

# VETERANS MULTI-SERVICE CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

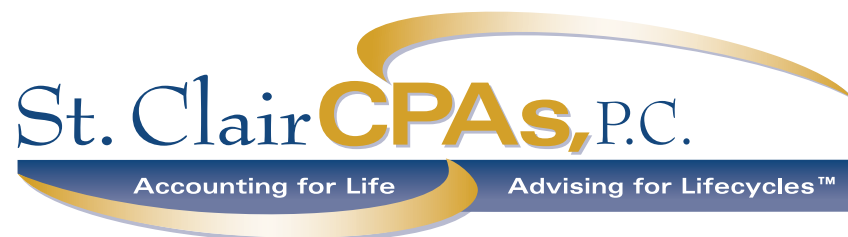


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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Veterans Multi-Service Center, Inc.  
Philadelphia, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying financial statements of Veterans Multi-Service Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

### Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *City of Philadelphia Subrecipient Audit Guide*. 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 Veterans Multi-Service Center, Inc. as of June 30, 2020 and 2019, 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.

## **Other Matters**

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Additionally, the accompanying schedules of Reconciliation of Agency Reported Expenditures / Revenues to Audit - HUD Continuum of Care - Freedom's Gate, Reconciliation of Agency Reported Expenditures / Revenues to Audit - HUD Rapid Re-housing, and Reconciliation of Agency Reported Expenditures / Revenues to Audit - PSH Rental Assistance - Edison 64 are presented for purposes of additional analysis as required by the *City of Philadelphia Subrecipient Audit Guide* and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of Veterans Multi-Service Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Veterans Multi-Service Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Veterans Multi-Service Center, Inc.'s internal control over financial reporting and compliance.

*De Clair CPAs P.C.*

Certified Public Accountants

Merchantville, New Jersey  
December 22, 2020

**VETERANS MULTI-SERVICE CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and restricted cash	\$ 1,678,852	\$ 1,518,509
Grants and contracts receivable, net	1,360,058	502,728
Other receivables	85,611	42,535
Pledges receivable	35,949	31,990
Inventory	-	128,143
Prepaid expenses	<u>88,166</u>	<u>62,082</u>
<b>TOTAL CURRENT ASSETS</b>	<u>3,248,636</u>	<u>2,285,987</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>1,149,158</u>	<u>1,178,294</u>
OTHER ASSETS		
Artwork	17,000	17,000
Note receivable	520,200	510,000
Security deposits	<u>14,169</u>	<u>13,700</u>
<b>TOTAL OTHER ASSETS</b>	<u>551,369</u>	<u>540,700</u>
	<u>\$ 4,949,163</u>	<u>\$ 4,004,981</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 202,248	\$ 27,472
Accounts payable	239,781	127,147
Accrued expenses	270,103	238,420
Refundable advance	153,482	-
Deferred income	<u>192,322</u>	<u>29,337</u>
<b>TOTAL CURRENT LIABILITIES</b>	1,057,936	422,376
LONG-TERM DEBT, net of current portion	1,257,036	752,534
OTHER LIABILITIES		
Security deposits held in escrow	<u>23,700</u>	<u>25,380</u>
<b>TOTAL LIABILITIES</b>	<u>2,338,672</u>	<u>1,200,290</u>
NET ASSETS		
Without donor restrictions	1,891,124	2,146,323
With donor restrictions	<u>719,367</u>	<u>658,368</u>
<b>TOTAL NET ASSETS</b>	<u>2,610,491</u>	<u>2,804,691</u>
	<u>\$ 4,949,163</u>	<u>\$ 4,004,981</u>

See accompanying notes.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT WITHOUT DONOR RESTRICTIONS		
Fundraising and contributions	\$ 1,787,401	\$ 1,141,011
Resident fees	133,380	233,425
Rental income	186,343	173,721
Thrift shop	195,836	406,151
Loss on sale of equipment	(2,701)	-
Other income	<u>435,289</u>	<u>184,034</u>
<b>TOTAL REVENUES AND SUPPORT</b> <b>WITHOUT DONOR RESTRICTIONS</b>	<b>2,735,548</b>	<b>2,138,342</b>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>9,771,568</u>	<u>8,539,137</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b> <b>WITHOUT DONOR RESTRICTIONS</b>	<b><u>12,507,116</u></b>	<b><u>10,677,479</u></b>
EXPENSES		
Program	11,713,419	9,934,768
Fundraising	283,525	188,413
General and administrative	<u>765,371</u>	<u>643,162</u>
<b>TOTAL EXPENSES</b>	<b><u>12,762,315</u></b>	<b><u>10,766,343</u></b>
<b>CHANGE IN NET ASSETS</b> <b>WITHOUT DONOR RESTRICTIONS</b>	<b><u>(255,199)</u></b>	<b><u>(88,864)</u></b>
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	224,400	206,000
Contract revenues - Department of Veterans Affairs	8,180,496	7,142,080
Contract revenues - Department of Labor	-	269,912
Contract revenues - City of Philadelphia	859,321	499,814
Contract revenues - Department of Housing	313,818	326,554
Contract revenues - Department of Health and Human Services	254,532	-
Grant awards	-	103,728
Net assets released from restrictions	<u>(9,771,568)</u>	<u>(8,539,137)</u>
<b>CHANGE IN NET ASSETS</b> <b>WITH DONOR RESTRICTIONS</b>	<b><u>60,999</u></b>	<b><u>8,951</u></b>
<b>TOTAL DECREASE IN NET ASSETS</b>	<b>(194,200)</b>	<b>(79,913)</b>
NET ASSETS, BEGINNING	<u>2,804,691</u>	<u>2,884,604</u>
<b>NET ASSETS, ENDING</b>	<b><u>\$ 2,610,491</u></b>	<b><u>\$ 2,804,691</u></b>

