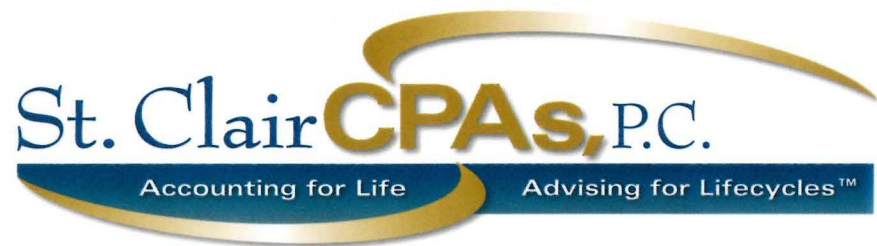


# THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.

FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

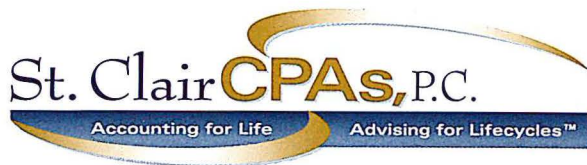


**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**JUNE 30, 2013 AND 2012**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of The Philadelphia Veterans Multi-Service & Education Center, Inc., which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility

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 audit. 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 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 The Philadelphia Veterans Multi-Service & Education Center, Inc. as of June 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in conformity 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 schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and are also not a required part of the basic 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of Agency Reported Expenditures / Revenues to Audit are presented for purposes of additional reporting 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 schedules of Agency Reported Expenditures / Revenues to Audit are 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 11, 2013, on our consideration of The Philadelphia Veterans Multi-Service & Education 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 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 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 The Philadelphia Veterans Multi-Service & Education Center, Inc.'s internal control over financial reporting and compliance.



Certified Public Accountants

Merchantville, New Jersey  
December 11, 2013

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 590,743	\$ 242,345
Grants and contracts receivable	303,886	219,383
Pledges receivable	3,545	2,825
Inventory	12,809	-
Prepaid expenses	9,323	6,986
Investments	<u>8,930</u>	<u>5,902</u>
<b>TOTAL CURRENT ASSETS</b>	<u>929,236</u>	<u>477,441</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>1,569,270</u>	<u>1,512,322</u>
<b>OTHER ASSETS</b>		
Artwork	17,000	17,000
Capitalized loan fees, net of accumulated amortization	13,231	16,609
Goodwill, thrift shop	1,500	-
Security deposit	<u>7,000</u>	<u>-</u>
<b>TOTAL OTHER ASSETS</b>	<u>38,731</u>	<u>33,609</u>
	<u>\$ 2,537,237</u>	<u>\$ 2,023,372</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 19,980	\$ 18,823
Accounts payable	105,065	205,856
Accrued expenses	137,679	47,050
Deferred income	<u>177,362</u>	<u>25,105</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>440,086</u>	<u>296,834</u>
LONG-TERM DEBT, net of current portion	<u>458,532</u>	<u>478,816</u>
<b>OTHER LIABILITIES</b>		
Security deposits held as fiduciary	2,534	2,534
Security deposits held in escrow	<u>20,400</u>	<u>25,000</u>
<b>TOTAL OTHER LIABILITIES</b>	<u>22,934</u>	<u>27,534</u>
<b>TOTAL LIABILITIES</b>	<u>921,552</u>	<u>803,184</u>
<b>NET ASSETS</b>		
Unrestricted	1,126,835	687,470
Temporarily restricted	<u>488,850</u>	<u>532,718</u>
<b>TOTAL NET ASSETS</b>	<u>1,615,685</u>	<u>1,220,188</u>
	<u>\$ 2,537,237</u>	<u>\$ 2,023,372</u>

