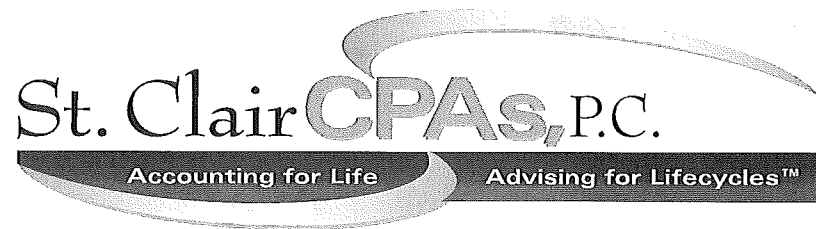


VETERANS MULTI-SERVICE CENTER, INC.
FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013



VETERANS MULTI-SERVICE CENTER, INC.
JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

| <u>EXHIBIT</u> | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Cash Flows | 5 |
| Notes to Financial Statements | 6 - 14 |
| SUPPLEMENTARY INFORMATION | |
| Schedules of Functional Expenses | 15 - 16 |
| SINGLE AUDIT REQUIREMENTS | |
| Schedules of Expenditures of Federal Awards | 17 - 18 |
| Notes to Schedules of Expenditures of Federal Awards | 19 |
| 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 | 20 - 21 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 | 22 - 23 |
| Schedule of Findings and Questioned Costs | 24 - 25 |
| Summary Schedule of Prior Audit Findings and Questioned Costs | 26 |
| CITY OF PHILADELPHIA AUDIT REQUIREMENTS | |
| Reconciliation of Agency Reported Expenditures / Revenues to Audit – HUD Shelter Plus Care – Contract Number 13-20037 | 27 |



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, 2014 and 2013, 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 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 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 Veterans Multi-Service Center, Inc. as of June 30, 2014 and 2013 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 are 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 Reconciliation of Agency Reported Expenditures / Revenues to Audit – HUD Shelter Plus Care is presented for purposes of additional reporting as required by the *City of Philadelphia Subrecipient Audit Guide*, and is 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 schedule of Agency Reported Expenditures / Revenues to Audit 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 October 30, 2014, 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 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 Veterans Multi-Service Center, Inc.'s internal control over financial reporting and compliance.


Certified Public Accountants

Merchantville, New Jersey
October 30, 2014

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 613,058 | \$ 590,743 |
| Grants and contracts receivable | 416,235 | 303,886 |
| Pledges receivable | 66,481 | 3,545 |
| Inventory | 39,734 | 12,809 |
| Prepaid expenses | 37,388 | 9,323 |
| Investments | <u>9,560</u> | <u>8,930</u> |
| TOTAL CURRENT ASSETS | <u>1,182,456</u> | <u>929,236</u> |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation | <u>1,682,625</u> | <u>1,569,270</u> |
| OTHER ASSETS | | |
| Artwork | 17,000 | 17,000 |
| Capitalized loan fees, net of accumulated amortization | 9,853 | 13,231 |
| Goodwill, thrift shop | - | 1,500 |
| Security deposits | <u>9,600</u> | <u>7,000</u> |
| TOTAL OTHER ASSETS | <u>36,453</u> | <u>38,731</u> |
| | <u>\$ 2,901,534</u> | <u>\$ 2,537,237</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Current portion of long-term debt | \$ 20,140 | \$ 19,980 |
| Accounts payable | 98,138 | 105,065 |
| Accrued expenses | 171,850 | 137,679 |
| Deferred income | <u>64,010</u> | <u>177,362</u> |
| TOTAL CURRENT LIABILITIES | <u>354,138</u> | <u>440,086</u> |
| LONG-TERM DEBT, net of current portion | <u>438,549</u> | <u>458,532</u> |
| OTHER LIABILITIES | | |
| Security deposits held as fiduciary | - | 2,534 |
| Security deposits held in escrow | <u>16,345</u> | <u>20,400</u> |
| TOTAL OTHER LIABILITIES | <u>16,345</u> | <u>22,934</u> |
| TOTAL LIABILITIES | <u>809,032</u> | <u>921,552</u> |
| NET ASSETS | | |
| Unrestricted | 1,663,831 | 1,126,835 |
| Temporarily restricted | <u>428,671</u> | <u>488,850</u> |
| TOTAL NET ASSETS | <u>2,092,502</u> | <u>1,615,685</u> |
| | <u>\$ 2,901,534</u> | <u>\$ 2,537,237</u> |

See accompanying notes.