See accompanying notes.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Homeless Veteran Programs</u>	<u>Employment and Training Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
<b>EXPENSES</b>					
Administrative fees - general	\$ 299,325	\$ -	\$ -	\$ -	\$ 299,325
Advertising and promotion	67,365	-	25,470	-	92,835
Bad debt expense	17,193	-	-	-	17,193
Depreciation	57,901	-	-	12,569	70,470
Employee benefits	572,096	4,125	20,046	28,557	624,824
Equipment rental and repair	254,838	-	1,543	39,730	296,111
Food and entertainment	-	-	1,760	-	1,760
Insurance	118,671	360	-	26,667	145,698
Interest	-	-	-	36,012	36,012
Materials and supplies	68,497	-	-	-	68,497
Office expenses	96,238	-	44,351	101,595	242,184
Payroll taxes	398,480	2,755	12,389	21,849	435,473
Production expense	665,033	-	-	-	665,033
Professional fees	168,512	-	19,276	82,984	270,772
Program costs	3,265,858	793	-	15,267	3,281,918
Rent and occupancy	624,115	-	5,722	107,345	737,182
Retirement plan	194,945	729	4,696	14,301	214,671
Salaries and wages	4,651,361	31,572	147,780	262,985	5,093,698
Telephone	80,141	-	-	13,258	93,399
Training expenses	14,355	-	-	93	14,448
Travel and meetings	57,579	582	492	2,159	60,812
	<u>\$ 11,672,503</u>	<u>\$ 40,916</u>	<u>\$ 283,525</u>	<u>\$ 765,371</u>	<u>\$ 12,762,315</u>

See accompanying notes.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Homeless Veteran Programs</u>	<u>Employment and Training Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
<b>EXPENSES</b>					
Administrative fees - general	\$ 61,287	\$ -	\$ -	\$ -	\$ 61,287
Advertising and promotion	27,642	-	45,832	934	74,408
Depreciation	80,254	-	-	13,383	93,637
Employee benefits	436,916	20,960	12,788	26,114	496,778
Equipment rental and repair	160,814	7,839	2,604	25,720	196,977
Food and entertainment	-	-	604	-	604
Insurance	104,460	7,150	-	32,068	143,678
Interest	-	-	-	32,498	32,498
Materials and supplies	61,596	2,182	-	-	63,778
Office expenses	38,274	805	4,027	73,014	116,120
Payroll taxes	361,360	16,201	8,800	19,356	405,717
Production expense	321,364	-	-	-	321,364
Professional fees	217,344	10,839	-	44,264	272,447
Program costs	2,972,198	4,687	-	2,497	2,979,382
Rent and occupancy	591,221	10,199	5,173	96,127	702,720
Retirement plan	96,030	6,070	2,690	48,096	152,886
Salaries and wages	3,956,283	167,140	104,656	217,241	4,445,320
Telephone	72,146	2,500	-	9,622	84,268
Training expenses	24,621	6,805	-	1,274	32,700
Travel and meetings	76,314	11,267	1,239	954	89,774
	<u>\$ 9,660,124</u>	<u>\$ 274,644</u>	<u>\$ 188,413</u>	<u>\$ 643,162</u>	<u>\$ 10,766,343</u>

See accompanying notes.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (194,200)	\$ (79,913)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities		
Bad debt expense	17,193	-
Depreciation	70,470	93,637
Donated gift cards	-	10,000
Accrued interest income	(10,200)	(10,000)
Loss on sale of equipment	2,701	-
(Increase) decrease in		
Grants and contracts receivable	(874,523)	236,097
Other receivables	(43,076)	(22,241)
Pledges receivable	(3,959)	5,733
Inventory	128,143	(49,213)
Prepaid expenses	(26,084)	(50,363)
Increase (decrease) in		
Accounts payable	112,634	(22,839)
Accrued expenses	31,683	126,111
Deferred income	162,985	1,509
Refundable advance	153,482	-
Security deposits held in escrow	(1,680)	8,604
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(474,431)</u>	<u>247,122</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acceptance of note receivable	-	(10,000)
Purchases of property and equipment	(48,035)	(21,365)
Proceeds from sale of equipment	4,000	-
Net security deposits refunded (placed)	(469)	(200)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(44,504)</u>	<u>(31,565)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	704,775	417,488
Payments on long-term debt	(25,497)	(23,179)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>679,278</u>	<u>394,309</u>
<b>NET INCREASE IN CASH AND RESTRICTED CASH</b>	160,343	609,866
<b>CASH AND RESTRICTED CASH, BEGINNING</b>	<u>1,518,509</u>	<u>908,643</u>
<b>CASH AND RESTRICTED CASH, ENDING</b>	<u>\$ 1,678,852</u>	<u>\$ 1,518,509</u>
Interest paid	<u>\$ 36,012</u>	<u>\$ 32,498</u>
<b>SCHEDULE OF NON-CASH FINANCING TRANSACTIONS</b>		
Refinancing of long-term debt	<u>\$ -</u>	<u>\$ 382,512</u>

See accompanying notes.