See accompanying notes.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES AND SUPPORT		
Fundraising and contributions	\$ 448,522	\$ 294,814
Resident fees	232,527	223,938
Rental income	105,620	-
Grant awards	25,105	12,706
Thrift shop	13,615	-
Other income	4,928	22,610
Interest income	-	8
	<u>830,317</u>	<u>554,076</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	<u>4,184,211</u>	<u>4,250,709</u>
	<u>5,014,528</u>	<u>4,804,785</u>
EXPENSES		
Program	4,361,986	4,458,213
Fundraising	26,565	35,635
General and administrative	<u>186,612</u>	<u>201,268</u>
<b>TOTAL EXPENSES</b>	<u>4,575,163</u>	<u>4,695,116</u>
	<u>439,365</u>	<u>109,669</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	102,896	-
Contract revenues - Department of Veterans Affairs	2,824,958	2,478,817
Contract revenues - Department of Labor	676,612	676,612
Contract revenues - City of Philadelphia	180,078	684,759
Contract revenues - Department of Housing	283,169	277,847
Contract revenues - Department of Homeland Security (FEMA)	9,130	3,723
Other support	63,500	57,922
Net assets released from restrictions	<u>(4,184,211)</u>	<u>(4,250,709)</u>
	<u>(43,868)</u>	<u>(71,029)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(43,868)</u>	<u>(71,029)</u>
	395,497	38,640
NET ASSETS, BEGINNING	<u>1,220,188</u>	<u>1,181,548</u>
	<u>\$ 1,615,685</u>	<u>\$ 1,220,188</u>

See accompanying notes.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 395,497	\$ 38,640
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	84,735	72,718
Donated vehicles and equipment	(79,352)	(6,780)
Expenses paid at refinance settlement	-	437
Unrealized (gain) loss on investment	(3,028)	2,268
(Increase) decrease in		
Grants and contracts receivable	(84,503)	170,964
Pledges receivable	(720)	(425)
Inventory	(12,809)	-
Prepaid expenses	(2,337)	(6,099)
Increase (decrease) in		
Accounts payable	(100,791)	66,524
Accrued expenses	90,629	11,190
Deferred income	152,257	(166,429)
Security deposits held as fiduciary	-	2,534
Security deposits held in escrow	(4,600)	1,600
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>434,978</u>	<u>187,142</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(58,953)	(15,901)
Security deposit placed	(7,000)	-
Purchase of goodwill	(1,500)	-
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(67,453)</u>	<u>(15,901)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds on note payable	-	1,015
Proceeds from long-term debt	-	38,290
Payments on long-term debt	(19,127)	(56,598)
Payment of loan fees on refinance	-	(3,925)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>(19,127)</u>	<u>(21,218)</u>
<b>NET INCREASE IN CASH</b>	348,398	150,023
CASH, BEGINNING	<u>242,345</u>	<u>92,322</u>
<b>CASH, ENDING</b>	<u>\$ 590,743</u>	<u>\$ 242,345</u>
<b>SUPPLEMENTARY DISCLOSURES</b>		
Interest paid	<u>\$ 25,144</u>	<u>\$ 27,230</u>

See accompanying notes.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Philadelphia Veterans Multi-Service & Education Center, Inc. (the Organization) was incorporated in May 1994 in Pennsylvania as a non-profit corporation. The Philadelphia Veterans Multi-Service & Education 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.

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

Financial statement presentation follows the recommendations of FASB ASC 958, *Presentation of Financial Statements for Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets: (1) unrestricted net assets, (2) temporarily restricted net assets, and (3) permanently restricted net assets.

*Unrestricted* - Net assets which are free of donor-imposed restrictions; all revenues, gains and losses that are not changes in permanently or temporarily restricted net assets.

*Temporarily Restricted* - Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time nor that can be fulfilled or removed by actions of the Organization pursuant to those stipulations.

*Permanently Restricted* - Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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.

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 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.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2013 and 2012.

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. No allowance for doubtful accounts was considered necessary by management, as all accounts were reviewed for collectability and any amounts deemed uncollectible by management were written off.

