC.

Statement of Functional Expenses
 Year ended December 31, 2011

	Program Services	Supporting Services		Total Expenses
		Management and General	Fund Raising	
Salaries and related benefits and taxes	\$ 365,884	\$ 109,717	\$ 105,829	\$ 581,430
Direct mail	-	-	19,453	19,453
Special events	109,042	-	123,301	232,343
Supplies	7,383	-	192	7,575
Program services	5,621	-	-	5,621
Printing	1,822	-	-	1,822
Promotional items	-	-	5,222	5,222
Volunteer recognition	5,398	-	-	5,398
Cleaning and maintenance	33,910	1,632	918	36,460
Computer/software	17,971	4,890	7,761	30,622
Conferences	8,233	-	-	8,233
Rental and maintenance of equipment	16,409	2,200	2,071	20,680
Food	304,799	-	-	304,799
Reading material	2,405	-	-	2,405
Accounting	10,252	2,727	1,558	14,537
Insurance	19,796	3,352	732	23,880
Occupancy	361,022	74,367	41,832	477,221
Postage	3,617	918	864	5,399
Staff development	1,771	-	-	1,771
Telephone	31,031	7,874	7,410	46,315
Donated parking	256,920	-	-	256,920
Other in-kind	306,226	-	-	306,226
Other	51,043	-	-	51,043
Depreciation	144,609	3,559	5,964	154,132
Total expenses	\$ 2,065,164	\$ 211,236	\$ 323,107	\$ 2,599,507

The accompanying notes are an integral part of this statement.

USO OF MISSOURI, INC.

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Increase (Decrease) in Cash and Cash Equivalents		
Cash flows from operating activities:		
Change in net assets	\$ 120,448	\$ (56,815)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized (gain) loss on sale of investments	(46,074)	4,612
Unrealized (gain) loss on investments	(68,236)	25,112
Donated stock included in contributions	(701)	(11,230)
Loss on disposal of property and equipment	799	9,518
Depreciation	93,511	154,132
Changes in assets and liabilities:		
Pledges receivable	37,500	37,500
Prepaid expenses and other	3,196	(22,335)
Security deposits	(2,098)	-
Accounts payable	13,966	4,245
Cash provided by operating activities	152,311	144,739
Cash flows from investing activities:		
Proceeds from sale of investments	997,102	1,168,129
Purchase of investments	(1,161,805)	(1,276,640)
Purchase of property and equipment	(31,942)	(29,019)
Cash used in investing activities	(196,645)	(137,530)
Net increase (decrease) in cash and cash equivalents	(44,334)	7,209
Cash and cash equivalents at beginning of year	799,594	792,385
Cash and cash equivalents at end of year	\$ 755,260	\$ 799,594

The accompanying notes are an integral part of these statements.

USO OF MISSOURI, INC.

Notes to Financial Statements

December 31, 2012 and 2011

The USO of Missouri, Inc. (USO) is an organization that serves the religious, spiritual, educational, social, recreational, and entertainment needs of members of the armed forces of the United States of America and their families. The USO operates at Lambert St. Louis International Airport and Fort Leonard Wood, Missouri, and through the Mobile USO Unit.

The USO generates its revenues through donations from the general public, corporations, and fundraising projects. The Organization invests all available funds in long-term investments such that the investment income will provide additional support for USO operations.

NOTE A – SUMMARY OF ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Net Asset Classifications

These financial statements have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and the changes therein are classified as follows:

Unrestricted net assets - Net assets and contributions not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets and contributions subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported within the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets, contributions, and pledges subject to donor-imposed stipulations requiring that they be maintained permanently by the Organization. (This category is not applicable in the periods covered by these statements.)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Investment income is reported as an increase in unrestricted net assets unless its use is restricted by donor stipulation or law.

2. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consist of bank deposit accounts and money market deposit accounts. These are maintained in national financial institutions. Although the balances exceed FDIC limits, the Organization has not experienced any losses in such accounts and management believes that the Organization is not exposed to any significant credit risk on cash and cash equivalents.