**VETERANS MULTI-SERVICE CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Veterans Multi-Service Center, Inc. (the "Organization") was incorporated in May 1994 in Pennsylvania as a non-profit corporation. Veterans Multi-Service Center, Inc.'s mission is to provide outreach, counseling, employability assessment, job training and placement, permanent housing, transitional living, and supportive services to veterans in the metropolitan Philadelphia area. The Organization receives funding through various governmental agencies, the general public, and program fees. The Organization changed its name from The Philadelphia Veterans Multi-Service & Education Center, Inc. to Veterans Multi-Service Center, Inc. on April 2, 2014.

Basis of Accounting and Presentation

The Organization's policy is to prepare its financial statements using the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, to prepare its financial statements. Under FASB ASC 958, updated by Accounting Standards Update (ASU) 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increase or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation, stipulated time restriction, or by law.

Net Assets With Donor Restrictions – Contributions subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time or that the contribution be maintained permanently by the Organization. Generally, the donor of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Functional Allocation of Expenses

The cost of providing the Organization's programming has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited and determined by management on a consistent basis. Payroll expenses are allocated based on salaries, employee benefits, and number of employees for their time and effort.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Restricted Cash

Highly liquid investments purchased with original maturities of three months or less are considered to be cash equivalents. There are no such investments included in cash for the years ended June 30, 2020 and 2019. Included in cash and restricted cash is \$23,700 and \$25,380 of cash held for security deposits for the years ended June 30, 2020 and 2019, respectively.

Grants, Contracts and Pledges Receivable and Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of all receivables. The estimated losses are based on a review of the current status of the existing receivables. The allowance for doubtful accounts for the years ended June 30, 2020 and 2019 totaled \$17,193 and \$-0-, respectively.

Program Fees and Program Fees Receivable and Allowance for Doubtful Accounts

The Organization records program fees that are collectible on a monthly basis by participants in the transitional housing programs. Fees are recorded as revenue based on the amounts billed. Tenant billings are based on each tenant's employment status and income level. Receivables are recorded for any amounts still outstanding at the fiscal year end. No allowance for doubtful accounts was considered necessary by management, as participant accounts were reviewed for collectability and any amounts deemed uncollectible by management are written off.

Inventory

Inventory is stated at the lower of cost or market. Market value is defined as the price at which the item is expected to sell, or retail price. Donated items are included at market value. Inventory consists of donated clothing, furniture, books and household goods.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, which is based on quoted market prices, in the statement of financial position. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions 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, or as net assets with donor restrictions until restrictions are met.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at the approximate fair market value as of the date of donation. It is the Organization's policy to capitalize all expenditures which have a unit cost in excess of \$5,000, and a useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3-40 years. Donated property and equipment are recorded at their fair value on the date of receipt.

Contributed Services and Supplies

The Organization receives equipment and other supplies which are used in its various programs. These amounts are included in the statement of activities as revenues and support, and in the statement of functional expenses as applicable. In addition, individuals volunteer their professional time and assist the Organization, but these services did not meet the criteria for recognition as contributed services. No other services met the criteria for contributed services during the year. The Organization received donated goods and services of \$883,027 and \$641,457, respectively for the years ended June 30, 2020 and 2019, which are included in contributions revenue, production expense, equipment, and office expense for the respective fiscal years.

Advertising and Promotion

All costs associated with advertising and promotion are expensed in the period incurred. Advertising and promotion expense for the years ended June 30, 2020 and 2019 was \$92,835 and \$74,408, respectively

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Income Taxes

The Organization was incorporated under the laws of the State of Pennsylvania and is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. As of June 30, 2020 the tax periods remaining open for examination are fiscal years ended June 30, 2017 through 2020.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606). ASU 2014-09 contains a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The guidance in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of non-financial assets unless those contracts are within the scope of other standards. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The pronouncement allows either a full or modified retrospective method of adoption. The standard became effective for the Organization on July 1, 2019 and the Organization elected the modified retrospective approach of adoption, which requires a cumulative adjustment as of the date of the adoption, if applicable. The Organization did not have to record any such cumulative adjustment in connection with the adoption of the new pronouncement. The Organization’s revenue is service related with federal grant revenue and resident fees and there are no long-term contracts associated for their services as they are renewed annually. The Organization determined that ASU 2014-09 did not have any impact on the process for, timing of, presentation, and disclosure of revenue recognition. There was no change to net assets as of July 1, 2019 as a result of adopting this standard.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (“ASU 2016-02”), which requires an entity to recognize assets and liabilities on the statement of financial position for the rights and obligations created by leased assets and provide additional disclosures. In July 2018, the FASB issued ASU No. 2018-11, “Leases: Targeted Improvements” (“ASU 2018-11”), which provides an entity with the option to apply the transition provisions of the new standard at its adoption date instead of at its earliest comparative period presented. ASU 2016-02 also provides an entity with a practical expedient that permits lessors to not separate nonlease components from the associated lease component if certain conditions are met. ASU 2016-02, as amended by ASU 2018-11, is effective for the fiscal year beginning July 1, 2022. Management is currently evaluating the impact that the adoption of ASU 2016-02, as amended by ASU 2018-11, may have on the financial statements and disclosures. The Organization has not adopted this standard during the year.