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 LZII and Walker House transitional housing programs. Fees are recorded as revenue based on the amounts billed. Tenant billings are based on the 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. Inventory at June 30, 2013 consists of items initially purchased through an agreement between the Organization and an existing thrift store establishment. Those items are reported in the June 30, 2013 inventory value at cost. 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 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, or as temporarily restricted until restrictions are met.

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 \$500, 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 ranges from 3-40 years. Donated property and equipment are recorded at their fair value on the date of receipt.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services and Supplies

The Organization receives equipment and other supplies which are used in their 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 of \$92,157 and \$6,780, respectively for the years ended June 30, 2013 and 2012, which are included in contributions, equipment and office expense for the respective fiscal year.

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, 2013 and 2012 was \$12,696 and \$1,401, 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, 2013 the tax periods remaining open for examination are fiscal years ended June 30, 2010 through 2013.

Subsequent Events

The Organization has evaluated events or transactions that have occurred after June 30, 2013 (the financial statement date) through December 11, 2013, 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.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 2 PLEDGES RECEIVABLE

Pledges receivable consists solely of amounts pledged during the WMGK Radio-thon fundraiser held during the year. All of the amounts pledged were received as of the date of this report and 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.

The Organization measures fair value of their domestic corporate stock using Level 1 inputs.

The summary of changes in the fair value of the domestic corporate stock held for the fiscal years ended June 30, 2013 and 2012 is as follows:

<u>Year ended June 30, 2013</u>	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Market Value</u>
Domestic corporate stock	\$ 2,843	\$ 6,087	\$ 8,930
<u>Year ended June 30, 2012</u>	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Market Value</u>
Domestic corporate stock	\$ 2,843	\$ 3,059	\$ 5,902

For the years ended June 30, 2013 and 2012, unrealized gain (loss) on corporate stock was \$3,028 and \$(2,268), respectively, and is recorded in the statement of activities in other income.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 4      PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 175,000	\$ 175,000
Building and renovations	1,906,728	1,880,653
Leasehold improvements	119,984	92,106
Equipment	54,339	54,339
Vehicles	<u>216,081</u>	<u>131,729</u>
Total	2,472,132	2,333,827
Less accumulated depreciation	<u>(902,862)</u>	<u>(821,505)</u>
Net property and equipment	<u>\$ 1,569,270</u>	<u>\$ 1,512,322</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$81,357 and \$72,436 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      INTANGIBLE ASSETS

On June 5, 2012 the Organization refinanced its existing mortgage. Settlement fees in connection with the refinance have been capitalized and will be amortized using the straight line method over the life of the loan, which is five (5) years. Amortization expense for the year ended June 30, 2013 and 2012 was \$3,378 and \$282, respectively.

Future amortization expense is as follows:

<u>Years ending June 30,</u>	
2014	\$ 3,378
2015	3,378
2016	3,378
2017	3,097
Thereafter	<u>-</u>
	<u>\$ 13,231</u>

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 6 INTANGIBLE ASSETS CON'T

On May 31, 2013 the Organization purchased a thrift shop including the trade name. The portion of the purchase amount in relation to the trade name has been capitalized as goodwill and is not subject to amortization. In accordance with FASB ASC 350 "Goodwill and other intangible assets," the Organization tests goodwill annually for impairment. No impairment loss was recognized for the year ended June 30, 2013.

NOTE 7 SECURITY DEPOSITS

Security deposits relate to payments due from residents of the LZII and Walker House 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 NOTE PAYABLE

The Organization entered into a \$300,000 line of credit agreement with an interest rate based upon the BBA LIBOR Daily Floating Rate plus 5.25%. The line expired on December 31, 2010 and the remaining balance became a note payable on demand with an interest rate of 5.43%. On June 5, 2012 the Organization refinanced their debt and this note was repaid in full.