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|--|----------------------------|----------------------------|
| UNRESTRICTED NET ASSETS | | |
| UNRESTRICTED REVENUES AND SUPPORT | | |
| Fundraising and contributions | 705,711 | \$ 448,522 |
| Resident fees | 238,275 | 232,527 |
| Rental income | 134,113 | 105,620 |
| Grant awards | - | 25,105 |
| Thrift shop | 146,269 | 13,615 |
| Other income | 59,033 | 4,928 |
| Interest income | <u>194</u> | <u>-</u> |
| TOTAL UNRESTRICTED REVENUES AND SUPPORT | 1,283,595 | 830,317 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | |
| Satisfaction of program restrictions | <u>5,396,407</u> | <u>4,184,211</u> |
| TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT | <u>6,680,002</u> | <u>5,014,528</u> |
| EXPENSES | | |
| Program | 5,835,474 | 4,361,986 |
| Fundraising | 29,364 | 26,565 |
| General and administrative | <u>278,168</u> | <u>186,612</u> |
| TOTAL EXPENSES | <u>6,143,006</u> | <u>4,575,163</u> |
| INCREASE IN UNRESTRICTED NET ASSETS | <u>536,996</u> | <u>439,365</u> |
| TEMPORARILY RESTRICTED NET ASSETS | | |
| Contributions | 293,150 | 102,896 |
| Contract revenues - Department of Veterans Affairs | 4,093,292 | 2,824,958 |
| Contract revenues - Department of Labor | 375,000 | 676,612 |
| Contract revenues - City of Philadelphia | 242,531 | 180,078 |
| Contract revenues - Department of Housing | 284,705 | 283,169 |
| Contract revenues - Department of Homeland Security (FEMA) | 7,500 | 9,130 |
| Other support | 40,050 | 63,500 |
| Net assets released from restrictions | <u>(5,396,407)</u> | <u>(4,184,211)</u> |
| DECREASE IN TEMPORARILY RESTRICTED NET ASSETS | <u>(60,179)</u> | <u>(43,868)</u> |
| TOTAL INCREASE IN NET ASSETS | 476,817 | 395,497 |
| NET ASSETS, BEGINNING | <u>1,615,685</u> | <u>1,220,188</u> |
| NET ASSETS, ENDING | <u>\$ 2,092,502</u> | <u>\$ 1,615,685</u> |

See accompanying notes.

VETERANS MULTI-SERVICE CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in net assets | \$ 476,817 | \$ 395,497 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 115,463 | 84,735 |
| Donated vehicles and equipment | (12,800) | (79,352) |
| Unrealized gain on investment | (630) | (3,028) |
| (Increase) decrease in | | |
| Grants and contracts receivable | (112,349) | (84,503) |
| Pledges receivable | (62,936) | (720) |
| Inventory | (26,925) | (12,809) |
| Prepaid expenses | (28,065) | (2,337) |
| Increase (decrease) in | | |
| Accounts payable | (6,928) | (100,791) |
| Accrued expenses | 34,171 | 90,629 |
| Deferred income | (113,352) | 152,257 |
| Security deposits held as fiduciary | (2,534) | - |
| Security deposits held in escrow | (4,055) | (4,600) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>255,877</u> | <u>434,978</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (211,139) | (58,953) |
| Security deposits placed | (2,600) | (7,000) |
| Purchase of goodwill | - | (1,500) |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(213,739)</u> | <u>(67,453)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on long-term debt | (19,823) | (19,127) |
| NET CASH USED BY FINANCING ACTIVITIES | <u>(19,823)</u> | <u>(19,127)</u> |
| NET INCREASE IN CASH | 22,315 | 348,398 |
| CASH, BEGINNING | <u>590,743</u> | <u>242,345</u> |
| CASH, ENDING | <u>\$ 613,058</u> | <u>\$ 590,743</u> |
| SUPPLEMENTARY DISCLOSURES | | |
| Interest paid | <u>\$ 23,284</u> | <u>\$ 25,144</u> |

See accompanying notes.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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

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 or 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.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014 and 2013.