Support and Revenue Recognition

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers” Topic 606, as amended and clarified by ASU 2018-08, “Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” Topic 605, contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions and grants received with donor imposed restrictions that are met in the same year in which the contributions and grant are received are classified as without restriction contributions.

Resident Fees

The Organization collects resident fees for their housing services they provide. These fees are for specific short-term housing at various housing complexes ran by the Organization and is recorded monthly based on the number of tenants housed each month.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rental Income

Rental income is recognized as rent becomes due. Rental payments received in advance are deferred until they are earned.

Thrift Shop

The Organization recognizes revenue from retail sales and moving fees. This revenue is recognized as the sales are made or the services are provided.

Subsequent Events

The Organization has evaluated events or transactions that have occurred after June 30, 2020 (the financial statement date) through December 22, 2020, the date that the financial statements were available to be issued. During this period, the Organization did not have any material recognizable subsequent events that would require adjustment to, or disclosure in the financial statements, other than noted below.

Due to the current global pandemic, the Organization, and businesses in general, are being affected throughout the country. The financial impact to the Organization cannot be estimated at this time. However, the Organization has continued to operate as usual and has not seen a significant downturn in operations or cash flows. As such, the Organization does not appear to be negatively affected. The Board of Directors for the Organization, as well as our Federal, State, and Local governments continue to address how to best manage the situation.

NOTE 2 PLEDGES RECEIVABLE

Pledges receivable consist solely of amounts pledged during the WMGK Radio-thon fundraiser held during the year. The Organization has reduced this amount to the balance it reasonably expects to collect within a year; therefore, no amounts are considered uncollectible.

NOTE 3 INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures* which establishes a framework for measuring fair value, the Organization measures fair value according to the following hierarchy:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs to the valuation methodology are inputs other than quoted market prices that are observable for the asset or liability;
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement of the asset or liability.

Alternative investments are valued using comparative investment funds which are priced in accordance with the S & P 500 and U.S. Treasury Bills as applicable.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 4      PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 175,000	\$ 175,000
Building and renovations	1,906,728	1,906,728
Leasehold improvements	193,943	167,885
Equipment	146,795	133,542
Vehicles	407,882	423,347
Total	<u>2,830,348</u>	<u>2,806,502</u>
Less accumulated depreciation	<u>(1,681,190)</u>	<u>(1,628,208)</u>
Net property and equipment	<u>\$ 1,149,158</u>	<u>\$ 1,178,294</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$70,470 and \$93,637 respectively.

NOTE 5      ARTWORK

A mural was commissioned by the Organization and completed on June 30, 2010. All costs associated with the mural have been capitalized and are not being depreciated.

NOTE 6      NOTE RECEIVABLE

The Organization has a note receivable with an entity for the redevelopment of Edison High School into housing. The note is for \$500,000 and is accruing interest at 2% per annum. The Organization had advanced \$490,000 as of June 30, 2018. The additional \$10,000 was advanced during the fiscal year ended June 30, 2019. The current balance of the Note receivable including interest is \$520,200. The principal balance and accrued interest are due in full in December 2047.

NOTE 7      SECURITY DEPOSITS

Security deposits relate to payments due from residents of the transitional residence facilities located in Coatesville, PA. The Organization holds these deposits as a fiduciary until the residents leave the program or forfeit their deposit under the agreed terms.

NOTE 8      LIQUIDITY AND AVAILABILITY

The Organization has the following financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date.

Cash and restricted cash	\$ 1,678,852
Grants and contracts receivable	1,360,058
Pledges receivable	35,949
	<u>\$ 3,074,859</u>

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 9      NOTE PAYABLE

On June 5, 2012 the Organization entered into a \$300,000 line of credit agreement with an interest rate at the Wall Street Journal rate plus 1% with a floor of 4.25%, which was renewable on June 1, 2018. The line of credit was renewed until September 1, 2018. This line of credit is subject to a covenant and secured by the building, assets of the organization and future rents. On August 21, 2018 the Organization entered into a new line of credit agreement whereby the interest rate was reduced to Wall Street Journal rate plus 0.5% (prime rate at June 30, 2020 was 3.25%), and the line was extended to April 1, 2021. There were no outstanding balances as of 2020 and 2019.