The Organization entered into a new \$300,000 line of credit agreement with an interest rate at the Wall Street Journal rate plus 1%. This line of credit is subject to a covenant and secured by the building, assets of the business and future rents. There was no outstanding balance as of June 30, 2013. The interest rate at June 30, 2013 was 4.5%.

NOTE 9 LONG-TERM DEBT

The Organization entered into a mortgage to provide financing for the acquisition and renovation of its facility at 213-217 North 4<sup>th</sup> Street in Philadelphia. The mortgage is secured by the property and its related capital improvements. The rate computation is 80% of the then current 5-year treasury yield plus 2.50%. The rate through August 31, 2010, was 5.08%. The monthly payment was \$6,638. On September 1, 2010, the rate was reset for the final 5-year period of the 15-year mortgage term and was payable in monthly installments of \$6,447 including interest at 3.68% up to June 5, 2012, the date the mortgage was refinanced.

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 Organization must pay 59 payments of principal and interest of \$3,191.36 monthly and one irregular last payment estimated at \$407,509.35 on or before June 1, 2017. Any prepayment of principal will be subject to a 5% prepayment premium on the outstanding balance in the first year, 4% in the second year, 3% in the third year, 2% in the fourth year and 1% in the fifth year. The Organization does not foresee any prepayment of principal in the next five years. This mortgage is subject to a covenant and secured by the building, assets of the business and future rents.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 9 LONG-TERM DEBT (continued)

The Organization financed the purchase of a van to be used in program operations in April 2012. The loan is secured by the vehicle. Interest on the loan is calculated annually at 8.99%. The Organization must pay monthly payments of principal and interest of \$413 over a three year period starting in June of 2012.

Aggregate principal maturities on long-term debt for the years subsequent to June 30, 2013 are as follows:

<u>Years ending June 30,</u>	
2014	\$ 19,980
2015	20,325
2016	17,207
2017	421,000
Thereafter	<u>-</u>
	<u>\$ 478,512</u>

NOTE 10 SECURITY DEPOSIT

Security deposit represents a deposit on the store front where the Organization operates its thrift shop.

NOTE 11 COMMITMENTS

The Organization leases two residential complexes through shared lease agreements. The agreements expired on December 26, 2011 and were considered month to month leases. The Organization executed a new lease agreement on September 19, 2012 which replaces the old lease agreements. Under the new lease terms, monthly base rent is \$26,602 per month plus a shared service fee of \$221. The lease term starts October 1, 2012 for a five year period.

The Organization also leases a thrift shop. 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.

The Organization also leases office equipment under a non-cancellable operating lease. This lease expires in December 2015.

Rent expense for the years ended June 30, 2013 and 2012 was \$269,856 and \$334,567, respectively.

Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	
2014	\$ 377,628
2015	382,180
2016	373,351
2017	364,548
2018	126,263
Thereafter	<u>245,816</u>
	<u>\$ 1,869,786</u>

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 12      CONCENTRATION OF CREDIT RISK

Cash

The Organization maintains its cash balances at one bank 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 their receivables.

NOTE 13      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, 2013 and 2012 was \$50,908 and \$49,936, respectively.

NOTE 14      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 done 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 is 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 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 months or \$71,029 has been amortized during the year ended June 30, 2013, leaving a lien balance of \$461,689 at June 30, 2013. The lien will be released in total in December 2019.

NOTE 15      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.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

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NOTE 16      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 starts on September 1, 2012 for five (5) years. There were no deposits or payments received during the year ended June 30, 2012.

Future minimum rental payments to be received are as follows:

Years ending June 30.