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.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 \$268,264 and \$92,157, respectively for the years ended June 30, 2014 and 2013, 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, 2014 and 2013 was \$48,121 and \$12,696, 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, 2014 the tax periods remaining open for examination are fiscal years ended June 30, 2011 through 2014.

Subsequent Events

The Organization has evaluated events or transactions that have occurred after June 30, 2014 (the financial statement date) through October 30, 2014, 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.

VETERANS MULTI-SERVICE CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

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, 2014 and 2013 is as follows:

| <u>Year ended June 30, 2014</u> | <u>Cost</u> | <u>Unrealized Gain</u> | <u>Fair Market Value</u> |
|---------------------------------|-------------|----------------------------|------------------------------|
| Domestic corporate stock | \$ 2,843 | \$ 6,717 | \$ 9,560 |
| | | | |
| <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 |

For the years ended June 30, 2014 and 2013, unrealized gain on corporate stock was \$630 and \$3,028 respectively, and is recorded in the statement of activities in other income.

VETERANS MULTI-SERVICE CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 175,000 | \$ 175,000 |
| Building and renovations | 1,906,728 | 1,906,728 |
| Leasehold improvements | 124,360 | 119,984 |
| Equipment | 121,542 | 54,339 |
| Vehicles | <u>368,441</u> | <u>216,081</u> |
| Total | 2,696,071 | 2,472,132 |
| Less accumulated depreciation | <u>(1,013,446)</u> | <u>(902,862)</u> |
| Net property and equipment | <u>\$ 1,682,625</u> | <u>\$ 1,569,270</u> |

Depreciation expense for the years ended June 30, 2014 and 2013 was \$110,585 and \$81,357 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, 2014 and 2013 was \$3,378 and \$3,378, respectively.

Future amortization expense is as follows:

| <u>Years ending June 30,</u> | |
|------------------------------|-----------------|
| 2015 | \$ 3,378 |
| 2016 | 3,378 |
| 2017 | 3,097 |
| Thereafter | <u>-</u> |
| | <u>\$ 9,853</u> |

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6 INTANGIBLE ASSETS (continued)

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. On November 15, 2013 the name of the thrift shop was changed. Therefore, the trade name no longer had any value and was written off. The loss on disposal of the intangible recognized for the year ended June 30, 2014 was \$1,500.

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

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%. This line of credit is subject to a covenant and secured by the building, assets of the business and future rents. There were no outstanding balances as of June 30, 2014 and 2013. The interest rate at June 30, 2014 was 4.25%.

NOTE 9 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 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 during this period. This mortgage is subject to a covenant and secured by the building, assets of the business and future rents.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014 are as follows:

| <u>Years ending June 30,</u> | |
|------------------------------|-------------------|
| 2015 | 20,140 |
| 2016 | 17,190 |
| 2017 | 421,359 |
| Thereafter | - |
| | <u>\$ 458,689</u> |

NOTE 10 SECURITY DEPOSITS

Security deposits represent a deposit on the store front where the Organization operates its thrift shop, a deposit on the St. Augustine Church where the Organization holds an office and training workshop, and a deposit on additional space for LZII.

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 started October 1, 2012 for a five year period.

The Organization is also leasing additional office space. This lease commenced on March 24, 2014 and expires on June 30, 2016. Monthly base rent is \$1,100.

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, 2014 and 2013 was \$369,359 and \$269,856, respectively.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 11 COMMITMENTS (continued)

Future minimum lease payments are as follows:

| <u>Years ending June 30,</u> | |
|------------------------------|---------------------|
| 2015 | \$ 395,380 |
| 2016 | 386,551 |
| 2017 | 364,548 |
| 2018 | 126,263 |
| 2019 | 47,618 |
| Thereafter | <u>198,198</u> |
| | <u>\$ 1,518,558</u> |

NOTE 12 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 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, 2014 and 2013 was \$44,976 and \$50,908, respectively.