NOTE 10      LONG-TERM DEBT

On June 5, 2012 the Organization refinanced their debt. The Organization entered into a \$485,000 mortgage with an interest rate of 4.9%. The mortgage consists at 59 payments of principal and interest of \$3,191 monthly and one irregular last payment estimated at \$407,509 on or before June 1, 2017. This mortgage was subject to a covenant and secured by the building, assets of the business and future rents. The Organization extended this mortgage through September 1, 2018. On August 21, 2018 the Organization refinanced its debt. The Organization entered into a \$485,000 mortgage with an interest rate of 4.6%. The mortgage consists of 83 payments of principal and interest of \$3,104 monthly and one irregular last payment estimated at \$365,671 on or before August 1, 2025. This mortgage is subject to a covenant and secured by the building, assets of the business and future rents. The outstanding balance on the mortgage is \$458,197 as of June 30, 2020.

On August 21, 2018 the Organization entered into an additional new \$315,000 mortgage with an interest rate at 4.6%, which matures on September 1, 2025. This mortgage is subject to a covenant and secured by the building, assets of the organization and future rents. The Organization must pay \$2,021 each month and one last irregular payment of \$238,104 on September 1, 2025. The outstanding balance on the mortgage is \$296,312 as of June 30, 2020.

Future minimum payments are as follows:

Years ending June 30,

2021	\$	27,373
2022		28,660
2023		30,006
2024		31,415
2025		34,193
Thereafter		602,862
	\$	<u>754,509</u>

During the current period the Organization received a Paycheck Protection Program Loan in the amount of \$1,165,630 under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The Organization has elected to account for a portion of these funds under FASB ASC 740 which applies to all instruments of debt. The Organization intends and expects \$460,855 of the loan will be forgiven under the Program. The Organization does not expect the remaining portion, \$704,775, of the loan to be forgiven. Any amounts not forgiven will be payable over two (2) years from notification that the balance is not forgiven including interest at 1%

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 10 LONG-TERM DEBT (continued)

Future minimum principal payments are expected to be as follows:

Years ending June 30,

2021	\$ 174,875
2022	352,383
2023	<u>177,517</u>
	<u>\$ 704,775</u>

As of June 30, 2020, current and long-term debt, which includes both the outstanding mortgages and the Paycheck Protection Program Loan, totaled \$202,248 and \$1,257,036, respectively.

NOTE 11 REFUNDABLE ADVANCES AND CONTRIBUTION INCOME

During the current year the Organization received a Paychex Protection Program Loan in the amount of \$1,165,630 under The Coronavirus Aid, Relief and Economic Security (CARES) Act. The Organization has elected to analogize to International Accounting Standard (IAS) 20 which applies to all government grants. Based on the terms of the loan the Organization has received the funding and has reasonable assurance that they will meet all conditions of the grant and it will be partially forgiven. Therefore, they have elected to recognize contribution income for all funds spent for eligible expenses. As of June 30, 2020, the Organization spent \$307,373 of the money and this amount is included in contribution income on the statement of activities. The remaining balance of the forgivable contribution of \$153,482 is defined as a refundable advance and is reported on the statement of financial position as of June 30, 2020. The remaining balance is expected to be used for allowable payroll expenses within in the upcoming year.

NOTE 12 SECURITY DEPOSITS

Security deposits represent a deposit on a store front, deposits on various office spaces, and a deposit on additional space used for veteran housing.

NOTE 13 COMMITMENTS

The Organization leases two residential complexes through shared lease agreements. The Organization executed a lease agreement on September 19, 2012. Under the lease terms, monthly base rent is \$26,602 per month plus a shared service fee of \$221. The lease term was from October 1, 2012 and expired September 30, 2019. The lease was renewed through September 30, 2021.

The Organization leases additional office space throughout Pennsylvania and Southern New Jersey. These leases are typically for 12 months and expire at various times throughout the year. Monthly base rent per office location is between \$500 and \$3,500.

The Organization also leases a store front. This lease commenced on June 1, 2013 and expires on May 31, 2023. Monthly base rent is \$3,500 in year one and increases 2.5% each year.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 13      COMMITMENTS (continued)

The Organization also leases office equipment under a non-cancellable operating lease. This lease was renewed to January 2024.

Rent and occupancy expense for the years ended June 30, 2020 and 2019 was \$737,182 and \$702,720, respectively.

Future minimum lease payments are as follows:

Years ending June 30,

2021	\$ 233,678
2022	82,147
2023	56,224
2024	<u>1,775</u>
	<u>\$ 373,824</u>

NOTE 14      CONCENTRATION OF CREDIT RISK

Cash

The Organization maintains its cash balances at two banks located in Pennsylvania which may, at various times during the year, exceed the threshold for insurance provided by the Federal Deposit Insurance Corporation (FDIC). The Organization believes it is not exposed to any significant credit risk on its cash.

Receivables

The Organization believes it is not exposed to any significant credit risk on its receivables.

NOTE 15      RETIREMENT PLAN

The Organization has a 401(k) retirement plan for all employees subject to age and length of service requirements. The Organization provides a 4% match on an eligible employees' salary effective June 25, 2011. Retirement plan expense for the years ended June 30, 2020 and 2019 was \$214,671 and \$152,886, respectively.