2014	\$ 115,200
2015	115,200
2016	115,200
2017	115,200
2018	<u>19,200</u>
	<u>\$ 480,000</u>

**SUPPLEMENTARY INFORMATION**

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	<u>Homeless Veteran Programs</u>	<u>Employment and Training Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
EXPENSES					
Advertising and promotion	\$ -	\$ -	\$ 1,362	\$ 11,334	\$ 12,696
Depreciation and amortization	69,277	-	-	15,458	84,735
Employee benefits	189,285	24,926	-	1,584	215,795
Equipment rental and repair	37,335	3,300	1,445	6,223	48,303
Food and entertainment	-	-	13,286	-	13,286
Insurance	71,447	6,870	-	1,259	79,576
Interest	24,220	-	-	924	25,144
Materials and supplies	41,261	1,725	4,580	-	47,566
Office expenses	17,441	-	4,992	12,029	34,462
Payroll taxes	175,477	21,820	-	1,563	198,860
Professional fees	203,775	2,500	900	35,083	242,258
Program costs	1,013,551	928	-	21,159	1,035,638
Rent and occupancy	350,402	-	-	26,623	377,025
Retirement plan	42,618	7,548	-	742	50,908
Salaries and wages	1,748,619	220,688	-	44,572	2,013,879
Telephone	28,063	1,000	-	3,905	32,968
Travel and meetings	49,803	8,107	-	4,154	62,064
	<u>\$ 4,062,574</u>	<u>\$ 299,412</u>	<u>\$ 26,565</u>	<u>\$ 186,612</u>	<u>\$ 4,575,163</u>

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

	<u>Homeless Veteran Programs</u>	<u>Employment and Training Programs</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
EXPENSES					
Advertising and promotion	\$ -	\$ -	\$ -	\$ 1,401	\$ 1,401
Depreciation	64,623	-	-	8,095	72,718
Employee benefits	194,196	34,790	-	6,786	235,772
Equipment rental and repair	43,126	3,300	6,060	2,590	55,076
Food and entertainment	-	-	14,522	-	14,522
Insurance	59,806	5,940	-	3,551	69,297
Interest	15,327	-	-	10,972	26,299
Materials and supplies	47,809	1,362	12,163	-	61,334
Office expenses	4,513	-	2,890	9,727	17,130
Payroll taxes	183,375	22,200	-	4,105	209,680
Professional fees	122,860	5,102	-	47,463	175,425
Program costs	1,136,743	1,894	-	11,587	1,150,224
Rent and occupancy	444,634	2,170	-	22,072	468,876
Retirement plan	39,672	4,843	-	5,421	49,936
Salaries and wages	1,729,732	210,047	-	62,489	2,002,268
Telephone	30,704	1,259	-	4,018	35,981
Travel and meetings	41,727	6,459	-	991	49,177
	<u>\$ 4,158,847</u>	<u>\$ 299,366</u>	<u>\$ 35,635</u>	<u>\$ 201,268</u>	<u>\$ 4,695,116</u>

## **SINGLE AUDIT REQUIREMENTS**

**THE PHILADELPHIA VETERANS  
MULTI-SERVICE & EDUCATION CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Award Amount	June 30, 2012		2013		June 30, 2013	
					Account Receivable	Unexpended Funds	Receipts	Expenditures	Account Receivable	Unexpended Funds
<b>U.S. Department of Labor</b>										
Homeless Veterans Reintegration Program	17.805		7/1/2012 - 6/30/2013	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ -
Homeless Veterans Reintegration Program - Women	17.805		7/1/2012 - 6/30/2013	76,612	-	-	76,612	76,612	-	-
Incarcerated Veterans Transition Program	17.805		7/1/2012 - 6/30/2013	300,000	-	-	300,000	300,000	-	-
Total U.S. Department of Labor					-	-	676,612	676,612	-	-
<b>U.S. Department of Housing and Urban Development</b>										
Supportive Housing Program	14.235		1/1/2012 - 12/31/2012	301,698	23,343	-	157,060	133,717	-	-
Supportive Housing Program	14.235		1/1/2013 - 12/31/2013	301,698	-	-	115,147	148,058	34,305	1,394
Pass-Through City of Philadelphia Shelter Plus Care Program	14.238	PA-0027-C3T001104	7/1/2012 - 6/30/2013	316,980	15,225	-	160,806	180,078	34,497	-
Total U.S. Department of Housing and Urban Development					38,568	-	433,013	461,853	68,802	1,394
<b>U.S. Department of Veterans Affairs</b>										
VA Homeless Providers Grant And Per Diem Program Pass-Through Project H.O.M.E.	64.024		7/01/2012 - 6/30/2013	2,028,563	156,988	-	2,003,199	2,028,563	182,352	-
Supportive Services for Veteran Families	64.033		10/1/11 - 9/30/12	519,615	19,589	-	261,518	241,929	-	-
Supportive Services for Veteran Families	64.033		10/1/12 - 9/30/13	732,287	-	-	731,828	554,466	-	177,362
Total U.S. Department of Veterans Affairs					176,577	-	2,996,545	2,824,958	182,352	177,362
TOTAL					\$ 215,145	\$ -	\$ 4,106,170	\$ 3,963,423	\$ 251,154	\$ 178,756