NOTE 14 CONTINGENT LIABILITY

A significant part of funding of the renovations to the Organization's facility at 213 – 217 North 4th 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, 2014, leaving a lien balance of \$390,660 at June 30, 2014. The lien will be released in total in December 2019.

VETERANS MULTI-SERVICE CENTER, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014 AND 2013

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.

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 2nd floor as office space for the VA liaison. The lease term started on September 1, 2012 for five (5) years.

Future minimum rental payments to be received are as follows:

Years ending June 30,

| | |
|------|-------------------|
| 2015 | \$ 115,200 |
| 2016 | 115,200 |
| 2017 | 115,200 |
| 2018 | <u>19,200</u> |
| | <u>\$ 364,800</u> |

NOTE 17 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes as of June 30, 2014 and 2013:

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Philadelphia RDA - lien on building | \$ 390,660 | \$ 461,689 |
| Supportive Services for Veteran Families | 5,000 | - |
| Walker House | - | 5,000 |
| Women's Center | 20,000 | - |
| Other funds restricted for use | <u>13,011</u> | <u>22,161</u> |
| | <u>\$ 428,671</u> | <u>\$ 488,850</u> |

SUPPLEMENTARY INFORMATION

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

| | <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 | \$ 1,044 | \$ - | \$ 1,055 | \$ 46,022 | \$ 48,121 |
| Bad debt expense | - | - | - | 20,481 | 20,481 |
| Depreciation and amortization | 93,797 | - | - | 21,666 | 115,463 |
| Employee benefits | 221,499 | 4,651 | - | 5,655 | 231,805 |
| Equipment rental and repair | 72,139 | - | - | 10,541 | 82,680 |
| Food and entertainment | - | - | 16,063 | 27,275 | 43,338 |
| Insurance | 81,433 | 3,161 | - | 13,736 | 98,330 |
| Interest | 23,018 | - | - | 266 | 23,284 |
| Materials and supplies | 85,432 | 811 | 6,094 | - | 92,337 |
| Office expenses | 28,243 | - | 6,048 | 7,253 | 41,544 |
| Payroll taxes | 253,704 | 6,934 | - | 4,807 | 265,445 |
| Production expense | - | - | - | 9,281 | 9,281 |
| Professional fees | 205,816 | 1,000 | - | 8,369 | 215,185 |
| Program costs | 1,744,052 | 1,969 | - | 14,150 | 1,760,171 |
| Rent and occupancy | 508,918 | 1,392 | - | 10,978 | 521,288 |
| Retirement plan | 41,667 | 2,575 | - | 734 | 44,976 |
| Salaries and wages | 2,294,413 | 66,834 | - | 70,135 | 2,431,382 |
| Telephone | 47,442 | - | - | 2,643 | 50,085 |
| Travel and meetings | 41,358 | 2,172 | 104 | 4,176 | 47,810 |
| | <u>\$ 5,743,975</u> | <u>\$ 91,499</u> | <u>\$ 29,364</u> | <u>\$ 278,168</u> | <u>\$ 6,143,006</u> |

VETERANS MULTI-SERVICE 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 | 349,802 | 600 | - | 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>\$ 4,061,974</u> | <u>\$ 300,012</u> | <u>\$ 26,565</u> | <u>\$ 186,612</u> | <u>\$ 4,575,163</u> |