NOTE 16      CONTINGENT LIABILITY

A significant part of funding of the renovations to the Organization's facility at 213-217 North 4<sup>th</sup> Street in Philadelphia was provided by various federal agencies. The Philadelphia Redevelopment Authority (RDA) administered some of these renovation funds and has issued a lien against the building until the Organization meets certain contracted commitments. The Organization was required to continue operating the building as a non-profit social service organization for 20 years, through December 2019.

The total lien amount was \$710,290. Through December 2009, the first ten (10) years of the lien, the amount remained unchanged. In years 11-20, the amount is amortized annually at 10% of the lien amount. Accordingly, twelve (12) months or \$71,029 has been amortized during the year ended June 30, 2019 and \$35,515 during the year ended June 30, 2020, leaving a lien balance of \$-0- at June 30, 2020. The lien was released in total in December 2019.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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NOTE 17 GRANTS SUBJECT TO AUDIT

The Organization has received federal, state, and city grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

NOTE 18 OPERATING LEASE

The Organization entered into a non-cancelable lease on August 13, 2012 with Veterans Affairs (VA) to lease part of their 2<sup>nd</sup> floor as office space for the VA liaison. The lease term started on September 1, 2012 for five (5) years. The lease was renewed during 2017 for an additional five (5) years and expires August 31, 2022.

Future minimum rental payments to be received are as follows:

Years ending June 30,

2021	\$ 134,400
2022	134,400
2023	<u>22,400</u>
	<u>\$ 291,200</u>

NOTE 19 NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Philadelphia RDA - lien on building	\$ -	\$ 35,515
Edison 64 Project	575,000	575,000
Women's Center	-	24,993
Other funds restricted for use	77,145	22,860
COVID Relief	<u>67,222</u>	<u>-</u>
	<u>\$ 719,367</u>	<u>\$ 658,368</u>

NOTE 20 RELATED PARTY

The Organization has common board members with another Organization that was formed to assist with the development and operation of Edison 64 project. There were no transactions between these Organizations for the year ended June 30, 2020.

## **UNIFORM GUIDANCE REQUIREMENTS**

**VETERANS MULTI-SERVICE CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Award Amount	Passed Through to Subrecipient	June 30, 2019		2020		June 30, 2020	
						Account Receivable	Unexpended Funds	Receipts	Expenditures	Account Receivable	Unexpended Funds
<b>U.S. Department of Housing and Urban Development</b>											
Supportive Housing Program	14.267		1/1/2019 - 12/31/2019	\$ 313,334	-	\$ 72,984	\$ -	\$ 237,298	\$ 164,314	\$ -	\$ -
Supportive Housing Program	14.267		1/1/2020 - 12/31/2020	\$ 318,571	-	-	-	119,653	149,504	29,851	-
Pass-Through City of Philadelphia											
Continuum of Care Program	14.267	PA-0027-L3T001811	4/1/2019 - 3/31/2020	\$ 351,519	-	78,345	-	307,633	229,288	-	-
Continuum of Care Program	14.267	PA-0027-L3T001912	4/1/2020 - 3/31/2021	\$ 373,618	-	-	-	-	78,599	78,599	-
Continuum of Care Program	14.267	PA-0865-L3T001700	5/1/2019 - 4/30/2020	\$ 343,732	-	-	-	57,153	292,835	235,682	-
Continuum of Care Program	14.267	PA-0865-L3T001901	5/1/2020 - 4/30/2021	\$ 341,792	-	-	-	-	64,133	64,133	-
Pass-Through City of Philadelphia											
Rapid Re-housing Program	14.267	PA-0619-L3T001704	7/1/2018 - 6/30/2019	\$ 192,335	-	71,265	-	71,265	-	-	-
Rapid Re-housing Program	14.267	PA-0619-L3T001805	7/1/2019 - 6/30/2020	\$ 198,263	-	-	-	120,332	194,466	74,134	-
Total U.S. Department of Housing and Urban Development					-	222,594	-	913,334	1,173,139	482,399	-
<b>U.S. Department of Health and Human Services</b>											
Pass-Through Commonwealth of Pennsylvania											
State Opioid Response	93.788	DMVA-2019-0101	8/1/2019 - 9/29/2020	\$ 416,500	-	-	-	416,500	254,532	-	161,968
Total U.S. Department of Health and Human Services					-	-	-	416,500	254,532	-	161,968
<b>U.S. Department of Veterans Affairs</b>											
VA Homeless Providers Grant											
And Per Diem Program	64.024		7/01/2018 - 6/30/2019	\$ 2,313,735	-	211,539	-	211,539	-	-	-
VA Homeless Providers Grant											
And Per Diem Program	64.024		7/1/2019 - 6/30/2020	\$ 2,387,382	-	-	-	2,209,720	2,387,382	177,662	-
Supportive Services for Veteran Families	64.033		10/1/2018 - 9/30/2019	\$ 4,047,411	-	63,938	-	1,306,419	1,242,481	-	-
Supportive Services for Veteran Families	64.033		10/1/2019 - 9/30/2020	\$ 5,636,119	177,334	-	-	2,848,534	3,435,790	613,030	25,774
Supportive Services for Veteran Families	64.033		10/1/2018 - 9/30/2019	\$ 1,962,430	-	4,657	-	314,396	309,739	-	-
Supportive Services for Veteran Families	64.033		10/1/2019 - 9/30/2020	\$ 2,323,348	-	-	-	702,024	805,104	104,160	1,080
Total U.S. Department of Veterans Affairs					177,334	280,134	-	7,592,632	8,180,496	894,852	26,854
TOTAL					\$ 177,334	\$ 502,728	\$ -	\$ 8,922,466	\$ 9,608,167	\$ 1,377,251	\$ 188,822

See accompanying notes to schedule of expenditures federal awards.