See accompanying notes to schedule of federal awards.

**THE PHILADELPHIA VETERANS  
MULTI-SERVICE & EDUCATION CENTER, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Award Amount	June 30, 2011		Carryover Adjustment	2012		June 30, 2012	
					Account Receivable	Unexpended Funds		Receipts	Expenditures	Account Receivable	Unexpended Funds
<b>U.S. Department of Labor</b>											
Homeless Veterans Reintegration Program	17.805		7/1/2011 - 6/30/2012	\$ 300,000	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ -
Homeless Veterans Reintegration Program - Women	17.805		7/1/2011 - 6/30/2012	76,612	-	-	-	76,612	76,612	-	-
Incarcerated Veterans Transition Program	17.805		7/1/2011 - 6/30/2012	300,000	-	-	-	300,000	300,000	-	-
Total U.S. Department of Labor					-	-	-	676,612	676,612	-	-
<b>U.S. Department of Housing and Urban Development</b>											
Supportive Housing Program	14.235		1/1/2011 - 12/31/2011	301,698	-	-	-	132,853	132,853	-	-
Supportive Housing Program	14.235		1/1/2012 - 12/31/2012	301,698	-	-	-	121,651	144,994	23,343	-
Pass-Through City of Philadelphia Shelter Plus Care Program	14.238	PA-0027-C3T001003	7/1/2011 - 6/30/2012	317,340	13,739	-	-	167,959	169,445	15,225	-
Pass-Through City of Philadelphia ARRA - Homeless Prevention and Rapid Rehousing Program	14.262	10-20227-01	10/1/2010 - 9/30/2011	601,296	174,835	150,000	(7,081)	296,620	264,704	-	-
Pass-Through City of Philadelphia ARRA - Homeless Prevention and Rapid Rehousing Program	14.262	11-20227-02	7/1/2011 - 6/30/2012	329,413	-	-	7,081	243,529	250,610	-	-
Total U.S. Department of Housing and Urban Development					188,574	150,000	-	962,612	962,606	38,568	-
<b>U.S. Department of Veterans Affairs</b>											
VA Homeless Providers Grant And Per Diem Program	64.024		7/1/2010 - 6/30/2011	1,876,135	201,401	-	-	201,401	-	-	-
VA Homeless Providers Grant And Per Diem Program	64.024		7/01/2011 - 6/30/2012	1,926,688	-	-	-	1,765,254	1,922,242	156,988	-
Pass-Through Project H.O.M.E. Supportive Services for Veteran Families	64.033		10/1/11 - 9/30/12	519,615	-	-	-	500,026	519,615	19,589	-
Total U.S. Department of Veterans Affairs					201,401	-	-	2,466,681	2,441,857	176,577	-
TOTAL					\$ 389,975	\$ 150,000	\$ -	\$ 4,105,905	\$ 4,081,075	\$ 215,145	\$ -