At December 31, 2012 and 2011, the amount of money market deposit accounts was approximately \$433,000 and \$616,000, respectively.

USO OF MISSOURI, INC.

Notes to Financial Statements

December 31, 2012 and 2011

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

3. Property and Equipment

Property and equipment are recorded at cost, or if donated, fair market value on the date donated. Additions, replacements and equipment are capitalized in the period purchased or donated, and maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Furniture, computers and equipment are depreciated over their estimated service lives using the straight-line method. Leasehold improvements are amortized using the straight-line method over the life of the related lease.

4. Pledges

Pledges, including unconditional promises to give in future periods, are recognized as revenues in the period received. Conditional pledges receivable, which depend upon specified future and uncertain events, are recognized as revenue when the conditions upon which they depend are substantially met.

5. Donated Goods and Services

The Organization receives donated goods and services from certain vendors and supporters. The estimated fair value of these goods and services is reported as contribution support and related expense and assets in the period in which the goods and services are received. For the years ended December 31, 2012 and 2011, the Organization received \$1,211,378 and \$1,263,447, respectively, in donated goods and services.

The Organization leases its facilities at Lambert St. Louis International Airport and Fort Leonard Wood free of charge. The Organization records the fair rental value of the facility and the related utilities and parking as donated goods and services. Donated rent for the years ended December 31, 2012 and 2011 totaled approximately \$734,000. This amount is included in the total above.

6. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end.

7. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

USO OF MISSOURI, INC.

Notes to Financial Statements

December 31, 2012 and 2011

NOTE A – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

8. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of receipts and expenditures during the reporting period. Actual results could differ from those estimates.

9. Fund Raising Costs

As required by FAS ASC 958-720-45 "Accounting for Costs of Activities that Include Fundraising," all fund-raising expenses are grouped together in the statement of functional expenses.

10. Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on the estimates of management at that time.

11. Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision is made for taxes on income. The Organization has adopted the provisions of FASB ASC 740 Accounting for Uncertainty in Income Taxes. FASB ASC 740 requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

The Organization'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, which at this time are 2009-2012.

12. Subsequent Events

The Organization has evaluated subsequent events through August 28, 2013, which is the date the financial statements were available to be issued. Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The financial statements may be adjusted for subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position and/or such information may be disclosed in a footnote to the financial statements. Subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date may be disclosed in a footnote to the financial statements.

USO OF MISSOURI, INC.

Notes to Financial Statements

December 31, 2012 and 2011

NOTE B – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2012</u>	<u>2011</u>
Program events	\$ 31,145	\$ 52,209
Mobile USO	-	37,500
Calling cards	7,117	12,668
Holiday baskets	6,022	-
Canteen	24,954	-
Other	6,060	9,585
Temporarily restricted net assets, end of year	<u>\$ 75,298</u>	<u>\$ 111,962</u>

NOTE C – INVESTMENTS

Investments at December 31, 2012 consisted of the following:

	<u>Fair Market Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gains</u>
Equities	\$ 533,234	\$ 423,284	\$ 109,950
Mutual funds	1,055,628	1,004,720	50,908
Government securities	1,048,884	1,023,987	24,897
Corporate bonds	278,405	256,935	21,470
Accrued interest	5,397	5,397	-
Total	<u>\$ 2,921,548</u>	<u>\$ 2,714,323</u>	<u>\$ 207,225</u>

Investments at December 31, 2011 consisted of the following:

	<u>Fair Market Value</u>	<u>Cost or Donated Value</u>	<u>Net Unrealized Gains</u>
Equities	\$ 767,355	\$ 684,321	\$ 83,034
Mutual funds	761,444	761,080	364
Government securities	750,285	714,120	36,165
Corporate bonds	356,561	337,135	19,426
Accrued interest	6,189	6,189	-
Total	<u>\$ 2,641,834</u>	<u>\$ 2,502,845</u>	<u>\$ 138,989</u>

USO OF MISSOURI, INC.