**VETERANS MULTI-SERVICE CENTER, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2020**

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**NOTE A BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of Veterans Multi-Service Center, Inc., under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Veterans Multi-Service Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Veterans Multi-Service Center, Inc.

**NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(1) Expenditures reported on the accompanying Schedule of Expenditures of Federal Awards are reported using the accrual basis of accounting, which is described in Note 1 to the Organization's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented when available.

**NOTE C INDIRECT COST RATE**

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE D SUBRECIPIENTS**

The Organization provided funds to subrecipients in the amount of \$177,334 for the year ended June 30, 2020.



**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Veterans Multi-Service Center, Inc.  
Philadelphia, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Veterans Multi-Service Center, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Veterans Multi-Service Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Veterans Multi-Service Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sx Clair CPAs P.C.*

Certified Public Accountants

Merchantville, New Jersey  
December 22, 2020



**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Board of Directors of  
Veterans Multi-Service Center, Inc.  
Philadelphia, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Veterans Multi-Service Center, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2020. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), and the *City of Philadelphia Subrecipient Audit Guide*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and a material effect on each of its major federal programs for the year ended June 30, 2020.



## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*De Clair CPAs P.C.*

Certified Public Accountants

Merchantville, New Jersey  
December 22, 2020

**VETERANS MULTI-SERVICE CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2020 AND 2019**

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**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Veterans Multi-Service Center, Inc. (the "Organization") were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Organization which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. No significant deficiencies or material weaknesses over major federal awards programs disclosed during the audit are reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance Requirements for Federal Awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance).
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The following programs were tested as major programs:
  - U.S. Department of Veterans Affairs "*VA Homeless Providers Grant and Per Diem Program*" under CFDA No. 64.024
  - U.S. Department of Health and Human Services "*State Opioid Response*" under CFDA No. 93.788
8. The threshold for distinguishing types A and B programs was \$750,000.
9. The Organization was determined to be a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

None.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None.

**VETERANS MULTI-SERVICE CENTER, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2020 AND 2019**

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**FINDINGS FINANCIAL STATEMENT AUDIT**

None.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**CITY OF PHILADELPHIA AUDIT REQUIREMENTS**

**VETERANS MULTI-SERVICE CENTER, INC.  
OFFICE OF SUPPORTIVE HOUSING (HUD)  
CITY OF PHILADELPHIA CONTRACT NO. 19-20652  
HUD CONTINUUM OF CARE - FREEDOM'S GATE GRANT NO. PA0072L3T0001811  
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDIT  
FOR THE GRANT PERIOD APRIL 1, 2019 THROUGH MARCH 31, 2020**

<u>Budget Categories</u>	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
Personnel services			
Salaries	\$ 15,231	\$ -	\$ 15,231
Fringe benefits	4,174	-	4,174
Sub-total: Personnel services	<u>19,405</u>	<u>-</u>	<u>19,405</u>
Operating Expenses			
Rent, occupancy and utilities	-	-	-
Communications and telephone	-	-	-
Supplies	-	-	-
Sub-total: Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Administrative Costs			
Insurance	-	-	-
Sub-total: Administrative costs	<u>-</u>	<u>-</u>	<u>-</u>
Participants			
Rental assistance	211,325	-	211,325
Sub-total: Participants	<u>211,325</u>	<u>-</u>	<u>211,325</u>
Total OSH Contract Expenditures	<u>230,730</u>	<u>-</u>	<u>230,730</u>
City of Philadelphia, OSH	229,288	-	229,288
Total Funding	<u>229,288</u>	<u>-</u>	<u>229,288</u>
Excess of expenditures over funding sources	<u>\$ 1,442</u>	<u>\$ -</u>	<u>\$ 1,442</u>

**VETERANS MULTI-SERVICE CENTER, INC.  
OFFICE OF SUPPORTIVE HOUSING (HUD)  
CITY OF PHILADELPHIA CONTRACT NO. 20-20653  
HUD CONTINUUM OF CARE - FREEDOM'S GATE GRANT NO. PA0072L3T001912  
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDIT  
FOR THE GRANT PERIOD APRIL 1, 2020 THROUGH MARCH 31, 2021**