See accompanying notes to schedule of federal awards.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2013 AND 2012**

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**NOTE A BASIS OF PRESENTATION**

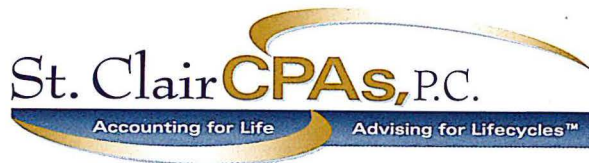
The accompanying Schedules of Expenditures of Federal Awards (the schedules) include the federal grant activity of The Philadelphia Veterans Multi-Service & Education Center, Inc., under programs of the federal government for the years ended June 30, 2013 and 2012. The information in these schedules is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Because the schedules present only a selected portion of the operations of The Philadelphia Veterans Multi-Service & Education Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Philadelphia Veterans Multi-Service & Education 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 *OMB Circular A-122, Cost Principles for Non-profit Organizations*, 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 RELATIONSHIP TO THE FINANCIAL STATEMENTS**

Federal financial assistance revenue is reported in The Philadelphia Veterans Multi-Service & Education Center, Inc.'s financial statements as temporarily restricted grant revenue and support and was \$3,963,423 and \$4,081,075 for the years ended June 30, 2013 and 2012, respectively.



**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  
The Philadelphia Veterans Multi-Service & Education 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 The Philadelphia Veterans Multi-Service & Education Center, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audits, we considered The Philadelphia Veterans Multi-Service & Education Center, Inc.'s internal control over financial reporting (internal control) to determine the auditing 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 over financial reporting. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Philadelphia Veterans Multi-Service & Education 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned cost as items 2013-1 and 2013-2.

## **The Organization's Response to Findings**

The Philadelphia Veterans Multi-Service & Education Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

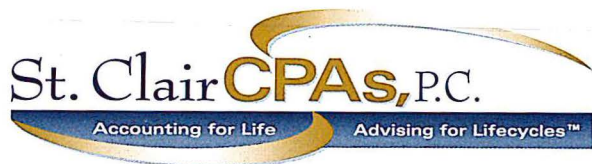
## **Purpose of this Report**

This report is intended 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.



Certified Public Accountants

Merchantville, New Jersey  
December 11, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

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

We have audited The Philadelphia Veterans Multi-Service & Education Center, Inc. (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 audits 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; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the *City of Philadelphia Subrecipient Audit Guide*. Those standards and OMB Circular A-133 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 audits provide 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.

**Basis for Qualified Opinion on Supportive Services for Veteran Families**

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding Supportive Services for Veteran Families as described in finding numbers 2013-1. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

### **Qualified Opinion on Supportive Services for Veteran Families**

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Supportive Services for Veteran Families for the year end June 30, 2013.

### **Basis for Qualified Opinion on the Homeless Providers Grant and Per Diem Program**

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding the Homeless Providers Grant and Per Diem Program as described in finding number 2013-2. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

### **Qualified Opinion on the Homeless Providers Grant and Per Diem Program**

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Homeless Providers Grant and Per Diem Program for the year ended June 30, 2013.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the Organization complied, in all material respects, with the types on compliance requirements referred to above that could have a direct and a material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

### **Other Matters**

The results of our auditing procedures disclosed no other instances of noncompliance, which would be required to be reported in accordance with OMB Circular A-133. Our opinion on each major federal program is not modified with respect to these matters.