SINGLE AUDIT REQUIREMENTS

**VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

| Federal C.F.D.A. Number | Pass-Through Grantor's Number | Grant Period | Award Amount | June 30, 2013 | | 2014 | | June 30, 2014 | |
|---|-------------------------------|-----------------------|--------------|--------------------|------------------|--------------|--------------|--------------------|------------------|
| | | | | Account Receivable | Unexpended Funds | Receipts | Expenditures | Account Receivable | Unexpended Funds |
| U.S. Department of Labor | | | | | | | | | |
| 17.805 | | 7/1/2013 - 6/30/2014 | \$ 300,000 | - | \$ - | \$ 300,000 | \$ 300,000 | \$ - | \$ - |
| 17.805 | | 7/1/2013 - 6/30/2014 | 75,000 | - | - | 75,000 | 75,000 | - | - |
| Total U.S. Department of Labor | | | | - | - | 375,000 | 375,000 | - | - |
| U.S. Department of Housing and Urban Development | | | | | | | | | |
| 14.235 | | 1/1/2013 - 12/31/2013 | 301,698 | 34,305 | 1,394 | 119,293 | 86,382 | - | - |
| 14.235 | | 1/1/2014 - 12/31/2014 | 305,422 | - | - | 171,672 | 198,323 | 26,651 | - |
| 14.238 | PA-0027-L3T001205 | 7/1/2013 - 6/30/2014 | 325,980 | 34,497 | - | 253,228 | 242,531 | 23,800 | - |
| Total U.S. Department of Housing and Urban Development | | | | 68,802 | 1,394 | 544,193 | 527,236 | 50,451 | - |
| U.S. Department of Veterans Affairs | | | | | | | | | |
| 64.024 | | 7/01/2013 - 6/30/2014 | 2,331,458 | 182,352 | - | 2,326,754 | 2,331,458 | 187,056 | - |
| 64.033 | | 10/1/13 - 9/30/14 | 1,007,000 | - | - | 454,044 | 563,749 | 109,705 | - |
| 64.033 | | 10/1/12 - 9/30/13 | 732,287 | - | 177,362 | 21,826 | 199,188 | - | - |
| 64.033 | | 10/1/13 - 9/30/14 | 1,528,444 | - | - | 1,035,006 | 998,896 | 27,900 | 64,010 |
| Total U.S. Department of Veterans Affairs | | | | 182,352 | 177,362 | 3,837,630 | 4,093,291 | 324,661 | 64,010 |
| TOTAL | | | | \$ 251,154 | \$ 178,756 | \$ 4,756,823 | \$ 4,995,527 | \$ 375,112 | \$ 64,010 |

See accompanying notes to schedule of federal awards.

**VETERANS MULTI-SERVICE 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 |
| U.S. Department of Labor | | | | | | | | | |
| 17.805 | | 7/1/2012 - 6/30/2013 | \$ 300,000 | \$ - | \$ - | \$ 300,000 | \$ 300,000 | \$ - | \$ - |
| 17.805 | | 7/1/2012 - 6/30/2013 | 76,612 | - | - | 76,612 | 76,612 | - | - |
| 17.805 | | 7/1/2012 - 6/30/2013 | 300,000 | - | - | 300,000 | 300,000 | - | - |
| Total U.S. Department of Labor | | | | - | - | 676,612 | 676,612 | - | - |
| U.S. Department of Housing and Urban Development | | | | | | | | | |
| 14.235 | | 1/1/2012 - 12/31/2012 | 301,698 | 23,343 | - | 157,060 | 133,717 | - | - |
| 14.235 | | 1/1/2013 - 12/31/2013 | 301,698 | - | - | 115,147 | 148,058 | 34,305 | 1,394 |
| 14.238 | PA-0027-CST001104 | 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 |
| U.S. Department of Veterans Affairs | | | | | | | | | |
| 64.024 | | 7/01/2012 - 6/30/2013 | 2,331,458 | 156,988 | - | 2,003,199 | 2,028,563 | 182,352 | - |
| 64.033 | | 10/1/11 - 9/30/12 | 519,615 | 19,589 | - | 261,518 | 241,929 | - | - |
| 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.

VETERANS MULTI-SERVICE CENTER, INC.
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2014 AND 2013

NOTE A BASIS OF PRESENTATION

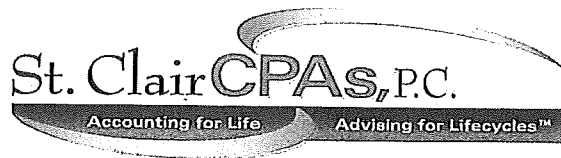
The accompanying Schedules of Expenditures of Federal Awards (the schedules) include the federal grant activity of Veterans Multi-Service Center, Inc., under programs of the federal government for the years ended June 30, 2014 and 2013. The information in these schedules is presented in accordance with 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 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 *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 Veterans Multi-Service Center, Inc.'s financial statements as temporarily restricted grant revenue and support and was \$4,995,527 and \$3,963,423 for the years ended June 30, 2014 and 2013, 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
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, 2014 and 2013, 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 October 30, 2014.