<u>Budget Categories</u>	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
Personnel services			
Salaries	\$ 5,005	\$ -	\$ 5,005
Fringe benefits	1,385	-	1,385
Sub-total: Personnel services	<u>6,390</u>	<u>-</u>	<u>6,390</u>
Operating Expenses			
Rent, occupancy and utilities	-	-	-
Communications and telephone	-	-	-
Supplies	-	-	-
Sub-total: Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Administrative Costs			
Insurance	-	-	-
Sub-total: Administrative costs	<u>-</u>	<u>-</u>	<u>-</u>
Participants			
Rental assistance	72,209	-	72,209
Sub-total: Participants	<u>72,209</u>	<u>-</u>	<u>72,209</u>
Total OSH Contract Expenditures	<u>78,599</u>	<u>-</u>	<u>78,599</u>
City of Philadelphia, OSH	78,599	-	78,599
Total Funding	<u>78,599</u>	<u>-</u>	<u>78,599</u>
Excess of expenditures over funding sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**VETERANS MULTI-SERVICE CENTER, INC.  
OFFICE OF SUPPORTIVE HOUSING (HUD)  
CITY OF PHILADELPHIA CONTRACT NO. 20-20085  
HUD RAPID REHOUSING GRANT NO. PA0619L3T001805  
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDIT  
FOR THE GRANT PERIOD JULY 1, 2019 THROUGH JUNE 30, 2020**

<u>Budget Categories</u>	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
Personnel services			
Salaries	\$ 87,080	\$ -	\$ 87,080
Fringe benefits	23,000	-	23,000
Sub-total: Personnel services	<u>110,080</u>	<u>-</u>	<u>110,080</u>
Administrative Costs			
Fees	-	-	-
Sub-total: Administrative Costs	<u>-</u>	<u>-</u>	<u>-</u>
Participants			
Rental assistance	84,386	-	84,386
Sub-total: Participants	<u>84,386</u>	<u>-</u>	<u>84,386</u>
Total OSH Contract Expenditures	<u>194,466</u>	<u>-</u>	<u>194,466</u>
City of Philadelphia, OSH	194,466	-	194,466
Total Funding	<u>194,466</u>	<u>-</u>	<u>194,466</u>
Excess of expenditures over funding sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**VETERANS MULTI-SERVICE CENTER, INC.**  
**OFFICE OF SUPPORTIVE HOUSING (HUD)**  
**CITY OF PHILADELPHIA CONTRACT NO. 19-20632**  
**PSH RENTAL ASSISTANCE - EDISON 64 GRANT NO. PA0865L3T001700**  
**RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDIT**  
**FOR THE GRANT PERIOD MAY 1, 2019 THROUGH APRIL 30, 2020**

<u>Budget Categories</u>	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
Personnel services			
Salaries	\$ 138,788	\$ -	\$ 138,788
Fringe benefits	35,296	-	35,296
Sub-total: Personnel services	<u>174,084</u>	<u>-</u>	<u>174,084</u>
Operating Expenses			
Program expense	116	-	116
Office expense	344	-	344
Client travel	207	-	207
Sub-total: Operating Expenses	<u>667</u>	<u>-</u>	<u>667</u>
Administrative Costs			
Fees	13,640	-	13,640
Sub-total: Administrative Costs	<u>13,640</u>	<u>-</u>	<u>13,640</u>
Participants			
Rental assistance	101,716	-	101,716
Sub-total: Participants	<u>101,716</u>	<u>-</u>	<u>101,716</u>
Total OSH Contract Expenditures	<u>290,107</u>	<u>-</u>	<u>290,107</u>
City of Philadelphia, OSH	292,835	-	292,835
Total Funding	<u>292,835</u>	<u>-</u>	<u>292,835</u>
Excess of expenditures over funding sources	<u>\$ (2,728)</u>	<u>\$ -</u>	<u>\$ (2,728)</u>

**VETERANS MULTI-SERVICE CENTER, INC.**  
**OFFICE OF SUPPORTIVE HOUSING (HUD)**  
**CITY OF PHILADELPHIA CONTRACT NO. 20-20601**  
**PSH RENTAL ASSISTANCE - EDISON 64 GRANT NO. PA0865L3T001901**  
**RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDIT**  
**FOR THE GRANT PERIOD MAY 1, 2020 THROUGH APRIL 30, 2021**

<u>Budget Categories</u>	<u>Agency Total Contract Expenditures</u>	<u>Adjustments</u>	<u>Amount per Audit</u>
Personnel services			
Salaries	\$ 29,356	\$ -	\$ 29,356
Fringe benefits	7,276	-	7,276
Sub-total: Personnel services	<u>36,632</u>	<u>-</u>	<u>36,632</u>
Operating Expenses			
Program expense	83	-	83
Supplies	-	-	-
Client travel	-	-	-
Sub-total: Operating Expenses	<u>83</u>	<u>-</u>	<u>83</u>
Administrative Costs			
Fees	2,728	-	2,728
Sub-total: Administrative Costs	<u>2,728</u>	<u>-</u>	<u>2,728</u>
Participants			
Rental assistance	24,690	-	24,690
Sub-total: Participants	<u>24,690</u>	<u>-</u>	<u>24,690</u>
Total OSH Contract Expenditures	<u>64,133</u>	<u>-</u>	<u>64,133</u>
City of Philadelphia, OSH	64,133	-	64,133
Total Funding	<u>64,133</u>	<u>-</u>	<u>64,133</u>
Excess of expenditures over funding sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>