The Organization’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We noted no items we considered to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 to be significant deficiencies.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Certified Public Accountants

Merchantville, New Jersey  
December 11, 2013

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013 AND 2012**

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**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of The Philadelphia Veterans Multi-Service & Education Center, Inc.
2. Two significant deficiencies 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 were disclosed during the audit.
4. Two significant deficiencies relating to the audit of the major federal awards programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. None of these deficiencies are disclosed as material weaknesses.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) if OMB Circular A-133 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 Veterans Affairs "*Supportive Services for Veteran Families*" under CFDA No. 64.033, pass-through from Project H.O.M.E.
  - U.S. Department of Labor "*Homeless Veterans Reintegration Program*" under CFDA No. 17.805
  - U.S. Department of Labor "*Incarcerated Veterans Transfer Program*" under CFDA No. 17.805
8. The threshold for distinguishing types A and B programs was \$300,000.
9. The Organization was determined to be a high-risk auditee.

**FINDINGS - FINANCIAL STATEMENT AUDIT**

None

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013 AND 2012**

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

U.S. DEPARTMENT OF VETERANS AFFAIRS

2013-1 Supportive Services for Veteran Families – CFDA 64.033  
Grant period - Year ended June 30, 2013

*Condition:* The tenant files do not have adequate documentation to support payments made for veteran's assistance under the grant.

*Criteria:* The Organization makes payments for items including rental assistance, security deposits, moving expenses, etc. in order to assist Veterans in finding adequate housing.

*Cause:* Landlords will agree to let Veterans move in before the proper paperwork is filled out but will usually ask for more rent or a higher security deposit and will not update the lease to reflect these amounts. Procedures are not in place to reconcile payment requests to adequate documentation in the file.

*Effect:* The Organization is paying amounts that do not reconcile to documentation in the file.

*Recommendation:* The Organization should establish procedures to have the program supervisor review the tenant files to confirm that the payment requests are in agreement with the proper documentation that is included in the files.

*Views of Responsible Officials and Planned Corrective Actions:* The Organization agrees with the findings and has drafted and implemented new procedures to verify payment requests prior to the payments being made.

2013-2 Homeless Providers Grant and Per Diem Program – CFDA 64.024  
Grant period – Year ended June 30, 2013

*Condition:* The daily sign in sheets did not reconcile to the monthly invoices.

*Criteria:* Per Diem payments from the VA are based on the number of hours a veteran is served.

*Cause:* Procedures are not in place to confirm that staff is entering the correct number of hours per the sign in sheets.

*Effect:* There is the possibility of incorrectly billing the Department of Veterans Affairs, which could result in a loss of funding.

*Recommendation:* The Organization should establish procedures to have the program supervisor review the daily sign in sheets to confirm that they agree to what was entered into the billing system.

*Views of Responsible Officials and Planned Corrective Actions:* The Organization agrees with the finding and has already drafted and implemented new procedures to reconcile the daily sign in sheets to the billing system.

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2013 AND 2012**

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**FINDINGS - FINANCIAL STATEMENT AUDIT**

None

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

None

**CITY OF PHILADELPHIA AUDIT REQUIREMENTS**

**THE PHILADELPHIA VETERANS MULTI-SERVICE & EDUCATION CENTER, INC.**  
**OFFICE OF SUPPORTIVE HOUSING (HUD)**  
**CITY OF PHILADELPHIA CONTRACT NO. 13-20037**  
**HUD SHELTER PLUS CARE - FREEDOM'S GATE GRANT NO. PA0027C3T001104**  
**RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDIT**  
**FOR THE GRANT PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013**

Budget Categories	Agency Total Contract Expenditures	Adjustments	Amount per Audit
Personnel services			
Salaries	\$ 10,165	\$ -	\$ 10,165
Fringe benefits	2,467	-	2,467
Staff travel	-	-	-
Training and conferences	-	-	-
Sub-total: Personnel services	12,632	-	12,632
Participants			
Rental assistance	167,945	-	167,945
Sub-total: Participants	167,945	-	167,945
Total OSH Contract Expenditures	180,577	-	180,577
City of Philadelphia, OSH	180,078	-	180,078
Total Funding	180,078	-	180,078
Excess of expenditures over funding sources	\$ 499	\$ -	\$ 499