Notes to Financial Statements

December 31, 2012 and 2011

NOTE C – INVESTMENTS (CONTINUED)

Information as to fair value, cost basis, and unrealized gains and losses of marketable equity and debt securities follows:

	<u>Equity</u>	<u>Debt</u>
Fair market value at December 31, 2012	\$1,588,862	\$1,332,686
Cost basis at December 31, 2012	1,428,004	1,286,319
Net unrealized gain at December 31, 2012	160,858	46,367
Net unrealized gain at December 31, 2011	83,398	55,591
Increase (decrease) in net unrealized gain	<u>\$ 77,460</u>	<u>\$ (9,224)</u>

Information as to proceeds on the sale of marketable equity and debt securities (classified as "available for sale") and realized gains and losses for the years ended December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Proceeds from sale of marketable securities	<u>\$ 997,102</u>	<u>\$1,168,129</u>
Cost basis of marketable securities sold	<u>951,028</u>	<u>1,172,741</u>
Net realized gains (losses) on sale of marketable securities	<u>\$ 46,074</u>	<u>\$ (4,612)</u>

Information as to investment income presented in the statement of activities for the years ended December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Interest and dividends	<u>\$ 115,625</u>	<u>\$ 96,103</u>
Net realized gain (loss) on sale of marketable securities	<u>46,074</u>	<u>(4,612)</u>
Net change in unrealized gain on marketable securities	<u>68,236</u>	<u>(25,112)</u>
Investment and other expenses	<u>(31,428)</u>	<u>(23,179)</u>
Total investment income	<u>\$ 198,507</u>	<u>\$ 43,200</u>

NOTE D – COMMITMENTS

The Organization has operating leases for certain office equipment and warehouse space which expire at various dates through September 2017. Total rent expense was \$20,462 and \$11,811 for the years ended December 31, 2012 and 2011, respectively.

The future minimum rental payments are as follows:

<u>Year ending December 31</u>	<u>Amount</u>
2013	\$ 30,082
2014	30,082
2015	31,648
2016	37,886
2017	25,677
Total	<u>\$ 155,375</u>

USO OF MISSOURI, INC.

Notes to Financial Statements

December 31, 2012 and 2011

NOTE E – PLEDGED RECEIVABLES

Unconditional promises to give consisted of \$37,500 at December 31, 2011 that was received in 2012. This amount was recorded at cost as management believed it approximated fair value.

NOTE F – CONCENTRATIONS

The Organization receives free use of their facilities at the Lambert St. Louis International Airport and Fort Leonard Wood, Missouri valued at approximately \$734,000. If these relationships were to be discontinued, they could have an adverse impact on operations.

NOTE G – RETIREMENT BENEFITS

The Organization has a defined contribution plan for its employees. Contributions to the plan are discretionary and require approval by the Board of Directors. The Organization's contributions to the plan were \$33,450 and \$27,939 for the years ended December 31, 2012 and 2011, respectively.

NOTE H – DONATED SERVICES AND MATERIALS

The value of donated services and material constitutes a significant estimate made by management. The values of donated services and materials included in the statement of activities for the years ended December 31, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Public support:		
Facilities	\$ 453,161	\$ 453,161
Parking	256,920	256,920
Food	184,562	207,175
Utilities	24,060	24,060
Other	292,675	322,131
	<u>\$1,211,378</u>	<u>\$1,263,447</u>
Expenses:		
Direct program expenses	\$1,096,337	\$1,133,748
Management & general	73,149	74,367
Fund raising	41,334	41,832
	<u>1,210,820</u>	<u>1,249,947</u>
Capitalized as property and equipment	558	13,500
	<u>\$1,211,378</u>	<u>\$1,263,447</u>

USO OF MISSOURI, INC.

Notes to Financial Statements

December 31, 2012 and 2011

NOTE I – FAIR VALUE MEASUREMENT

The Organization has adopted an accounting standard that establishes a fair value hierarchy that distinguishes between market participant assumptions. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using Level 3 inputs would be valued primarily using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset.

The Organization considers its investments in marketable securities to be valued within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.