Internal Control over Financial Reporting

In planning and performing our audits 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 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 item 2014-1 that we consider to be a significant deficiency.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned cost as item 2014-1.

The Organization's Response to Findings

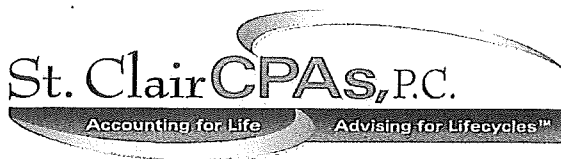
Veterans Multi-Service Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly,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

Purpose of this Report

This 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.


Certified Public Accountants

Merchantville, New Jersey
October 30, 2014



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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. (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, 2014. 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.

Opinion on Each 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 major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-1. Our opinion on each major federal program is not modified with respect to this matter.

An independent member of **B K R**
INTERNATIONAL

The Organization's response to the noncompliance finding 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2014-1 that we consider 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
October 30, 2014

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014 AND 2013

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Veterans Multi-Service Center, Inc.
2. One significant deficiency relating to the audit of the financial statements is 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. One significant deficiency relating to the audit of the major federal awards programs is 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. This deficiency is not disclosed as a material weakness.
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 Veterans Affairs "*Supportive Services for Veteran Families*" under CFDA No. 64.033
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

VETERANS MULTI-SERVICE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014 AND 2013

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF VETERANS AFFAIRS

2014-1 Noncompliance with filing requirements

Condition: Form SF-SAC was filed late.

Criteria: Form SF-SAC is required to be filed nine months after the fiscal year end.

Cause: Procedures are in place to file the form timely; however the employee responsible for this task did not follow the procedures.

Effect: The Organization could lose federal funding as a result of this noncompliance.

Recommendation: The Organization should set up procedures where multiple individuals have reminders to file reports timely.

Views of Responsible Officials and Planned Corrective Actions: The Organization agrees with the finding and will review the procedures to timely file this report and determine if they need to be modified.

VETERANS MULTI-SERVICE CENTER, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014 AND 2013

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

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.

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.

Current Status: Procedures and controls were implemented to verify payment requests prior to the payments being made. No reported findings were noted during the current audit.

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.

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.

Current Status: New procedures were implemented to reconcile the daily sign in sheets to the billing system. No reported findings were noted during the current audit.

CITY OF PHILADELPHIA AUDIT REQUIREMENTS

VETERANS MULTI-SERVICE CENTER, INC.
OFFICE OF SUPPORTIVE HOUSING (HUD)
CITY OF PHILADELPHIA CONTRACT NO. 14-20065
HUD SHELTER PLUS CARE - FREEDOM'S GATE GRANT NO. PA0027L3T001205
RECONCILIATION OF AGENCY REPORTED EXPENDITURES/REVENUES TO AUDIT
FOR THE GRANT PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014

| Budget Categories | Agency Total Contract Expenditures | Adjustments | Amount per Audit |
|---|--|-------------|------------------------|
| Personnel services | | | |
| Salaries | \$ 14,362 | \$ - | \$ 14,362 |
| Fringe benefits | 3,456 | - | 3,456 |
| Staff travel | - | - | - |
| Training and conferences | - | - | - |
| Sub-total: Personnel services | 17,818 | - | 17,818 |
| Participants | | | |
| Rental assistance | 225,597 | - | 225,597 |
| Sub-total: Participants | 225,597 | - | 225,597 |
| Total OSH Contract Expenditures | 243,415 | - | 243,415 |
| City of Philadelphia, OSH | 242,531 | - | 242,531 |
| Total Funding | 242,531 | - | 242,531 |
| Excess of expenditures over funding sources | \$ 884 | \$ - | \$ 884 |